DU Version 12.1 Updates and Agency Authorized User Tradelines, Condo, PUD, and Property Insurance Standards Improvement Revisions

Truist Bank (Truist) announces that Fannie Mae will implement updates to Desktop Underwriter® (DU®) Version 12.1 the **evening of September 25, 2026** (today). Changes in the DU release include the following:

- updates to the Potential Red Flag section of the DU Underwriting Findings Report
- DU Validation Service updates related to the following:
    - current employment history for fixed base income
    - employment validation close-by date
- updates to support transactions where a principal (i.e., primary) residence exception is being used
- a revised DU recommendation when subject rental income is provided on a one-unit primary residence or second home transaction
- new messages to support the following:
    - Collateral Underwriter eligibility
    - identification of the attachment type provided in the loan application for properties in a planned unit development (PUD)

In support of our standards improvement initiative, we:

- clarify Agency non-AUS and DU requirements related to authorized user tradelines/accounts
- refresh various Agency condo and property insurance requirements to more closely align with Fannie Mae and Freddie Mac's wording and/or presentation of guidance *(requirements intent remain the same)*
- refresh Truist's existing overlay references to the ineligibility of manufactured home PUD projects subject to deed restrictions to promote clarity in our published Agency product materials

Effective Dates

- The DU Version 12.1 related updates will apply to DU Version 12.1 loan casefiles submitted or resubmitted to DU on or after the evening of September 25, 2026, with the following exception:
    - The DU Validation Service related updates will apply to DU Version 12.1 loan casefiles created on or after September 26, 2026.
- All remaining updates are effective for new and existing locks on or after September 25, 2026.

Background Information

In Desktop Underwriter/Desktop Originator Release Notes DU Version 12.1 September Update, Fannie Mae announced DU Version 12.1 related updates. In SEL-2026-07, Fannie Mae announced that they updated their *Selling Guide* to incorporate the condo and property insurance requirements updates communicated via their Lender Letter 2026-03 *(previously published updates announced in Product Release Bulletins* [COR26-029]() *and*

Background Information, continued

COR26-041. Additionally, Fannie Mae SEL-2026-07 announced clarifications related to authorized user tradelines and expanded project review options for manufactured home PUD projects with eligible deed/resale restrictions. In response to these publications, we reviewed impacted standard documents and identified the opportunity to implement revisions to more closely align with Fannie Mae requirements. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

Bulletin Details

DU Version 12.1 Updates

Highlights of the DU Version 12.1 September updates are outlined in the table below.

<table>
<tr><th>Topic</th><th>Update</th></tr>
<tr><td>Potential Red Flag Section</td><td>
The Potential Red Flag (PRF) section of the DU Underwriting Findings report will be updated as follows:

Four of the messages currently appearing in the PRF section will be moved to other sections of the report. The excessive submission and potential casefile reuse messages will be moved to the Observation section, and the frozen credit messages will be moved to the Verification section.
One of the messages currently appearing in the PRF section will remain but will be displayed in a new format.
Two existing occupancy Verification messages will be moved back into the PRF section of the report.
A new occupancy message will be added based on a combination of loan application and external data.
A new subject property message will be added based on information returned by Collateral Underwriter.
All PRF messages will be displayed in a list message specific to either occupancy or the subject property and will include a Message Identifier. Note that the PRF Message Identifier is specific to PRF messaging and is not a DU message ID.
Each instance of a message shown will be factored into the Red Flag counter displayed on the PDF version of the report.

Below is an example of how the updated PRF section will be displayed, highlighting existing messages that will be shown in the PRF section in the new format, and new messages that will be added with today’s DU release.

Potential Red Flags

1. The following red flags related to occupancy have been identified. Msg 3969
<table>
<tr><th>Message Identifier</th><th>Message Text</th></tr>
<tr><td>DOM-01 (existing)</td><td>The occupancy on a previous submission was modified from investor to primary. Confirm the accuracy of the occupancy for this transaction.</td></tr>
<tr><td>DOM-02 (existing)</td><td>The subject property address does not match the borrower’s current address. Because this loan casefile was submitted as a principal residence refinance transaction, obtain documentation to confirm the accuracy of this information and, if appropriate, make necessary corrections and resubmit the loan casefile to DU.</td></tr>
<tr><td>DOM-03 (existing)</td><td>The data submitted indicates the borrower(s) intent to occupy this property as a principal residence. However, according to our records, we have recently purchased at least one loan belonging to the borrower(s) that was recently originated and secured by a property that was identified as their principal residence. Obtain documentation that confirms the borrower(s) intent to occupy this property.</td></tr>
<tr><td>OCC-03 (new)</td><td>Based on external data, information on the loan application, and the borrower’s history of managing rental properties, this loan has an elevated risk of an inaccurate occupancy type. The lender should document its review of occupancy information and any supporting information used to confirm the occupancy designation. If the primary occupancy was not confirmed, update the occupancy to investment and resubmit the loan casefile to DU.</td></tr>
</table>
</td></tr>
</table>

Bulletin Details, continued

DU Version 12.1 Updates, continued

Topic	Update
Potential Red Flag Section, continued	2. The following red flags related to the subject property have been identified. Msg 3971 **Message Identifier** — **Message Text** DCM-01 (new) — Collateral Underwriter has indicated a heightened risk of overvaluation on the appraisal. The lender should carefully review the appraisal for this transaction to ensure the value is supported.
Collateral Underwriter Eligibility Messages	The following **new** messages will be issued based on information returned by Collateral Underwriter: • When the appraiser or supervisory appraiser associated with the appraisal used on the loan casefile is on the No Longer Accepted list, DU will issue an Ineligible recommendation, and a message will be issued specifying that a new appraisal would need to be obtained to proceed with the loan. • When the appraisal indicates a subject property condition rating of C6, DU will issue an Ineligible recommendation as a loan on the property is not eligible for sale to Fannie Mae.

DU Validation Service	• **Current Employment History for Fixed Base Income:**
	  • Currently, DU requires that a borrower have at least 12 months of current employment to validate employment income. Fannie Mae will update validation requirements for borrowers with fixed base income. To validate fixed base income, DU will require:
	    • At least 3 months of current employment, and
	    • At least 12 months of total employment history (current and prior employment combined).
	  • DU will continue to require 12 months of current employment history for borrowers with variable base income, including borrowers who are paid an hourly or daily wage.
	
	• **Employment Validation Close-By Date:**
	  • When employment is validated, DU generates an employment close-by date indicating the date by which the loan must close to retain relief from representations and warranties on employment verification.
	  • For loan casefiles that receive employment validation using a verification of employment report or a verification of income and employment report, DU will calculate the close-by date using business days instead of calendar days. The employment close-by date will be ten business days from the Report Date of the report.

Principal (i.e., Primary) Residence Exceptions	Currently published Agency requirements describe conditions under which Fannie Mae considers a residence to be a principal (i.e., primary) residence even though the borrower will not be occupying the property. Two of those conditions are when parents or legal guardians want to provide housing for their handicapped or disabled adult child, or children want to provide housing for their parents. With the DU Version 12.1 September update release, lenders will now be able to inform DU when one of these conditions will be used on a loan casefile. The lender can instruct DU to consider the transaction a principal residence transaction when the casefile meets one of the above conditions by entering “PrincipalResidenceException” in the DU Policy Feature Description field in *Section 5. Declarations* of the loan application. In this case, DU will no longer issue an Ineligible recommendation when it appears no borrowers are occupying the property as their primary residence on a principal residence transaction. When this exception is used, a **new** verification message will be issued specifying that the lender must confirm that the exception does apply.

Bulletin Details, continued

DU Version 12.1 Updates, continued

Topic	Update
Rental Income	Currently if rental income is provided on the subject property for a one-unit primary residence or second home transaction, DU will issue a reminder message stating that subject rental income is not permitted on those transactions, but the eligibility of the loan casefile is not impacted. With the DU Version 12.1 September update release, DU loan casefiles will now receive an **Ineligible** recommendation when subject rental income is provided on a one-unit primary residence or second home transaction. ***Note**: This does not apply when Accessory Dwelling Unit income is provided on a one-unit primary residence transaction.*
Attachment Type	A **new** Observation message will be added specifying the attachment type provided in the loan application data for properties in a planned unit development as the information is needed in the delivery data provided when the loan is sold to Fannie Mae.

Standards Improvement Updates

In support of our standards improvement initiative, we:

- clarified Agency non-AUS and DU requirements related to authorized user tradelines/accounts in the following subtopics, as follows:
  - **Authorized User Accounts**: removed the reference back to the “Debt Paid by Others / Contingent Liabilities” subtopic in the DU requirements
  - **Debt Paid by Others / Contingent Liabilities** and **Revolving Debt**: removed the following verbiage from the non-AUS and DU requirements: “including accounts on which the borrower is an authorized user” and “including when the borrower is an authorized user on a revolving account”

  ***Note**: Authorized user tradelines do not need to be automatically included in the borrower’s DTI ratio. However, if the lender determines that the borrower is actually paying the debt, then it should be considered in the DTI ratio.*

- refreshed various Agency condo and property insurance requirements to more closely align with Fannie Mae and Freddie Mac’s wording and/or presentation of guidance, in response to the recent incorporation of requirements and/or minor edits within Fannie Mae and Freddie Mac’s *Selling/Seller Guides (requirements intent remained the same)*

  ***Note**: During the refresh of these requirements:*
  - *Truist Notes related to the retirement of the Limited Review (Fannie Mae) and Streamlined Review (Freddie Mac) processes were removed from impacted Agency standard documents. Consequently, the “Limited Review Process (Fannie Mae) / Streamlined Review Process (Freddie Mac)” and “Florida-Specific Condominium Project Considerations” subtopics were eliminated in their entirety.*
  - *Minor edits related to property insurance requirements for HomeStyle® Renovation mortgage transactions were also incorporated.*

Bulletin Details, continued

Standards Improvement Updates, continued

- refreshed existing Truist overlay references to the ineligibility of manufactured home PUD projects subject to deed restrictions by updating “deed restriction” references to read “deed/resale restriction” *(for additional clarity in the impacted Agency standard document and the Agency Overlays Matrix)*

  ***Note**: Truist acknowledges that Fannie Mae recently expanded project review options for manufactured home PUD projects with eligible deed/resale restrictions. However, Truist continues to maintain our existing overlay related to these projects.*

Before and After Matrix

Click here to see the before and after matrix that provides a detailed overview of all standards revisions.

Revised Materials

Click Condominium and PUD Approval Requirements Standard, Agency Loan Standard, and Agency Overlays Matrix to review the revised product materials.

Former Standards

See the before and after matrix provided in the Bulletin Details section of this bulletin to access the former standards.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relationship Coordinator	Specific questions on applying this procedure to specific loan files. Contact your Correspondent Relationship Coordinator at 800.382.2111, option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.