



# Income and Employment Validation using an Asset Verification Report

## Frequently Asked Questions

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These *Desktop Underwriter*®(DU®) / *Desktop Originator* (DO®) Frequently Asked Questions (FAQ) are specific to receiving income and employment validation using an asset verification report.

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## General

### Q1. How does DU validate income and employment using an asset verification report?

The new capability compares borrower income (wage and non-wage) and employment information within the loan application against deposits in an asset verification report's transaction history. When a recurring deposit can be matched to a borrower's income source, DU will validate the income, provided that the income value calculated by DU supports the income provided by the lender on the loan application. Employment may also be validated when income can be calculated for the borrower's wage income even if the calculated amount cannot be used to validate the lender provided income amount.

When income or employment is validated using an asset verification report, lenders receive relief from enforcement of related representations and warranties if the loan closes by the date specified in the DU messages and all other conditions of the DU validation service are met.

### Q2. Why is opt-in necessary?

The functionality to validate income and employment using asset account data is being offered as an opt-in solution to ensure lenders are in control of rolling out the technology when they are ready. The offering is best suited for lenders who leverage asset verification reports early in their loan origination process and who can incorporate the validation achieved within their loan fulfillment process.

### Q3. Are there additional considerations for participating?

In addition to the benefits achieved from digital validation (operational efficiencies and time savings), it is important for a lender to consider the following:

- **Data Provider Setup:** Participating lenders must have entered into a contract for the services provided by an authorized report supplier or report distributor.
- **Data Requirements and Verification of Ownership:** Lenders must request, from the report supplier, asset verification reports that contain a minimum of 12-months of account history for at least one borrower identified within the loan application.
- **Determination of Income:** A lender remains responsible for determining a borrower's income. This includes entering the income type and the amount of income into the loan application.
- **Regulatory Compliance:** Lenders remain responsible for determining what documentation is needed to meet the lender's obligations under all applicable laws and regulations, including Ability to Repay and the Qualified Mortgage Rule. As with all loans, we provide no assurance to lenders that the loans meet these requirements, or any other obligation under applicable law.
- **Length of Asset Verification Report and Data Sent to DU:** A lender may receive the full asset verification report (including the entirety of the data provided to DU) or a shorter history (30- or 60-days), from their third-party vendor. In any case, lenders are required to have access to the larger data set referenced to DU at the time of origination.
- **Asset Verification Report Retention Requirements:** Lenders are responsible for retaining the asset verification report containing all data provided to DU in the loan origination file or meeting alternative requirements, outlined in the Selling Guide, for retaining access to the asset account data.
- **No Selective Application on Casefile Level:** If a lender opts-in to the capability, then DU will attempt to evaluate all casefiles referencing an asset verification report for income and employment validation. A lender cannot selectively apply this feature on a casefile basis.

### Q4. Are all loans eligible for income and employment validation using an asset verification report?

To be eligible for income and employment validation using asset verification reports, loans must meet the following criteria:

- The income type must be an eligible income type for validation



- Loan casefile must receive an Approve/Eligible recommendation from DU
- Loan casefile must have a debt-to-income ratio less than 45.000%
- Asset account data must be sourced from a valid account type (checking or savings account) and contain a minimum of 12-months of account history

**Q5. What if a lender does not want to take advantage of income and employment validations on a particular casefile?**

Lenders always maintain the option to document income and employment following any acceptable methodology outlined within the Selling Guide, even if income and employment validations are achieved using an asset verification report.

**Q6. Can loans originated by a Third-Party Originator leverage asset verification reports for income and employment validation?**

Mortgage brokers and correspondents can receive income and employment validation related to asset verification reports. Mortgage brokers can receive the validation if their sponsoring lender is activated for the capability. Validation, however, will not be provided for loans that are in a “preliminary” status. Correspondents who are also Fannie Mae sellers can request to be activated for validation of income and employment from an asset report.

**Q7. Can a lender deliver a third-party originated loan with income or employment validated using an asset verification report?**

Yes. Lenders who deliver loans to Fannie Mae that were originated by their correspondents do not need to be activated for the capability to deliver loans to Fannie Mae that have received income and employment validation from asset verification reports. They are however, required to meet all Selling Guide requirements related to loans validated through the DU validation service, including the requirement that they maintain access to the asset report data that was used by DU to provide the validation.

**Q8. What are the *Age of Document* requirements for an asset verification report if used to validate income?**

For DU to validate income and employment, the asset verification report information effective date (Current As of Date) cannot be more than 45 days prior to the DU casefile creation date.

When income or employment are validated, DU will provide a ‘close-by’ date in the DU message. For income validation, this will be 4 months from the report date. For employment validation, this will be 15 days from the report date.

*Note: To be eligible for enforcement relief of income representations and warranties, the loan must close by the ‘close-by’ date specified in the DU income verification messaging.*

**Q9. Is a Special Feature Code (SFC) required for loans with income or employment validation at delivery?**

No, a lender does not need to assign a SFC to loans that are delivered to Fannie Mae when income or employment are validated using an asset verification report.

**Q10. Can lenders obtain details about the logic used by DU to validate income and employment?**

The Desktop Underwriter® (DU®) validation service Reference Guide provides additional details on the logic employed within DU to validate income, employment, and assets. Lenders can access this guide on our website, using their Fannie Mae login credentials for DU, Desktop Originator® (DO®), or Fannie Mae Connect™.

## Asset Verification Report Requirements

**Q11. What is an eligible asset verification report?**

The asset verification report must:



- Be obtained from an approved third-party asset verification report vendor; a list of approved vendors is available on Fannie Mae's [website](#)
- Contain data from a borrower's checking or savings account (or both)
- Be no older than 45-days on the casefile create date, and
- Meet the minimum asset verification report duration requirements for the income type

**Q12. What is the history requirement for asset verification reports used by DU for income and employment validation?**

Lenders must order an asset verification report covering a minimum of 12 consecutive months of asset account data referencing the checking or savings accounts where the borrower's income is directly deposited. DU will determine the minimum number of deposits required to validate income and employment; this may differ by income type.

**Q13. What are lender requirements related to asset data from an asset verification report vendor?**

The data DU receives may differ from the data a lender receives from an asset verification report provider. For the purposes of income and employment verification from an asset verification report, the lender must have access to all the data submitted to DU during the origination process, regardless of what the lender receives from the asset verification report vendor.

Lenders who have originated casefiles that are later delivered to Fannie Mae where an asset verification report was submitted to DU can utilize a Fannie Mae utility to download and retrieve the asset verification report data. This capability is offered to the originating lender (i.e., the entity whose Institution ID number was used to submit the loan to DU) to assist them in support of their obligation to retain access to the asset account data if using an asset report to document income or employment.

**Q14. What are the requirements for Lenders to review the asset verification report?**

When an asset verification report is used to validate income or employment, the lender must review the report to confirm that a borrower on the application is listed as an owner of the asset account. The lender must also review the report to identify any contradictory or conflicting information (which, if identified, it must investigate and resolve appropriately).

For Fannie Mae's underwriting purposes, a lender is responsible to review an asset report for the period required for asset verification (30 or 60 days), or for 30 days if no asset documentation is necessary for the transaction. The data in the report obtained and reviewed by the lender will likely be a subset of the data sent to DU, which may cover 12 months or more. A lender is required to maintain access to the larger data set reference to DU.

## Income Validation

**Q15. What income types are supported for validation?**

Wage-related income corresponding to the following DU income-type fields are eligible for validation:

- Base,
- Bonus,
- Overtime, and
- Commission

Non-wage income corresponding to the following DU income type fields are eligible for validation:

- Social Security/Disability,
- VA Benefits (non-educational),
- Retirement (Pension),
- Long-term Disability,
- Child Support, and
- Alimony

**Q16. What are the lender's responsibilities with respect to determining qualifying income and entering on a loan application?**



A lender remains responsible for determining a borrower's income. This includes entering the income type and the amount of income into the loan application.

**Q17. Is self-employment income eligible for validation?**

Self-employment income is not eligible for income validation using an asset verification report. For a borrower with self-employment income, other income not related to their self-employment may be eligible.

**Q18. How is variable income (i.e., bonus, overtime, commission) considered when income is validated using an asset verification report?**

DU reviews the recurring direct deposits within the asset verification report and often they include amounts that reflect variable income that a borrower may receive related to bonus, overtime, or commission income. These deposits are considered and incorporated within DU's calculation of an income amount used to support validation. DU assesses both stable and variable income for validation on an income-source basis. Validation will be provided for all income types from an income source when the calculated value supports the income amounts entered in DU.

**Q19. What happens if DU calculates a lower income value than the income that was reported on the loan application?**

When DU calculates an income value that does not support what is represented on the loan application, DU will issue a message indicating that the income value found is insufficient to validate the reported income and will provide a message indicating documentation that is required. Employment validation may still be provided if all related requirements are met.

**Q20. What happens if multiple verification reports (e.g., asset verification report and a VOI/VOE or Tax Transcript report) are referenced to DU for the same casefile?**

A lender can reference multiple verification reports on the loan application submitted to DU for the purposes of validating borrower income. The DU validation service is designed to review all reports that are referenced. When the referenced reports validate different income sources identified for the borrower, DU messages will be returned related to each source of income and the corresponding report used to provide validation. When multiple reports are provided that verify the same source of income for a borrower, the DU validation service will employ waterfall logic and use the verification report that fully validates the income source and that provides the longest close-by-window for the validation. The verification report used to support validation will be identified in the DU message.

**Q21. What are some common reasons why income may *not* be validated from an asset verification report?**

When an asset verification report is referenced to DU for income verification, the DU validation service will review the asset report for recurring direct deposits that it can attribute to a borrower's income. Common reasons why DU is unable to validate income include:

- The asset verification report does not contain at least 12-months of transaction history
- There are no direct deposit streams that can be attributed to the borrower's income source
- The direct deposits that can be identified do not meet the regularity and recency rules used by DU
- The income value calculated by DU does not support the amount on the loan application
- The loan does not meet the loan eligibility requirements

**Q22. Is it possible for income to be validated using an asset verification report, but not employment?**

No, employment must be validated in order for the associated income to be validated.

**Q23. Can asset verification reports validate non-wage income that may be non-taxable and grossed up by the lender in accordance with the Fannie Mae Selling Guide?**

Yes. The DU validation service considers the non-taxable nature of an income type in its income value calculations. Lenders remain responsible for documenting the non-taxable nature of income in accordance with the Selling Guide.



## Employment Validation

**Q24. If employment is validated using an asset verification report, when must the loan close by to be eligible for relief of enforcement of employment representations and warranties?**

To be eligible for relief of enforcement of employment representations and warranties, the loan must close by the ‘close-by’ date specified in the DU message. This date is calculated by DU and is 15-days from the asset verification report date.

**Q25. Is a 10-day verbal Verification of Employment (VOE) required if employment is validated using an asset verification report?**

No, when DU provides validation of employment using an asset verification report, the lender does not need to order a VVOE if the loan closes by the close-by-date specified in the DU message.

**Q26: What if employment is validated using an asset verification report but the loan will not close by the “Close-by Date” provided in the DU employment validation message?**

If employment is validated but the loan will not close by the “Close-by Date” the lender must reverify employment as required under B3-3.1-07, Verbal Verification of Employment. The lender may choose to do this in one of several ways:

- Obtain an updated asset verification report and resubmit to DU – this option will update the asset verification report for all aspects of the casefile that rely on that report, including asset validation and income validation. Validations will be refreshed and close-by dates will be re-calculated based on the new asset verification report date. If employment is validated a new close-by date will be provided based on the updated Report Date.
- Obtain a VOE report and resubmit to DU. If the DU validation service is able to validate employment using the VOE report, an employment validation message will be provided with a new close-by date based on the VOE Report Date.
- Obtain a re-verification of employment through any non-digital method permitted in the Selling Guide. Because employment validation has expired and re-verification under this option is outside of the DU validation service, relief from enforcement of employment related representations and warranties will not apply.
- Obtain a supplemental deposit-based verification report from an approved asset verification report vendor. Lenders may manually review this report to confirm the pattern of receipt of direct deposits supports on-going employment with the employer that was initially validated by the DU validation service. This option is available only in cases where employment was initially validated from an asset verification report. Because employment validation has expired and re-verification under this option is outside of the DU validation service, relief from enforcement of employment related representations and warranties will not apply.

**Q27: What is a ‘supplemental deposit-based verification report’?**

Many of the authorized report suppliers offer reports that are supplemental to an asset verification report submitted to DU and that are intended to be used for the express purpose of satisfying a lender’s VVOE requirements 10 days prior to loan closing. Lenders may manually confirm that evidence of the most recent deposit related to a borrower’s employment is present within the report and that it matches the direct deposit description from the original asset verification report as referenced in the DU message. This manual employment confirmation process (outside of DU) will not result in relief from representations and warranties. For more information regarding *deposit-based verification reports*, a lender should contact their authorized report provider.

*Note: These reports focus on recurring deposits that occur within the borrower’s account, but do not contain the deposit amounts or the account balances associated with the account. By limiting this information, a lender does not need to consider the report for the verification of income or assets.*

**Q28. What occurs if both an asset verification report and a VOE report are referenced on a loan application for employment validation?**

A lender can reference multiple verification reports on the loan application submitted to DU for the purposes of validating borrower employment. The DU validation service is designed to review all reports that are referenced. When the referenced reports validate different employers identified for the borrower(s), DU messages will be returned related to each employer and the corresponding report used to provide validation.



When multiple reports are provided that validate the same employment for a borrower, the DU validation service will employ waterfall logic and use the verification report that can validate employment and that provides the longest close-by-window for the validation. The verification report used to support validation will be identified in the DU message.

**Q29. Can employment be validated through an asset verification report without validating income?**

Yes. When employment can be validated and an income amount can be calculated and attributed to a borrower's wage, employment validation will be returned by DU. If the income amount calculated by DU can support the income declared for a borrower on the loan application, income validation will also be returned. If, however, the income value calculated by DU does not support the income on the loan application, then income validation will not be provided, and only employment validation will be returned.

## **Asset Validation**

For all asset validation questions, please reference the **Asset Validation** section of the [DU Validation Service FAQ](#).

## **Privacy and Information Security**

Please reference the **Privacy and Information Security** section of the [DU Validation Service FAQ](#).