Fannie Mae

Desktop Underwriter Potential Red Flag Messages

This document is intended to provide greater clarity around what causes Desktop Underwriter® (DU®) to return each potential red flag message and our recommended approach for reviewing information when each of these messages is received. The appearance of these messages does not affect the underwriting recommendation from DU, but the messages are designed to help lenders detect inconsistencies and potentially fraudulent transactions. The absence of any of the following messages does not indicate or imply Fannie Mae's acceptance of the accuracy of the data submitted to DU. Lenders continue to be responsible for the accuracy of the data entered.

Identifier	Message Text	What Causes DU to Return This Message?	We Recommend Review of the Following
Occupancy Related			
DOM-01	The occupancy on a previous submission was modified from investor to primary. Confirm the accuracy of the occupancy for this transaction.	When the occupancy is changed on a resubmission from investor to primary.	This data change could indicate incorrect occupancy for the subject transaction. Confirm that either the previous occupancy listed in DU was stated in error or obtain a detailed explanation regarding the change in expected occupancy for the subject transaction. Otherwise, correct the occupancy to investment and resubmit the loan casefile to DU.
DOM-02	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.	When the subject address and the borrower's current address do not match on a principal residence refinance transaction.	This data discrepancy could indicate incorrect occupancy for the subject transaction. Obtain a detailed explanation from the borrower regarding the data discrepancy. Otherwise, correct the occupancy and resubmit the loan casefile to DU.
DOM-03	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.	When Fannie Mae has recently purchased a loan secured by the borrower's principal residence and the borrower is purchasing or refinancing a principal residence for a different property.	This could indicate incorrect occupancy for the subject transaction. Obtain a detailed explanation from the borrower regarding the recent purchase of a different principal residence. Otherwise, correct the occupancy and resubmit the loan casefile to DU.

Identifier	Message Text	What Causes DU to Return This Message?	We Recommend Review of the Following
Occupancy Related			
OCC-03	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 principal occupancy was not confirmed, update the occupancy to investment and resubmit the loan casefile to DU.	Based on external data and information in the loan application (factors related to the borrower's housing and rental property history, financial profile, and/or the characteristics of the subject property) it appears there is an elevated risk of an inaccurate occupancy type.	The combination of borrower and property-related data elements may indicate characteristics commonly associated with investment property transactions. The lender should document its review of occupancy information and any supporting information used to confirm the occupancy designation for the transaction. If the occupancy as a principal residence was not confirmed, update the occupancy to investment and resubmit the loan casefile to DU.
Subject Property Related			
DCM-01	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.	Based on comparable sales data, market trends, public records, and other property data, Collateral Underwriter has determined that the appraisal has a heightened risk of overvaluation and provides an overvaluation message to support the strongest statistical correlation to the risk.	The lender should evaluate the overvaluation reason message and review the appraisal to confirm that the reason for the overvaluation message has been adequately addressed and that the value is supported in accordance with Selling Guide B4-1.3.