

Desktop Underwriter® (DU®) Validation Service FAQs

General DU Validation Service Questions

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

Fannie Mae recognizes the challenges loan officers and borrowers encounter when originating loans – frustration with the length of time it takes to close a loan and the paper-intensive nature of gathering and processing borrower information. The DU validation service offers an easier documentation process for borrowers, streamlines loan processing, and provides for process efficiencies through origination (for instance, reverification is not required for assets, income, and/or employment validated in DU and IRS Form 4506-T is not required when all borrower income has been validated using the DU validation service). By digitally validating a borrower's income, asset and employment information, loan officers can reduce the need to collect paper documents from their customers like paystubs, bank statements, and investment account statements. The time saved by digital data validation may help reduce the overall loan cycle time, allowing borrowers to close on their home faster and potentially allowing the loan officer to process more loans overall.

How does the DU validation service work?

The DU validation service allows a loan officer to digitally verify a borrower's income, employment and assets needed to close a loan and is run on a per-borrower per-component level. It largely eliminates the hassle of the borrower having to download, print and send bank statements, paystubs, W-2s and other documents. It can significantly reduce what a borrower needs to send manually to the lender, as well as the possibility of missing information from asset statements.

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

The DU validation service is available only for conventional loans. Non-confirming or government loans (such as VA, FHA, and rural Development) are not eligible. There may be additional restrictions for income types and other loan components. Refer to the Selling Guide and the DU Validation Service Reference Guide (requires DU, DO, or Fannie Mae Connect credentials) for more detail.

What happens if the reports are not able to validate all information?

Occasionally, the reports are not able to validate some information automatically. If that happens, the loan officer will need to collect the appropriate documents from the borrower in order 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. For example, resubmission could be due to:

- A matching error with the vendor report could cause DU to not be able to find the report referenced in the submission file. The loan officer can check to ensure the correct loan number, borrower Social Security number, 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 need to ever get financial records from the borrower even after the DU validation service is successful?

An underwriter has to review and approve the loan file prior to closing. If a key component of the information cannot be verified digitally for some 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 which means the loan officer will have to ask for the borrower to produce copies of their financial statements.

What contributes to longer loan origination approval time even when using the DU validation service?

Inaccurate information in the loan application data entered into DU. It is very important to have accurate information on the loan application that is submitted to DU that can be supported via these verification reports. A loan officer will need to make sure a borrower's income is calculated correctly, that their employment information is accurate and that their name is on all bank accounts. If more information is needed, the borrower may need to submit additional documentation.

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Borrower 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 them having to 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, attempt validations early in the process, before asking the borrower to collect income, employment, or asset documentation.

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 route, they can simply send the required documents.

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Asset Validation Questions

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

Eligible asset types

- Checking / savings
- CD
- Money market
- Stocks
- Mutual funds
- Retirement accounts

Required documentation

- Asset verification report
- Asset verification report
- Asset verification report
- Asset verification report
- Asset verification report
- Asset verification report

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

Yes. When the borrower is receiving funds from a gift, 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?

In order to receive validation for assets, 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 in DU. Refer to the [DU Validation Service Reference Guide](#) for more information.

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

For asset verification, when the loan officer orders the asset report, the report provider will send the borrower a link or direct the borrower to a secure portal where they will be able to provide read-only access to their bank account through a secured connection. **The loan officer will never receive access to the borrower's accounts or see their login information. It's similar to submitting taxes online or online banking.** In fact, this process uses their financial institution's secure login process. This process eliminates the need for the borrower (and their spouse/co-borrower) to go to each of their accounts and download/print out/scan statements for each account and then email them to the loan officer. This saves time and removes the hassle in collecting documents. The borrower can also indicate which accounts and financial institutions' assets will appear in the report.

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 software 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), it works the same way for this process. It is similar to providing financial information when buying things online.

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Income Validation Questions

Which types of income can be validated?

Eligible income types*

Base pay
Bonus pay
Overtime
Commission < 25%
Commission 25%+
Social Security
Retirement (pension, annuity)
Self-Employed income (sole proprietor, Sched C)

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

Required documentation

Employment and income verification report
Employment and income verification report
Employment and income verification report
Employment and income verification report
Employment and income verification report and tax transcripts
Tax transcripts
Tax transcripts
Tax transcripts

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

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.

- Examples of contradictory information are provided below:
 - 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.

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Employment Validation Questions

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

Employment associated with income type

Base pay
Bonus
Overtime
Commission

Required documentation

Employment and income verification report
Employment and income verification report
Employment and income verification report
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. When employment is validated, the loan must close within ten calendar days of the report date. In most cases, the loan officer will need to run more than one VOE report in order to ensure VOE doesn't expire by the scheduled closing date.

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

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

Employment was not validated for a borrower because the employer name on the VOE does not match the employer name in DU. Does this mean this employment record cannot be validated?

The discrepancy is really just a data-entry error – the employer name is reflected differently on the verification report than on the application ("Federal National Mortgage Association" vs. "Fannie Mae", for example). If, after performing the appropriate due diligence, the loan officer determines that the reason for the difference in employer name is purely data entry and the employers are, in reality, the same, the loan officer may update the employer name in DU to match the name as it appears on the verification report and resubmit to DU.