



Source of funds reverification — Best practices and tips

This topic is the fourth article in the *Quality Insider* series that addresses the importance of the reverification process.

Check out previous *Quality Insider* articles on reverifications, including:

- [Income and Employment Reverification: Best Practices](#)
- [Reverification Tracking is a Powerful QC Review Tool](#)
- [Getting it Right — Reverification of Occupancy](#)

Reverifications serve as both a preventive and detective control for your organization. Reverification of assets — or source of funds — is especially crucial given the common availability of software that makes manipulation of bank statements easy for bad actors. It is an effective tool to help identify bank statement manipulation and assist in mitigating the issue. In addition, asset reverification can support your organization's compliance and anti-money laundering efforts.

Tips for a successful reverification process

Due diligence is critical in every phase of the mortgage process, including post-closing quality control. Think of your QC file review as a puzzle. A key to putting the puzzle together is ensuring you have all the necessary pieces; likewise, having all the necessary reverifications when you begin allows the auditor to have all the relevant inputs to evaluate the risks and red flags during a review.

- ✓ Pull 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).
- ✓ Order reverifications immediately after the loan has been selected for review. This increases the likelihood of having responses available when your auditor reviews the file; it also allows time for second-attempt inquiries.
- ✓ Instead of creating your own form, use Fannie Mae Form 1006 (Request for Verification of Deposit) when requesting reverification of assets to aid in receiving a successful response.
- ✓ Keep a list of fees charged by the financial institution so that you include the fee with the initial request, leading to a timelier response.
- ✓ Attempt to reverify several times. Fannie Mae has noticed increased success for lenders who perform two or more inquiries.
- ✓ When utilizing a third-party vendor asset report, and assets are not fully validated, remember that you must reverify directly with the financial institution that is the original source of the information.
- ✓ Establish a reverification tracking mechanism for follow up.

Upon receipt of the asset reverifications, analyze all documents with a critical eye. Remember, if something doesn't seem to add up, further investigation may be warranted.

Ask yourself:

- Do balances on the reverification bank statements align with the balances reflected on the origination bank statements?
- Do gift letter reverifications support that the funds were from an allowable source and not borrowed?
Remember, gift funds can be an opportunistic path for fraud and misrepresentation.
- Are there any undocumented large deposits? This is especially critical when reviewing for undisclosed debts that may have been incurred to source the borrower(s) down payment.
- Do payroll deposits align with the income documentation used at origination? This check can be helpful in determining if the bank statement has been altered from its original state.
- Is the borrower an account holder on the reverification bank statement?
- Are there any red flags on the documentation used to qualify the borrower(s)?

Despite your best efforts, there are going to be instances when a reverification is not returned. The following best practices can help increase your confidence in the accuracy of assets used to qualify the borrower when reverifications are not returned.

Best practices when asset reverifications are not returned

Use these alternative methods. This list is not all inclusive and may not pertain to all types of transactions:

- 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? This is a red flag that should trigger additional review given we have seen this in previously published industry misrepresentation schemes. If a financial institution is not willing to reverify assets, ask if it can confirm the balance amount listed on the bank statement for the timeframe provided.
- Assets that have been fully validated by the Desktop Underwriter® (DU®) Validation Service and that satisfy all requirements to obtain representation and warranty enforcement relief, including meeting the “close by” date, are not required to be reverified. However, lenders may want to perform reverifications of assets on a sample to ensure the third-party vendor is meeting expectations.

If all attempts to reverify the assets have been futile, and you are left with questions or doubts about the validity of the assets, 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 asset reverification efforts. Remember to:

- ✓ Start the reverification process as early as possible in the post-closing QC cycle.
- ✓ Pay applicable fees that are charged by the financial institutions for the reverification information with the request for reverification.
- ✓ Make more than one attempt to reverify information with the original source and 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.
- ✓ Most important, if something doesn't seem to add up, investigate further.

Having insight into your reverification results is imperative to the overall success of your QC program. Asset reverifications provide valuable information into the overall risks facing your organization and allow your QC department to actively monitor these risks.

Resources

- [Mortgage Fraud Prevention](#)
- [Selling Guide D1-3-02](#), Lender Post-Closing Quality Control, Review of Approval Conditions, Underwriting Decisions, and Documentation
- [Form 1006](#) (Request for Verification of Deposit)

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