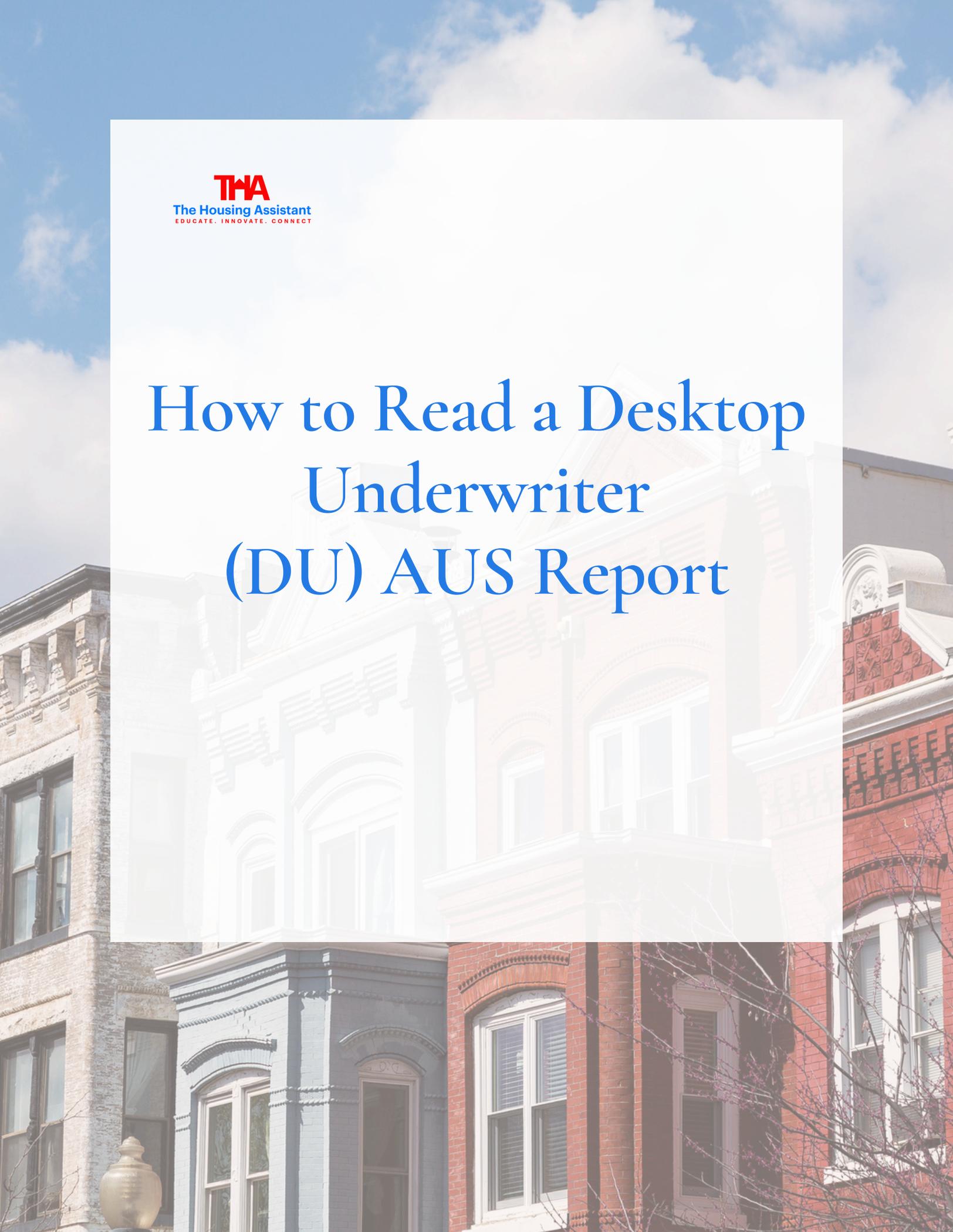


How to Read a Desktop Underwriter (DU) AUS Report



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A Comprehensive Guide by The Housing Assistant



Introduction

Desktop Underwriter (DU) is Fannie Mae's Automated Underwriting System (AUS). It analyzes borrower data, applies Fannie Mae's eligibility guidelines, and provides a credit risk assessment. DU is used not only for Conventional loans but also for VA loans when lenders submit VA files through DU to determine automated eligibility. Mortgage operations staff must know how to read, understand, and act on DU findings to ensure loan eligibility, compliance, and investor salability.

Key Sections of a DU AUS Report

Section	What to Review
Underwriting Recommendation	Confirm if 'Approve/Eligible,' 'Approve/Ineligible,' or 'Refer'.
Risk Assessment	Overall recommendation based on credit, capacity, collateral, and capital.
Borrower Information	Verify borrower name(s), SSN, DOB, and loan application data match.
Credit Report Data	Check credit scores used, tradelines, and recent inquiries.
Income and Employment	Review income sources and calculations against provided documentation.
Assets and Reserves	Confirm borrower's assets and required post-closing reserves.
Property and Appraisal	Determine if appraisal is needed or if a Property Inspection Waiver (PIW) is issued.
Liabilities and DTI Ratios	Review debts and confirm accurate DTI calculations.
Required Documentation	Identify documents needed per DU feedback messages.

Important Things to Look For

- Approve/Eligible vs. Refer findings.
- Required Documentation per DU feedback.
- Appraisal or Property Inspection Waiver requirements.
- Correct income treatment (bonus, overtime, rental income).
- Post-closing reserves requirements.

Special Considerations for VA Loans Run Through DU

- Even if DU issues an Approve/Eligible for a VA loan, lenders must still:
 - ✔ Perform VA-specific income and residual income calculations.
 - ✔ Confirm VA funding fee rules are correctly applied.
 - ✔ Collect all VA-required documentation such as Certificate of Eligibility (COE).
- An 'Approve/Eligible' DU finding does not replace full compliance with VA underwriting guidelines.

When to Escalate Issues

- Unexpected 'Refer' or 'Refer with Caution' results.
- Income, employment, or assets differ from DU data.
- Appraisal or property condition issues.
- Major errors in borrower's SSN, DOB, or name.
- Undisclosed debts or liabilities missed in DU analysis.

Best Practices for Reviewing DU Findings

- ✔ Cross-verify DU data against most current loan documents.
- ✔ Re-run DU after any material changes (income, debt, property).
- ✔ Save a final copy of DU Findings in the loan file.
- ✔ Carefully follow all DU feedback and documentation requirements.

THA Tip:

- ◆ DU Findings aren't just suggestions — they are critical conditions for loan salability. Always double-check DU feedback before final approval or closing.