

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.

| Potential Red Flag | Message Text | What Causes DU to Return This Message? | We Recommend Review of the Following |
|------------------------------------|--|---|---|
| Frozen credit report | <p>Based on the credit data received, a borrower has frozen their account with one of the credit repositories. No data from that repository was used in underwriting the loan casefile. The lender remains responsible for preventing fraud, which includes, but is not limited to, ensuring the borrower’s identity has been verified. In addition, the lender must continue to investigate any liabilities or derogatory credit that is disclosed by the borrower but not reflected on the credit report.</p> <p>NOTE: <i>For borrowers without a credit score, a similar message will be issued that will also state there is no data available from the other two repositories.</i></p> | When credit for the borrower(s) is frozen at one of the three credit repositories (Equifax, Experian, or TransUnion). | <p>Borrower’s identity to help prevent fraud.</p> <p>Online loan application and file documentation to review and investigate any liabilities or derogatory credit disclosed by the borrower.</p> |
| Potential Casefile ID Reuse | Based on information provided on a prior submission, it appears that the subject property address, Doc File ID, occupancy, or loan purpose have been modified. As a reminder, the DU loan casefile ID is unique to an individual mortgage loan. The same casefile ID may not be used to underwrite more than one mortgage loan in DU. If a new loan is being originated, a new DU loan casefile must be created. The data associated to the existing loan casefile must then be updated to reflect the final terms of the loan it was originally used to underwrite. | When the subject property address, the Doc File ID, occupancy, or loan purpose is changed from the previous submission. Once the message is issued, it will continue to be issued on all resubmissions, even if the information is changed back to the original values. | <p>Current submission data to ensure only data for the specific loan is included in the loan casefile, and</p> <p>previous submission data to ensure no other loans were delivered with that casefile ID.</p> |



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|--------------------------------|---|---|--|
| Excessive resubmissions | This loan has experienced an unusually high number of submissions. Excessive submissions can indicate improper manipulation of loan application data. We recommend that you review the loan application to ensure accuracy. | An unusually high number of submissions on the loan transaction in combination with changes to certain data elements. | Appraisal to ensure that an accurate value has been provided. Credit documents to check the accuracy and integrity of the borrower's asset and income data. |
| Occupancy Modified | Based on the occupancy provided on the previous submission, the occupancy 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. | Current submission data to confirm the accuracy of the occupancy for this transaction. |