# AUS Tolerance Requirements

***IMPORTANT NOTICE: Be sure to reference Agency guidelines for current requirements, as the following is only current as of the revision date. It is the underwriter's responsibility to ensure that they comply with the end Agency tolerance levels, if there are any changes/updates. Loans using an AUS approval are required to be run through AUS prior to closing if they do not meet the tolerance levels for AUS changes as set by each Agency.***

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## From Fannie Mae:

Fannie Mae Single Family
2017 Selling Guide
Part B, Origination Through Closing
Subpart B3, Underwriting Borrowers
Chapter B3-2, Desktop Underwriter (DU)
B3-2-10, Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report (07/25/2017)

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**Revision History 08/21/2012 [Show]**

**B3-2-10, Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report (07/25/2017)**

**Introduction**

This topic contains information on the accuracy of DU data, DU tolerances, and errors in the credit report, including:

- Ensuring DU Data and Delivery Information Accuracy
- DU Tolerances for Refinance Transaction Loan Amount Changes
- Other Errors in the Credit Data
- Non-Applicant Debts/Accounts

**Ensuring DU Data and Delivery Information Accuracy**

The data submitted to DU must reflect the loan as it was closed, including occupancy type, product type, amortization, loan term, property type, loan purpose, sales price, and appraised value.

Verification documents must be reviewed and the verified values compared to the data submitted to DU. The terms of the closed loan must match the terms of the final loan casefile submission in DU or fall within the tolerances listed in the following table:

| Data Attribute and Description | Trigger | Action Required |
|---|---|---|
| • Interest rate increase<br>• Discrepancies between the credit report payments and balances and those listed on the online loan application, including the presence of debt that is on the credit report but not on the application<br>• Additional debt(s) disclosed by the borrower or identified by the lender during the mortgage process<br>• Verified income is less than the income on the loan application submitted to DU | DU loans (excluding DU Refi Plus) — the result of these changes causes the DTI ratio recalculated by the lender to increase by 3 or more percentage points up to the maximum of 50%<br>DU Refi Plus loans — the result of these changes causes the DTI ratio to increase by 3 or more percentage points | Loan casefile must be resubmitted to DU |
| Interest rate on fixed-rate and adjustable-rate mortgages | Interest rate decreases, not as the result of a permanent interest rate buydown | No resubmission required |
| Interest rate on fixed-rate and adjustable-rate mortgages | Interest rate decreases as the result of a permanent interest rate buydown | Loan casefile must be resubmitted to DU |
| Verified income used to qualify the borrower for loans subject to HUD median income limits; for example, as with community lending mortgages. | Income is greater than the loan application indicates | Loan casefile must be resubmitted to DU |
| Assets — Funds Required to Close | The actual amount of assets required to close the transaction exceeds the amount of "Funds Required to Close" per the DU Underwriting Findings report | If the lender has documented sufficient liquid assets to cover the actual amount of assets required to close the transaction, no resubmission required<br>Otherwise, loan casefile must be resubmitted to DU |
| Assets — Reserves Required to be Verified | Due to changes in the actual amount of assets required to close the transaction, the verified amount of reserves is less than the "Reserves Required to be Verified" per the DU Underwriting Findings report | If the lender has documented reserves that equal at least 90% of the Reserves Required to be Verified per the DU Underwriting Findings report, no resubmission required<br>Otherwise, loan casefile must be resubmitted to DU |
| Loan amount tolerances for refinance transactions | (See below) | |

# AUS Tolerance Requirements

**DU Tolerances for Refinance Transaction Loan Amount Changes**

For refinance transactions, Fannie Mae allows the following tolerances to the loan amount:

- The loan amount may increase $500 or up to 1% of the loan amount, whichever is less.
- The loan amount may decrease 5% of the loan amount.

The loan amount tolerances are permitted provided the new LTV/CLTV does not result in

- changes to the amount of required mortgage insurance coverage,
- different loan-level price adjustments, or
- changes to loan eligibility.

For example, if a loan casefile is submitted with a loan amount of $100,000 and the appraised value is $120,000 (which equals 83.3% LTV), the actual loan amount can go up to $100,500 (which equals 83.75% LTV) without requiring resubmission.

On the other hand, if the original loan amount was $108,000 (90% LTV), an increase without resubmission is not permitted because it would result in an LTV of 91%. The higher LTV requires different mortgage insurance coverage, and may result in the loan not being eligible for delivery.

The loan amount tolerance does not apply to Fannie Mae's requirements regarding the amount of cash back to the borrower on a limited cash-out refinance transaction. (See B2-1.2-02, Limited Cash-Out Refinance Transactions (10/24/2016).)

**Other Errors in the Credit Data**

In some cases, errors are the result of reporting errors by the credit agency or individual creditors.

If the printed credit report contains derogatory information, and DU does not recognize or consider the derogatory information and does not reflect the derogatory information in the DU Underwriting Findings report, the lender must take action when information not considered by DU would result in a recommendation other than that returned by DU.

For example, if a borrower's credit report indicates that the borrower had a previous foreclosure, but the DU Underwriting Findings report does not reference the foreclosure, a reporting or data transfer error may have occurred, thus preventing DU from considering the foreclosure in its analysis of the loan. The lender must take action to ensure that the information is considered in the risk analysis.

**Non-Applicant Debts/Accounts**

In a small number of cases, credit reports may include accounts identified as possible non-applicant accounts (or with another similar notation).

Non-applicant accounts may belong to the borrower, or they may truly belong to another individual.

Typical causes of non-applicant accounts include

- applicants who are Juniors/Seniors,
- individuals who move frequently,
- non-related individuals who have identical names, and
- debts the borrower applied for under a different Social Security number or under a different address (these may be indicative of potential fraud).

When DU encounters possible non-applicant accounts on the credit report, DU will include the accounts in the credit risk assessment, and will issue a message in the DU Underwriting Findings report alerting the lender of the existence of the accounts. If the debts are on the loan application, DU will also include them in the DTI ratio. If the debts do not belong to the borrower, the lender may provide supporting documentation, remove the debts from the loan application, and resubmit the loan casefile to DU in order for the DTI to be updated to exclude the non-applicant debts.

## From Freddie Mac:

Freddie Mac Single Family
Single-Family Seller/Servicer Guide, Bulletins and Industry Letters
Single-Family Seller/Servicer Guide, Volume 1
Chs. 2-3: General Freddie Mac Policies
Chapter 2: General Freddie Mac Policies
2.2.1: Introduction to Loan Prospector® (09/16/15)

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**(k) Submission/resubmission requirements**

The Risk Class and Documentation Level on the Last Feedback Certificate must be based on submission of accurate data to Loan Prospector. Except as indicated in this section and Chapter K33, resubmission of a Mortgage to Loan Prospector prior to the Delivery Date is required if:

- Information on the previous submission was not true, complete or accurate
- The most recent submission on or before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages (including the date of the Loan Prospector credit report(s)) exceeds the date requirements in Section 37.10(i); resubmission must occur on or before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages
- Any information submitted to Loan Prospector changes; however, a change from the previous submission involving the following does not require resubmission:

  **Debts/income:**

  - The monthly debt payment (including monthly housing expense [see Section 37.15]) decreases
  - The income for any Borrower increases; however, for Home Possible Mortgages, resubmission is required if the income used to qualify the Borrower (as described in Section A34.9(e)) increases
  - The income for any Borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, and
    - The total difference does not change the total debt-to-income ratio by more than three percentage points, and
    - The total debt-to-income ratio on the previous submission did not exceed 45%

  **Assets/reserves:**

  - The amount of verified assets increases
  - The amount of verified reserves increases
  - The amount of verified reserves decreases to an amount that is no less than the reserves required to be verified on the Feedback Certificate

# AUS Tolerance Requirements

**Loan amount:**

- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent Loan Prospector submission mortgage insurance is not required on the Mortgage
- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent Loan Prospector submission mortgage insurance on the Mortgage is required, and
  - The change does not impact the amount of the mortgage insurance coverage, and
  - The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate

Any other changes in the information submitted to Loan Prospector require resubmission.

For example:

The Borrower's monthly debt payment (including the monthly housing expense) decreases, the Borrower's income decreases and the total debt-to-income ratio on the previous submission was 38%. Based on the revised monthly debt payment and income figures, the total debt-to-income ratio increases by four percentage points.

This Mortgage must be resubmitted to Loan Prospector because the Borrower's income decreased and the change in the debt payment-to-income ratio was more than three percentage points. If the only change in the Mortgage had been a decrease in the monthly debt payment (including the monthly housing expense), resubmission would not have been required.

If a Mortgage is resubmitted to Loan Prospector, the Risk and/or Documentation Classes might change. However, Loan Prospector minimizes the number of times that the Documentation Class will change, even if the Risk Class changes.

**Resubmission to Loan Prospector After the Note Date**

- **Requirements for resubmission to Loan Prospector after the Note Date**

The Seller should ensure that the information entered into Loan Prospector on or before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages is true, complete, and accurate and matches the terms of the Mortgage to be delivered to Freddie Mac. However, if the Seller determines after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, that the information entered into Loan Prospector was not true, complete, and accurate and does not match the terms of the Mortgage to be delivered to Freddie Mac, unless otherwise prohibited below, the Mortgage must be resubmitted to Loan Prospector after the Note Date or the Effective Date of Permanent Financing, as applicable, but prior to the Delivery Date.

The Seller must select "Post Closing Quality Control" as the Loan Processing Stage.

A Mortgage cannot be resubmitted to Loan Prospector after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages if:

- Resubmission is more than 120 days after the Loan Prospector Assessment Expiration Date displayed on the Feedback Certificate in effect as of the Note Date; or
- A Borrower is being added or deleted, or a change is being made to a Borrower's last name or Social Security Number; or
- A new credit report company needs to be selected; or
- The single or joint merged credit report indicator changes; or
- The order of Borrowers changes on a joint merged credit request; or
- The merged credit report number does not match the merged credit report number from the most recent complete transaction

If the Mortgage cannot be resubmitted to Loan Prospector after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the Mortgage must be manually underwritten and is considered a Non-Loan Prospector Mortgage.

## From HUD:

FHA Single Family
4000.1: FHA Single Family Housing Policy Handbook
II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT
A. TITLE II INSURED HOUSING PROGRAMS FORWARD MORTGAGES (09/14/15)
4. Underwriting the Borrower Using the TOTAL Mortgage Scorecard (TOTAL) (09/14/15)
a. Underwriting with an Automated Underwriting System (09/14/15)

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**vii. TOTAL Mortgage Scorecard Tolerance Levels for Rescoring**

The Mortgagee must rescore a Mortgage when any data element of the Mortgage change and/or new Borrower information becomes available.

The Mortgagee is not required to rescore a Mortgage if the following data elements change from the last scoring event within the described tolerance levels:

| **When assessing...** | **Rescore is not required if:** |
|---|---|
| Cash Reserves | Cash Reserves verified are not less than 10% below the previously scored amount |
| Income | Income verified is not less than 5% below the previously scored amount |
| Tax and Insurance Escrow | The cumulative monthly tax and insurance escrow does not result in more than a 2% increase in the Total Mortgage Payment to Effective Income Ratio (PTI) |

## From USDA:

# AUS Tolerance Requirements

Rural Housing Service
HB-1-3555 SFH Guaranteed Loan Program Technical Handbook
CHAPTER 5: ORIGINATION AND UNDERWRITING OVERVIEW
5.3 UTILIZING THE GUARANTEED UNDERWRITING SYSTEM [7 CFR 3555.107(3)(b)]

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**F. Established Data Tolerances**

Loan application date submitted to the Agency must reflect a true and accurate representation of the loan to be closed. This data must match the loan file submitted to the Agency when requesting the Conditional Commitment for Loan Note Guarantee or fall within the tolerances established by the Agency.

**Tax and Insurance Escrows:** Approved lenders must ensure that an accurate estimate for the property tax/insurance component of an applicant's monthly mortgage payment is utilized when submitting loan applications to the Agency. Care must be taken to assume a realistic estimate is used for computing the monthly escrowed amount. The escrowed amount for real estate taxes is based on the assessed value of improved land (i.e. value of both the property and the completed dwelling) for new construction and the actual taxes assessed for existing properties. The lender may contact the taxing authority which has jurisdiction over the property to obtain an estimate of the taxes to be assessed for newly constructed homes. Minor changes to the escrow portion of the monthly housing expense do not require the mortgage application to be reconsidered. This guidance is applicable to manually underwritten files and those files electronically submitted by lenders utilizing GUS. Specifically, it is not necessary for the lender to perform an updated underwriting analysis of a loan file that has received a Conditional Commitment for Loan Note Guarantee when monthly tax and insurance estimates do not increase the payment-to-income principal, interest, taxes, and insurance (PITI) and debt- to-income total debt (TD) ratios by more than two-percentage points at closing. A small increase to monthly tax and insurance payments would not typically cause a substantial change in risk classification of the proposed real estate loan. This tolerance threshold applies only to situations where tax and insurance data provided on the loan application, at time of Conditional Commitment, differs from the amount recorded at loan closing.

The threshold policy for tax and insurance escrow should not be construed to allow lender manipulation of escrow variables to obtain approvals. The Agency reserves the right to request and review files from lenders that are suspected of purposely underestimating tax and insurance payments in order to secure a commitment or loan guarantee.

**Income:** Verification of income shall be obtained prior to final submission. Therefore data entered in GUS is supported with verifying documentation of income in the lender's permanent loan file. Data tolerances for confirmed income are not available to approved lenders. Income shall be verified and documented in accordance with Chapter 9 of this Handbook.

**Liquid Assets:** Asset data reflected in GUS must be supported by verification documentation. The final submission will reflect the verified amount. Guidance regarding verifying assets can be found at Paragraph 9.4 of Chapter 9.