



Income and Employment Reverification: Best Practices

Reverification¹ is a critical component of the post-closing quality control review process that highlights irregularities.

It also serves as a preventive control because industry participants are mindful that a portion of loans will be verified again. Reverification enables a full assessment of the loan file, validating the accuracy of the data used to support the loan decision and that the loan is still eligible for sale to Fannie Mae; as an example, obtaining borrower tax transcripts by executing IRS Form 4506-C could potentially uncover discrepancies in the income used to qualify. Finally, reverification significantly contributes to the identification of misrepresentation, highlighting areas where there may be heightened risk and that require additional oversight and manufacturing controls. The reverification process has been instrumental in helping lenders identify file irregularities and led to some of our recent industry misrepresentation alerts.

Tips for a successful reverification process

Efficiency is critical in every phase of the mortgage process, including post-closing quality control. It is more efficient to have all reverifications received before the file is reviewed by the QC auditor. This allows the auditor to have all critical information available for a one-time QC file review.

- Get a head start by pulling your post-closing QC sample as early as possible (i.e., pull weekly throughout the month as loans close; you can sample early even if you don't start reviews for several weeks).

- Review the signed Form 4506-C during prefunding reviews to ensure it is completed accurately.
- Start ordering reverifications immediately after the loan has been selected for review, increasing the likelihood of having responses received when your auditor starts or allowing time for a second attempt.
- Establish a reverification tracking mechanism for follow up.
- Attempt to reverify several times until you are successful. Fannie Mae has noticed increased success for lenders who perform two or more inquiries.

Once you have successfully received your reverifications, analyze all documents with a critical eye. If something doesn't add up, investigate further.

Ask yourself:

- Was the borrower(s) employed at the time of closing? (Note: Borrower not employed at closing is a top defect cited by Fannie Mae.)
- Was the income used to qualify the borrower(s) calculated correctly?
- Are there any red flags on the documentation used to qualify the borrower(s)?
- Can you verify if a business is legitimate? This is especially critical for self-employed borrowers.
- Is the business phone number a cell phone?

¹Required by [Selling Guide D1-3-02](#), Lender Post-Closing Quality Control, Review of Approval Conditions, Underwriting Decisions, and Documentation

Despite your best efforts, there are going to be instances where a reverification is not returned. Below are best practices to increase confidence in the accuracy of income and employment used to qualify the borrower. (This list is not all inclusive and may not pertain to all types of transactions.)

Best practices when reverifications are not returned

Although not required, some best practices include the following alternative methods when the income or employment reverifications are not received:

- Email the borrower at his/her work email address to request a reply.
- Obtain the borrower's employer's work number from the internet and call to speak to the borrower.
- Use social media to look for evidence of borrower job changes.
- Review bank statements for recent payroll deposits; the information may indicate a change in the income level and/or payroll deposits from a different organization. Expect high-income earners to have direct deposit. Do the asset amounts align with what is expected for the income level?
- Review the credit report; is the employer listed there different from what is disclosed on the application?
- Recheck Social Security withholdings on paystubs and W2s in the loan file (confirm correct percentage through IRS.gov).
- Search websites such as Glassdoor.com or Indeed.com for salary ranges for the borrower's profession, which might raise a red flag that warrants further investigation.
- Check websites for state and federal employee salaries, as some are public record (i.e., teachers, police officers, city workers, etc.).
- If the employer is not willing to reverify income, ask if they can confirm the amount if provided to them.
- To validate a business, try one or more of the following tactics (this is critical if the borrower is self-employed):
 - Google the address of the business to confirm its existence.
 - Look for current business advertisements.
 - Search business name and/or phone number via the yellow pages (reverse look-up).
 - Search state and corporate/LLC business licensing websites (i.e., Dunn & Bradstreet, Manta, etc.).

Depending on the outcome of your investigation, you may need to perform one, two, three, or all of the above to get a comfort level that the income and/or employment used to qualify the borrower(s) is accurate. If all attempts to reverify the income and/or employment have been futile, and you are left with questions or doubts about the validity of the income and/or employment or if red flags persist, consider a referral to your fraud department for review.



Next steps

Ask yourself what you can do to ensure you are getting the best results possible from your reverifications efforts. Remember to:

- Start the reverification process as early as possible in the post-closing QC cycle.
- Make more than one attempt to reverify information with the original source and be sure to document all attempts in the QC file.
- If a written reverification is not received, follow up with a phone call to try to reverify the information verbally. Be sure to capture the telephone number, name, and title of the person who provided the information.

Having insight into your reverification results is imperative to the overall success of your QC program. Reverifications provide valuable insight into the overall risks facing your organization and allow your QC department to proactively mitigate these risks.

Look for future *Quality Insider* articles about reverification best practices!

For more resources, visit fanniemae.com/loanquality.

