



## Important Announcement

9/13/2021

This announcement includes notices regarding updates for Flanagan State Bank’s Retail & TPO Division

**This will reference:**

DU Credit Score Changes - FNMA

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FNMA announced the DU changes that will take place over the weekend of September 18, 2021. FSB will not be changing our stance on the minimum credit score requirement that we currently have in place on our matrix. We will continue to require a minimum credit score of 620 by all borrowers on the loan. In addition, we require LP to be the AUS used for all conventional loans.

FNMA announced in the most recent DU Release Notes dated August 11, 2021:

### Credit Score Eligibility in DU

Though credit scores are not an integral part of DU's risk assessment, DU currently uses credit scores to ensure compliance with the 620 minimum representative credit score requirement. To support homeownership opportunities for more underserved borrowers, we are updating the credit score used by DU in the eligibility assessment. For loan casefiles with more than one borrower, DU will now use an average median credit score as follows when determining if a loan casefile meets the minimum credit score requirement of 620:

- First, DU will determine each borrower’s applicable credit score (middle of the three scores received, or the lower of the two when only two scores received).
- Second, DU will average the applicable credit scores for all of the borrowers on the loan casefile to determine if the 620 credit score requirement is met.

**Note:** This method will not result in a credit score lower than the representative credit score. The average median credit score will either be:

- the same as the representative credit score for loans with one borrower, or
- the same or higher than the representative credit score for loans with multiple borrowers.

The following is an example of how the average median credit score will be calculated.

	Step 1: DU will determine each borrower’s applicable credit score			Step 2: DU will average the borrowers’ applicable credit scores to ensure a minimum 620 credit score for the DU loan casefile.
	Score 1	Score 2	Score 3	
<b>Borrower 1</b>	590	619	648	<b>656</b> (average of 619 and 693)
<b>Borrower 2</b>	661	693	693	

*In this example, the representative credit score of 619 would continue to be used for pricing, mortgage insurance, and provided at loan delivery.*

**Note:** DU's average median credit score will **only** be used in the eligibility assessment for non-RefiNow loans. The representative credit score will continue to be used for pricing, any applicable mortgage insurance requirements, and will need to be provided at loan delivery. Additionally, DU will continue to use the representative credit score to determine minimum credit score eligibility for RefiNow loans.

Currently, very few investors, if any, are implementing Fannie Mae's use of average median credit scores.

If a file is presented to underwriting with DU findings and the loan is conventional, the Underwriter will switch the file to LP. It is highly recommended that all files run LP prior to underwriting review to ensure the loans success for approval.

If you have any questions regarding this information, please feel free to contact [mtgsupportcenter@flanagansstatebank.com](mailto:mtgsupportcenter@flanagansstatebank.com).

Sincerely,

Flanagan State Bank Mortgage Division Management