

Selling Guide Announcement (SEL-2024-02)

March 6, 2024

The *Selling Guide* has been updated to expand the [DU validation service](#) to allow income and employment validation using an asset verification report.

View the list of [impacted topics](#).

DU validation service

The Desktop Underwriter®(DU®) validation service currently validates income and employment using an Employment and Income Verification Report or a Taxpayer Tax Return Summary Report obtained from an approved third-party vendor. We updated the *Selling Guide* to provide an additional report option for validating income and employment.

Income and employment can now be validated using an eligible asset verification report as part of the DU validation service. There are no lender eligibility requirements to use this new functionality, but lenders must opt-in to participate.

Lenders must order an asset verification report containing at least 12-months of data from the borrower’s checking and/or savings account(s) from an approved third-party vendor. See the [DU Validation Service Verification Report Vendors & Approved Vendor Tools](#) for additional information.

The relief from enforcement of certain representations and warranties that apply to loans with income or employment validated by the DU validation service will apply when income or employment are validated with asset account data and all other conditions of the DU validation service are met.

Income Validation

The following income types are eligible for validation.

Wage Income & Employment (non-self-employed)	Non-Wage Income
▪ Base	▪ Alimony
▪ Bonus	▪ Child Support
▪ Overtime	▪ Disability
▪ Commission	▪ Pension
	▪ Social Security
	▪ VA Benefit (Non-education)

When the amount of income the lender has provided on the DU loan application is supported (and employment is able to be validated for wage income types), DU will issue a message indicating the income is validated and the asset verification report satisfies our documentation requirements for the validated income. Note that in certain cases, DU findings messages may indicate that additional documentation is required.

Employment Validation

When the employment entered in DU is supported by asset account data (and income is able to be calculated by DU), DU will issue a message indicating the employment is validated.



The validation message will issue a “Close-by Date”. If the loan closes by the “Close-by Date,” employment validation satisfies the 10-day verbal verification of employment (VVOE) requirements in *Selling Guide* B3-3.1-07, Verbal Verification of Employment.

If the loan will not close by the “Close-by Date,” the lender must satisfy the 10-day VVOE requirements. If employment was originally validated using asset account data, a supplemental deposit-based verification report from the same vendor that provided the initial report may be manually reviewed by the lender to satisfy this requirement. Supplemental asset reports are provided by some asset report vendors for the purpose of employment reverification and typically contain asset account details without deposit amounts and account balances. Relief from enforcement of employment related representations and warranties will not apply to this manual method of verification.

Asset Verification Report Retention

Lenders must have access to the full asset verification report, containing the entirety of the data provided to DU, at origination and retain it in the loan origination file, or maintain on-going access to the full report in accordance with *A2-4.1-03, Electronic Records, Signatures, and Transactions*. In either case, lenders must always retain an asset verification report reflecting a minimum of 30 days of asset account activity (or 60 days for purchase transactions) in the loan file.

Quality Control

When income or employment is validated by the DU validation service using an asset verification report

- the pre-funding and post-closing quality control flexibilities related to the DU validation service apply, and
- lenders are not required to obtain tax transcripts for a borrower when all of that borrower’s income was validated by the DU validation service.

Only the asset report covering the period of time required for the transaction type (30 or 60 days) must be provided to us upon request of the file for quality control review. The full asset verification report is only required if specifically requested by us.

Compliance with Laws and Regulations

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 assurances to lenders that loans meet these requirements, or any other obligation under applicable law.

Effective: On March 29, 2024, we will update the DU validation service to validate income and employment for new casefiles that reference an eligible third-party asset verification report.

Lenders may contact their Fannie Mae Account Team if they have questions about this Announcement. Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).



Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated March 06, 2024)
DU validation service	<ul style="list-style-type: none">▪ A2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU▪ A2-4.1-01, Establishing Loan Files▪ B3-2-02, DU Validation Service▪ B3-3.1-01, General Income Information▪ B3-3.1-02, Standards for Employment Documentation▪ B3-3.1-07, Verbal Verification of Employment▪ B3-3.1-09, Other Sources of Income▪ D2-1-02, Fannie Mae QC File Request and Submission Requirements