DU Validation Service FAQs

General DU Validation Service Questions

What are the benefits of the DU validation service to the mortgage loan officer?

The Fannie Mae Desktop Underwriter® (DU®) validation service enables the loan officer to offer an easier documentation process for borrowers and provides for process efficiencies throughout origination. By digitally validating a borrower's income, asset and employment information, loan officers can reduce the need to collect paper documents from their customers. The time saved by digital data validation may help reduce the overall loan cycle time, allowing borrowers to close on their home faster. This may free up resources, potentially allowing the loan officer to process more loans overall.

How does DU validation service work?

The DU validation service uses information provided by third-party verification reports to validate borrowers' employment, income and asset data in DU on a per-borrower per-component level. In most cases, the loan officer will not need to collect paper documents for validated employment, income and/or asset data. To learn more about how the DU validation service works within a loan officer's process check out the **sample workflow**.

What type of loans are eligible for the DU validation service?

The DU validation service is only available for conventional loans. Non-conforming or government loans (such as VA, FHA, and rural Development) are not eligible. Please refer to the asset, income and employment **FAQs** sections for more information on what can be validated. There may be additional restrictions for income types and other loan components. Refer to Fannie Mae's *Selling Guide* and the DU Validation Service **Reference Guide** (requires DU, Desktop Originator® (DO®) or Fannie Mae Connect ™ credentials) for more detail.

What happens if the DU validation service is not able to validate the information using the verification reports?

Occasionally the DU validation service is not able to validate some information automatically. If that happens, the loan officer will need to follow instructions in the DU message and collect the appropriate documents from the borrower to verify the information manually.

Can a loan officer resubmit a loan to DU to obtain validation if a loan component did not receive validation on the initial submission?

Yes — a loan officer can correct an error or omission, or update data, and resubmit the loan to DU. Resubmission could be due to examples such as the following:

- A matching error with the vendor report could cause DU to be unable to find the report referenced in the submission file. The loan officer can check to ensure the correct loan number, borrower Social Security Number (SSN), or reference number is entered to receive a match.
- The DU message could indicate that a lower amount of income was validated by DU based on the vendor report. In these cases, the lower amount of income can be entered into DU and the file resubmitted to receive validation of income.

Will the loan officer ever need to get financial records from the borrower even after the DU validation service is successful?

An underwriter must review and approve the loan file prior to closing. If a key component of the information cannot be verified digitally for any reason, then it must be done manually. If there is a discrepancy between the loan application and the actual financial records, this difference will require manual validation. This means the loan officer must ask the borrower to produce copies of their financial statements.

What are some tips from loan officers who have been able to shorten loan origination approval time using the DU validation service?

Loan officers that are successful using the DU validation service ensure that all information in the loan application entered into DU is correct and can be supported via independent verification reports. It is important to have accurate information on the loan application submitted to DU to reduce the need to submit additional documentation. The loan officer can check that:

- The borrower's income is calculated correctly.
- The borrower's employment information is accurate, and that the employer named entered into DU matches the employer name on the employment verification report.
- The borrower's name is on all bank accounts used to verify assets.

Borrower Impact Questions

Why is the DU validation service beneficial to the borrower?

The traditional loan process can be a hassle for borrowers due to the long process of having to gather and manually email or fax paystubs, W-2s, bank information, etc. The DU validation service can reduce or potentially eliminate the need to collect paper documents, which may help reduce loan cycle time. To maximize the benefit to the borrower, we recommend the lender attempt validations early in the process, before asking the borrower to collect income, employment, or asset documentation in hard copy.

Why does the borrower need to give permission to verify their information digitally?

Similar to needing permission to run a borrower's credit information, a loan officer needs a borrower's consent to order the income, employment and asset validation reports.

Can a borrower choose to run a traditional paper-based mortgage process?

If a borrower is more comfortable with a traditional paper process, they may choose to provide the required documents.

DU Validation Service FAQs

Asset Validation Questions

Which types of assets can be validated through the DU validation service?

Eligible asset types	Required documentation
Checking / savings	Asset verification report
CD	Asset verification report
Money market	Asset verification report
Stocks	Asset verification report
Mutual funds	Asset verification report
Retirement accounts	Asset verification report

How will a loan officer access the borrower's asset information?

The loan officer will never receive access to the borrower's accounts or see their login information, similar to submitting taxes online or online banking. In fact, this process uses the borrower's financial institution's secure login process. For asset verification, when the loan officer orders the asset report, the report provider will send the borrower an email or link that directs the borrower to a secure portal where the borrower can login and specify the accounts they need to use to generate the report. While the loan officer can view the vendor generated report, at no time will they have access to the borrower's account or credentials.

This process eliminates the need for the borrower (and their spouse/co-borrower) to go to each of their accounts and download/print and scan statements for each account and then mail or email them to the loan officer. This saves time and removes the inconvenience of collecting documents.

What security measures are in place when a borrower provides credentials for asset validation?

The loan officer can never view, nor will they request, the borrower's user ID and password to any of their accounts. The borrower logs in directly to their financial institution privately through a third-party technology service provider. This login process uses the borrower's financial institution's login security layer. So, for example, if their institution has a two-factor login for any of their accounts (password and PIN), that will also apply for this process. It is similar to providing financial information when purchasing items online.

How can the loan officer prepare the borrower for the asset verification process?

- In most cases, asset verification starts with the borrower receiving an email from the verification provider. The loan officer can help the borrower understand what to expect by:
  - Informing the borrower about the email they will receive: who it will be sent to, and who will send it.
  - Communicating the timeframe in which the borrower should receive the asset verification email, complete the steps, and (if applicable) when the link will expire.
  - Ensuring the borrower knows what to do once they access the asset verification portal:
    - The borrower will need the names of their financial institutions and associated login credentials, to verify assets in chosen accounts. Some banks have more than one name, so the borrower can check for acronyms or their website URL or name they used to login to online banking.
    - The borrower should have an idea of total assets that must be verified to help them decide which accounts to choose.
- Check out the loan officer DU validation service **sample workflow** to understand more about how the process works.

Is there a time dependency for verification of asset reports?

Yes, the **loan must close within 120 calendar days of the report date** by which assets are validated.

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Asset Validation Questions (continued)

How will the loan officer know whether the borrower's assets have been validated by DU?

DU issues messages based on the results of DU's validation process.

- **Validated:** When assets are validated (meaning DU's calculations are greater than or equal to the Total Funds to be Verified amount in DU), the message will indicate that assets have been validated using the asset report and that the asset report is acceptable documentation to support the amount of assets required to be verified.

- **Not Validated:** When assets are not validated (meaning DU's calculations are less than the Total Funds to be Verified amount in DU), the message will identify the amount of assets DU calculated. The message will specify the documentation, in addition to the asset report, that the lender must obtain to support the amount of assets required to be verified.

- **Unable to Validate:** When DU is not able to perform its calculations (for any reason), the message will indicate DU was unable to validate the information.

Are there any restrictions on the transactions eligible for asset validation?

Yes. When the borrower is receiving funds from a gift as a part of their required assets, the loan is not eligible for asset validation. In addition, if any borrower on the loan is using employment-related assets as income, the loan is not eligible for asset validation.

What is the tolerance for comparing the amount on an asset verification report to the asset amount input in DU by the lender?

To get asset validation, the borrower assets that DU calculates based on information from the asset verification report must be greater than or equal to the Total Funds to be Verified amount input into DU. Refer to the DU Validation Service **Reference Guide** (requires DU/DO or SSO credentials to access) for more information.

Income Validation Questions

Which types of income can be validated?

Eligible income types*	Required documentation
Base pay	Employment and income verification report
Bonus pay	Employment and income verification report
Overtime	Employment and income verification report
Commission	Employment and income verification report
Social Security	Tax transcripts
Retirement (pension, annuity)	Tax transcripts
Self-Employed income (sole proprietor, Sched C)	Tax transcripts

DU will only validate eligible income types entered into DU by the lender.

Is there a time dependency for verification of income reports?

Yes, the **loan must close within 120 calendar days of the report date** by which income is validated.

How will the loan officer know whether or not the borrower's income has been validated by DU?

DU issues messages based on the results of DU's validation process.

- **Validated:** When income is validated (meaning DU's calculations are greater than or equal to the amount the lender submitted to DU, or less than the amount but within a 1% tolerance), the message will indicate that the income has been validated using the tax transcripts and that the tax transcripts are acceptable documentation to support the income. NOTE: For Social Security income, the current Cost of Living Adjustment (COLA) is applied in addition to the general 1% tolerance.
- **Not Validated:** When income is not validated (meaning DU's calculations are less than the amount the lender submitted to DU by more than the 1% tolerance), the message will identify the amount of income DU calculated. The message will specify the

documentation, in addition to the tax transcripts, the lender must obtain to support the amount of income in DU.
- **Unable to Validate:** When DU is not able to perform its calculations (for any reason), the message will indicate DU was unable to validate the information. NOTE: If the tax transcripts do not cover the required number of years to complete the calculations, DU is unable to validate the income.

What are the loan officer's responsibilities with respect to income data?

The loan officer is responsible for entering the appropriate amount of income in DU based on a review of the vendor report and any supplemental information it may have in the loan file (including the application or any other income documentation the borrower may have provided). If at any time the loan officer discovers any conflicting or contradictory information, the loan officer must investigate the information, including obtaining additional documentation if necessary, and enter the appropriate information in DU.

Income Validation Questions (continued)

How can the loan officer identify contradictory information between the vendor report and what's entered into DU?

DU issues messages based on the results of DU's validation process.

- Ensure the borrower's identifying information on the vendor report matches the loan application.
- Ensure the employer name entered into DU matches the employer name on the vendor's report.
- Ensure the borrower's income type, payment frequency and income amount matches the information entered into DU.

What are some examples of contradictory information between DU and the vendor report regarding income?

- **A borrower earns base and bonus income** and has provided a breakout of these income types on the loan application when reporting their income, but the verification report shows a combined income amount for base and bonus in the "base income" field on the verification report. The loan officer must investigate the discrepancy and appropriately enter the borrower's base income and bonus income separately into the appropriate fields in DU.

- **A borrower previously earned base and overtime income**, but the loan officer learns during the loan application process that the borrower recently changed positions with his employer and, as a result, is no longer eligible for overtime. The loan officer must enter only the new base income amount into DU, and only that base amount will be validated by DU. The lender must disregard any overtime income that may have been reported on the verification report for past pay periods.

- **A loan officer discovers conflicting information provided by the borrower or in the loan file** and determines that the income is lower than what was entered into DU and reflected on the vendor report. The loan officer must enter the lower amount into DU and re-submit the casefile, regardless of whether the higher income was validated by DU.

In each of the above cases, if the loan officer relies solely on the information on the vendor report, disregarding the supplemental information contained in the loan file, the representations and warranties enforcement relief related to validated data will not apply, regardless of whether DU validated the income. The loan officer will need to document the amount of income entered in DU.

Employment Validation Questions

What employment types can be validated through the DU validation service?

Employment associated with income type	Required documentation
Base pay	Employment and income verification report
Bonus	Employment and income verification report
Overtime	Employment and income verification report
Commission	Employment and income verification report

Can verification of income also include verification of employment?

Yes. If you run an income validation report you will automatically see the employment validation messaging in DU. DU can use either a verification of income or verification of employment report to validate employment through the DU validation service.

Is there a time dependency for verification of employment reports?

Yes. The **loan must close within the date outlined in the DU message (ten calendar days from the date that the report is obtained)**. In most cases, the loan officer will need to order more than one verification of employment (VOE) report and re-run DU in order to ensure employment verification doesn't expire by the actual closing date.

What's the benefit of spending more money on multiple employment verification reports when it is possible to manually verify employment per the *Selling Guide*?

You can only receive freedom from reps and warrants for employment validated by the DU validation service.

How will the loan officer know whether or not the borrower's employment has been validated by DU?

DU issues messages based on the results of DU's validation process.

- **Validated:** When employment is validated, the message will indicate that the employment has been validated using the vendor, that the vendor report is acceptable documentation to support the employment, and that the loan must close by the date provided (Report Date +10 calendar days).

- **Not Validated:** When employment is not validated, the message will indicate that DU did not validate employment, and the reason. The message will specify the documentation that the lender must obtain to verify the employment entered into DU.

- **Unable to Validate:** When DU is not able to perform its assessment (for any reason), the message will indicate DU was unable to validate the information, and the reason.

What happens if the employer name entered into DU does not match the name listed on the vendor's report?

DU will not validate employment unless the employer name entered into DU matches the employer name listed on the vendor's report. If the employer name is reflected differently on the verification report than on the application, (for example: "Federal National Mortgage Association" vs. "Fannie Mae") the loan officer can change the employer name entered into DU to match what is listed on the vendor report and run DU. If the employer name in DU does not match the employer name on the vendor report, DU Findings will issue a message indicating the reason 'Employer name in VOE doesn't match employer name in DU.'

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