



## DU Validation Service Frequently Asked Questions

**Updated | Oct. 24, 2018**

Fannie Mae's Desktop Underwriter® (DU®) validation service is designed to provide customers with enhanced loan origination controls, improved processes, and certainty around the borrower's income, asset, and employment information. When a lender obtains an eligible verification report from an approved vendor, DU will use the data on the report to validate information entered by the lender into DU and return results in specific DU messages. View the [Current Data Vendor List](#) for details about vendors.

<b>Table of Contents:</b> DU Validation Service.....	1
Frequently Asked Questions .....	1
Updated   Oct. 19, 2018 .....	1
General .....	1
Third-Party Originator .....	5
Income Validation .....	6
Employment Validation .....	9
Asset Validation .....	11
Representations and Warranties .....	13
Quality Control .....	14
Troubleshooting .....	15
<b>NEW.</b> Privacy and Information Security .....	16

### General

#### Q1. What is the benefit of the DU validation service?

Fannie Mae recognizes the challenges lenders 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. Fannie Mae also recognizes that lenders would like to retain their competitive advantage by reducing costs, increasing their processing efficiency, and enabling a superior borrower experience.

The DU validation service offers our lenders greater transparency and a more efficient mortgage origination process. By leveraging automation, analytics, and third-party data sources, Fannie Mae is able to provide Day 1 Certainty™ in the form of enforcement relief of certain representations and warranties for validated loan components.

#### Q2. What is required to get Day 1 Certainty on validated loan components?

As long as the lender meets all DU validation service requirements described in the [Selling Guide](#) and complies with applicable DU messages, the lender receives Day 1 Certainty for validated components.



### Q3. How does the DU validation service work?

After activation (only required for Equifax), the following steps represent a general, high-level workflow:

- After obtaining borrower consent, the lender orders an eligible verification report from a vendor.
- The lender reviews the report and addresses any discrepancies with the borrower.
- The lender enters information into DU and submits.
- DU obtains a duplicate copy of the report from the vendor using loan number or reference number.
- DU performs its own income and asset calculations to arrive at a value that is compared to DU. Employment status can also be validated.
- DU returns specific messages related to the loan components that have been submitted for validation.
  - Income is validated on a per-borrower and per-income type basis.
  - Assets are validated on a loan-level basis.
  - Employment is validated on a per-borrower and per-employer basis.
- The lender can take advantage of processing and underwriting efficiencies for components that have been validated.
- The lender closes the loan and delivers to Fannie Mae.

### Q4. Can lenders obtain details about the logic used by DU for validation purposes?

The [DU Validation Service Reference Guide](#) (requires DU, DO, or Fannie Mae Connect credentials) provides the details of the logic used by DU to validate income, employment, and assets. You can access this guide on our website, using your Fannie Mae login credentials for DU, Desktop Originator® (DO®), or Fannie Mae Connect™.

### Q5. What types of loans are eligible for the DU validation service?

The DU validation service is available only for conventional loans. Non-conforming 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.

### Q6. Fannie Mae already allowed lenders to use third-party data verification vendor reports to document income, employment, and assets. How is the DU validation service different?

The [Selling Guide](#) has for some time permitted use of third-party data vendors to document and assess employment, income, and assets, but the lender remained accountable for the integrity of the information obtained from these sources.

The DU validation service extends this concept by using data from eligible verification reports, assessing it in DU, and providing enforcement relief of certain representations and warranties when a loan component has been validated.

Refer to the [Selling Guide](#) for more details.



**Q7. What is an “eligible verification report”?**

Multiple industry vendors offer borrower verification services. To mitigate the risk that Fannie Mae assumes by offering representation and warranty relief on validated loan components, we have a structured process and guidelines for determining which reports will be accepted for verification. View [Data Vendor Process](#) for more information on Fannie Mae’s open platform for data vendor participation.

**Q8. Can lenders work with resellers of eligible verification reports?**

Yes. Fannie Mae has an open platform for data vendor participation to provide choices to our customers. Lenders may participate in the DU validation service through relationships with vendors of their choice that can provide Day 1 Certainty verification reports accepted by Fannie Mae, including “resellers” of eligible reports. View the [Current Data Vendor List](#) for more information

**Q9. Does Fannie Mae plan to add more report suppliers?**

Yes. We are in active discussions with other report suppliers. Fannie Mae has developed a structured process for adding eligible reports to the DU validation service. Vendors may provide their lender customers access to (1) the vendor’s own eligible reports, (2) eligible reports from other report suppliers, or both. View the [Data Vendor Process](#) for more information on how vendors can participate in the DU validation service. Access the [Current Data Vendor List](#) to view eligible report suppliers and report distributors.

**Q10. Is the DU validation service available through DO?**

Yes, the DU validation service is available through DO when the sponsoring lender has been activated for the service.

**Q11. Which loan origination system (LOS) providers currently participate?**

We’ve been working with a number of LOS providers. Levels of participation may vary across providers. Please contact your LOS provider directly for more information.

For those with custom loan origination systems, please reference the [DU Validation Service Integration and Testing Document](#) for more information.

**Q12. Is there a cost associated with using the DU validation service?**

Fannie Mae does not charge a fee for using the DU validation service. Lenders should contact the vendor(s) of their choice to discuss their product pricing. (See the [Current Data Vendor List](#) for report vendors.)

**Q13. How do lenders participate?**

The DU validation service is an opt-in service for lenders.

Lenders must execute contracts with verification report vendor(s) (previous or existing contracts may require an amendment) related to the DU validation service. With the exception of Equifax/The Work Number and distributors of their reports, originators can then begin using the DU validation service immediately. For Equifax, an additional registration step is required:



### Vendors who use a Reference ID

- Step 1 Complete contracts and activation with approved vendor.
- Step 2 Start using the validation service by requesting verification reports.

NOTE: *The DU validation service will run and messages will be issued only when a vendor is selected from the drop down and a reference number is entered in the additional information field in DU.*

### Equifax (including The Work Number)

- Step 1 Complete contracts and activation with Equifax (or their resellers).
- Step 2 Submit Fannie Mae DU/DO setup form – allow up to 72 hours for activation.
- Step 3 Start using the validation service by requesting verification reports.

NOTE: *DU validation service messages (including verification report not found) will be issued as soon as Step 2 above has been completed.*

**Q14. When opting in to the service, must a lender make use of all available options (income/asset/employment), or can lenders select which to utilize?**

When opting in to the DU validation service, lenders can select the service options in which they would like to participate. This is done by being activated with a verification report vendor **and** in the case of Equifax (including The Work Number) by completing the Fannie Mae [DU Validation Service Setup Form](#).

Activation for income validation is coupled with employment validation. Asset validation is activated separately. A lender could choose to participate in income/employment alone, assets alone, or all three.

**Q15. If a lender opts in to the DU validation service, can they choose which loans run through the service?**

In general, once a lender activates the DU validation service for income, employment, or assets, the related DU validation service logic will apply to all loans submitted to DU for the registered institutions. For vendors that require a Reference Number, the DU validation service will run and messages will be issued only when a vendor is selected from the drop down and a reference number is entered in the additional information field in DU. For Equifax, the DU validation service messages (including verification report not found) will be issued as soon as the DU Validation Setup form has been completed to activate Equifax (see Q13).

**Q16. What if a component is not validated by DU? Can that information continue to be used for qualifying purposes?**

Yes. If a component has not been validated by DU, the lender can continue to use the information, i.e., income or assets, to qualify the borrower provided it is documented in accordance with the *Selling Guide*. When a component is not validated by DU, the DU message will outline the documentation that must be obtained to support the information input by the lender in DU. If a component is not validated, it is not eligible for enforcement relief of the applicable representations and warranties.

**Q17. Can a lender utilize any vendor for the DU validation service?**

A number of vendor options are available to lenders, but only vendors who are able to provide **eligible** verification reports accepted by Fannie Mae may be used for the DU validation service. View the [Current Vendor List](#) for more information.



**Q18. What documentation is required for components that have been validated?**

Specific messaging will be issued by the DU validation service regarding the documentation required to support the particular loan component (e.g., income, assets, and/or employment). When a component has been validated, the vendor report may be sufficient documentation.

**Q19. Is there any lender-level reporting available for DU validation service loan casefiles?**

Lenders can access both Day 1 Certainty Pre-Delivery and Post-Delivery reports in [Fannie Mae Connect™](#). The reports show loans that are eligible for representations and warranties enforcement relief on validated loan components and provide a lender-level and responsible party dashboard of Day 1 Certainty activity, as well as loan-level details for the DU validation service. The reports can be found in the Management section of the Report Center in Fannie Mae Connect.

**Q20. Can lenders use the DU validation service for qualified mortgages?**

Yes. The Consumer Federal Protection Bureau's "Ability to Repay"/Qualified Mortgage (QM) rule, which went into effect in 2014, prescribes a strict set of characteristics that define a QM, but also provides an alternative definition. Currently, a loan that complies with the eligibility criteria established by the government sponsored enterprises (GSEs), including Fannie Mae, is also a QM. This provision is commonly referred to as the Special QM or "the GSE Patch," and it affords Fannie Mae the opportunity to test new ideas and develop innovative tools like Day 1 Certainty, as well as serve a broader set of borrowers than the CFPB's other definition would otherwise allow. Consult your legal counsel for additional information about qualified mortgages.

## Third-Party Originator

**Q21. Does the DU validation service support third-party originator (TPO) business models?**

Yes. Please engage the report suppliers directly as they may have specific requirements in terms of who can order, view, and pay for reports.

**Q22. Does the DU validation service support correspondent business models?**

The lender / aggregator purchasing the closed loan from the correspondent (and selling the loan to Fannie Mae) will have access to the results of the DU validation service via the DU Underwriting Findings and CU Underwriting Findings Report if the correspondent lender opts in to the DU validation service. Fannie Mae provides validation reporting for delivered loans with income, assets, and/or employment validation on a monthly basis.

**Q23. If a correspondent lender participates in the DU validation service, does the representations and warranties enforcement relief "transfer" to the lender / aggregator that purchases the loan AND sells the loan to Fannie Mae?**

Yes, the representations and warranties enforcement relief for validated components "transfers" from the correspondent lender to the purchasing lender / aggregator when that loan is sold to Fannie Mae. As mentioned in Q22, the purchasing lender / aggregator can identify validated components of the borrower's loan file via the DU Underwriting Findings Report, but it is important to note that there are



additional lender responsibilities that must be met to enable the representations and warranties enforcement relief (e.g., compliance with DU messages, ensuring the vendor report matches the borrower information, and performing due diligence if there is conflicting information in the file as further outlined in the *Selling Guide*).

## Income Validation

### Q24. How does the DU validation service calculate income for validation purposes?

The DU validation service has embedded calculations that cover various income types.

Refer to the [DU Validation Service Reference Guide](#) (requires DU, DO, or Fannie Mae Connect credentials) for details on calculations and logic that will be used by DU for validation purposes.

### Q25. What percentage of income can be validated?

Automated verification of income through The Work Number by Equifax covers up to 30% of employers with new employers added all the time. Manual verification of income with Equifax or DataVerify can triple the income verification rates.

### Q26. Are any tolerances applied to the validation of income amounts?

Yes, there is a general 1% tolerance applied between the income amounts calculated by DU and the amount provided by the lender. Refer to the [DU Validation Service Reference Guide](#) (requires DU, DO, or Fannie Mae Connect credentials) for details.

### Q27. What types of income can be validated?

The income types shown below can be validated. Day 1 Certainty with representations and warranties enforcement relief is provided on successfully validated loan components.



		Employment and Income Verification Report (automated or manual)	Tax Transcripts (4506-T)
Income Types	Base pay	✓	
	Bonus	✓	
	Overtime	✓	
	Commission < 25%	✓	
	Commission 25% +	✓	✓
	Social Security		✓
	Retirement (Pension, Annuity)		✓
	Self-Employed Income (Sole Proprietor, Sched C)		✓

**Q28. What are the lender’s responsibilities with respect to income data?**

The lender remains 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 lender discovers any conflicting or contradictory information, the lender 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 his income, but the verification report shows a combined income amount for base and bonus in the “base income” field on the verification report. The lender 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 lender 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 lender 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 lender 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 lender 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 lender 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 lender will need to document the amount of income entered in DU.

**Q29. Some of the income calculations used by the DU validation service differ from standard *Selling Guide*. Are lenders still permitted to use the *Selling Guide* calculations, even if it would result in a higher amount of income than DU will validate?**

Yes. If the borrower's income is not validated due to the calculations used by the DU validation service (e.g., income history does not meet the requirement for the DU validation service), but the income is eligible per the *Selling Guide*, the lender may document the income per standard *Selling Guide* policy. In this case, the lender will not receive validation of that component and may be required to obtain additional documentation.

For example, the *Selling Guide* recommends a minimum 24-month history of commission income, but does allow commission income that has been received for 12 to 24 months as long as there are positive factors to reasonably offset the shorter income history. The DU validation service logic requires a minimum 24-month history to validate commission income. If the lender has determined that there are positive factors to offset the shorter history and the requirements of the *Selling Guide* are met, the income can be used but will not be validated.

**Q30. There could be certain information that is provided on a paystub, such as garnishments, but not included in the vendor report. Are lenders still responsible for identifying liabilities that could appear on a paystub?**

The DU validation service does not relieve lenders of the requirement to identify liabilities that may affect the borrower's ability to fulfill the mortgage payment obligation. Lenders should continue to use non-automated processes for assessing liabilities, such as reviewing the borrower declarations on the application, the credit report, preliminary title work, or other documents that may suggest additional obligations exist. While not required for income validation through the DU validation service, lenders may choose to continue collecting paystubs, other documentation, or other third-party reports as a way to resolve concerns and to confirm they are accurately calculating the borrower's monthly obligations for qualifying purposes.

**Q31. May a lender resubmit a loan to DU to obtain validation if a loan component did not receive validation on the initial submission?**

Yes. A lender 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 where the lender can update the loan number, borrower Social Security number, or reference number to receive a match.
- The DU message indicating 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 input into DU and the file resubmitted to receive validation of income.



**Q32. What analysis occurs with “Other Income” that appears on a verification report?**

DU does not use any income reported as “other” on the verification report due to the inability to determine what type of income “other” represents. Lenders can continue to use this income for qualifying purposes if additional documentation is obtained to meet standard *Selling Guide* requirements, even though it is not eligible for validation.

**Q33. Do lenders need to order a tax transcript on every loan in order to receive income validation?**

No. Lenders should refer to the table in the [DU Validation Service Reference Guide](#) under *Report Suppliers and Verification Reports, Income Types, and DU Input* to determine which income types and circumstances require a tax transcript in order to receive income validation.

**Q34. What is the impact to income validation when an updated verification of employment report indicates the borrower is no longer actively employed?**

Income validation is contingent upon employment validation. If DU is not able to validate employment at the time an updated verification of employment report is submitted to DU, then DU will no longer validate income from this employer. In that case, the lender should follow standard income and employment documentation requirements.

## Employment Validation

**Q35. What employment types can be validated through the DU validation service?**

Employment associated with base, bonus, overtime, and commission income (non-military) is eligible for validation. Borrowers with self-employment will not have employment validated, even if they also have a non self-employment source of income.

**Q36. How can I obtain employment validation, for non-self-employed borrowers, through the DU validation service?**

- Order a Verification of Income and Employment, or a Verification of Employment report from an Approved Vendor, then
- Submit the casefile to DU
- If DU issues the message stating that employment has been validated, then close the loan by the ‘close by’ date reflected in the DU message.

**Q37. Can borrowers on temporary leave be validated for employment status?**

No. Certain employee status codes that may indicate temporary leave (e.g., sabbatical), will not be considered active employment, and therefore will not be validated.

If the lender confirms the borrower is currently on temporary leave, the lender must consider the borrower to be ‘employed,’ however, additional documentation requirements apply that are not supported by the DU validation service. Refer to the *Selling Guide* for details.



**Q38. If income is validated by DU, does the lender still need to obtain a Verbal Verification of Employment (VVOE) per *Selling Guide B3-3.1-07, Verbal Verification of Employment*?**

The lender is still required to obtain a verification of employment *within ten calendar days before loan closing* in accordance with the *Selling Guide*. Employment validation through DU can fulfill the requirement to obtain a VVOE if obtained within ten calendar days of closing. An income verification report that includes verification of employment can only fulfill the VVOE requirement if the loan closes within ten calendar days. The lender must comply with all DU messages, including ensuring the loan closes by the “Close by date” stated in the DU employment validation message.

**Q39. Can verification of income also include verification of employment?**

Yes. A lender that is signed up for income validation will automatically see the employment validation messaging in DU. DU can use either a verification of income (VOI) or verification of employment (VOE) to validate employment through the DU validation service. When employment is validated, the loan must close within ten calendar days of the report date. If a VOI was used for income validation early in the process and the lender also received employment validation but is not able to meet the initial ten-day timeframe, the lender will also have to order a VOE (or an updated VOI) ten calendar days prior to closing and resubmit the casefile to DU in order to obtain the updated employment validation.

**Q40. If a lender received employment validation in DU and closed the loan within the “close by” date in the DU employment validation message, does the lender receive enforcement relief of representations and warranties even if it is later discovered that the borrower was no longer employed at the time of closing?**

If employment has been validated and the lender closed the loan within the date outlined in the DU message (ten calendar days from the date that the report is obtained), the lender will receive enforcement relief of the representation and warranty that the borrower is employed as of the closing date, provided the lender had no knowledge of the change in the borrower’s employment status. If the borrower disclosed (or the lender became aware) prior to closing that the borrower was no longer employed, this represents conflicting information that would have required additional investigation by the lender, and the enforcement relief would no longer apply to the prior employment (which may have an impact on any income validation associated with that employment).

**Q41. If the employment validation expires because the loan did not close by the required close date, what options are available to revalidate employment?**

- To re-validate employment and **obtain** updated income validation: The lender can choose to reorder a Verification of Income and Employment, or a Verification of Employment (VOE) report and resubmit the casefile to DU. If DU is able to validate employment, DU will re-issue income and employment validation messages, including updated close by dates, which apply as a result of the updated report.
- To re-verify employment and **retain** income validation: If the lender does not obtain an updated Verification of Income and Employment, or a Verification of Employment (VOE) report and/or does not resubmit the casefile to DU in order to update employment and income validation through the DU validation service, the lender must follow the standard *Selling Guide* requirements for verifying employment prior to delivering the loan to Fannie Mae.



**Q42. If the lender chooses to re-verify employment (vs. re-validate employment through the DU validation service) will the loan retain income validation?**

Income validation is retained provided (1) the lender follows the standard Selling Guide requirements for verifying employment (2) the borrower remains employed with the same employer for which income is validated (3) the loan file does not contain conflicting and contradictory information related to the borrower's employment status or income from this employer and (4) the loan closes by the income validation close by date identified by DU.

**Q43. Does DU's assessment of the vendor report, including any Employer Disclaimer information reflected on the report, relieve the lender of the responsibility to assess the verification report for inconsistencies?**

No. Similar to credit report information, the lender remains responsible for reviewing the information in the loan file, including the information on all vendor reports, for inconsistencies or discrepancies. The lender must investigate any inconsistent information and resolve any conflicts. In some cases, this may mean obtaining additional documentation to fulfil the Verification of Employment requirement.

**Q44. In the DU Validation Service Reference Guide, it states if DU does not validate employment, the associated income will also not be validated. How does this impact validation for self-employment income?**

Self-employment income validation does not require associated employment validation, as self-employment is not one of the employment types eligible for validation. See the DU Validation Service Reference Guide for more information on how self-employment income is validated.

## Asset Validation

**Q45. Does the DU validation service evaluate large deposits?**

The assessment of large deposits is automated through the DU validation service for asset validation. A message will be issued in DU when the source of a large deposit must be documented. See the [DU Validation Service Reference Guide](#) (requires DU, DO, or Fannie Mae Connect credentials) for additional information.

**Q46. Which types of assets can be validated?**

		Asset Report
Asset Types	Checking, Savings	✓
	CD	✓
	Money Market	✓
	Stock	✓
	Mutual Funds	✓
	Retirement Accounts	✓



**Q47. 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.

**Q48. Are business asset accounts an acceptable asset type?**

Business assets are an acceptable source of funds when the borrower is self-employed and the lender has evaluated the individual federal income tax returns, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be the owner of the account. The lender must perform a business cash flow analysis to confirm that the withdrawal of funds for the transaction will not have a negative impact on the business.

The current logic used for asset validation in DU will aggregate asset information from both personal and business accounts (provided the borrower selected to provide those accounts).

**Q49. Is earnest money included in the amount of assets validated by DU?**

Lenders must determine whether any earnest money deposit has cleared the borrower's account and follow the standard *Selling Guide* provisions for entering earnest money in DU.

If the funds have cleared the borrower's asset account, the earnest money must be entered as an "Other Credit" in DU and the lender must comply with the standard DU message that requires verification of the source of funds. In these cases, the amount of earnest money is not included in the amount of assets validated by DU.

If the funds have not cleared the borrower's bank account, the amount can be included in the depository account, such as a checking or savings account. In these cases, it will be included in the amount of assets validated by DU.

**Q50. What happens if the amount of assets required to complete the transaction at time of closing is different than the amount of assets validated by DU?**

In some cases, the amount of assets needed at time of closing is different than originally input into DU and validated by the DU validation service. Lenders must ensure that there is documentation in the loan file to support the full amount of assets required at time of closing. Refer to the *Selling Guide* to determine whether the loan is required to be resubmitted to DU. The DU validation service will include a message reminding lenders of this requirement.

**Q51. 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.



**Q52. If a borrower is relying on anticipated sales proceeds or net proceeds from the sale of another property in order to close, how can the lender document those funds in order to receive asset validation?**

Unfortunately, the DU validation service does not have the capability to validate assets not yet received and therefore not shown in the borrower's asset verification report. For now, lenders should continue to seek verification of net proceeds in accordance with the [Selling Guide](#).

**Q53. How does the DU validation service handle large deposits when validating assets for refinance transactions?**

The DU validation service will identify large deposits in accordance with the definition provided in the Selling Guide, and will determine when large deposits need to be verified by the lender. (Refer to the Selling Guide, B3-4.2-02, Evaluating Large Deposits, for more information.) Since large deposits do not need to be documented on refinance transactions, no DU validation service messaging will be issued for large deposits on refinance transactions.

**Q54. Should the lender attempt asset validation for every loan?**

There may be times when asset validation is not required for a loan (for example, asset validation is not required for refinance transactions), and lenders should develop guidance for loan officers in accordance with the asset verification requirements outlined in the [Selling Guide](#).

## Representations and Warranties

**Q55. What is Day 1 Certainty?**

Day 1 Certainty for data validation is the confidence that Fannie Mae will not enforce certain representation and warranty obligations for loan components that have been validated by the DU validation service.

In general, when DU has validated one or more loan components, Fannie Mae will not enforce representations and warranties for:

- Income calculation – the calculation of the income amount used to qualify the borrower when that income is able to be validated by the DU validation service (per borrower, per income-type)
- Employment status at closing – the borrower's employment, through the time of closing, that the employer attested to on the loan application (per borrower, per employer)
- Asset calculation – the accuracy of the amount of assets relied upon to satisfy the total amount of assets required to be verified by DU (loan-level)
- The integrity of the data provided on the eligible report obtained from the report vendor

**Q56. What are the lender's additional responsibilities when a component has been validated?**

To preserve the representations and warranties enforcement relief, the lender additionally must take the following steps:

- Confirm that the verification report matches the borrower, including the employer name and that the borrower is the account holder (for asset reports);



- Investigate any inconsistent or contradictory information, resolve, and then update DU if necessary;
- Ensure that the documentation meets the age of credit document requirements as contained in the specific DU messages issued; and
- Comply with all DU messages and document the file accordingly.

**Q57. How does Day 1 Certainty apply to a loan selected by Fannie Mae for quality control (QC) review?**

If a loan is selected by Fannie Mae for post-purchase QC review and a Significant Defect is identified related to the calculation of the borrower's income or assets, the integrity of the data in a vendor's report, or the borrower's employment status at time of closing, Fannie Mae will not pursue repurchase (or a repurchase alternative) if that particular component was validated by the DU validation service (assuming the lender met all requirements related to the DU validation service and there was no breach of life-of-loan representations or warranties).

**Q58. How does Day 1 Certainty apply to the life-of-loan representations and warranties?**

The life-of-loan representations and warranties, as part of the broad representations and warranties framework, apply to all loans delivered to Fannie Mae, for the life of the loan. While Fannie Mae provides lenders with enforcement relief for certain representations and warranties as part of the DU validation service, the life-of-loan representations and warranties continue to apply.

## Quality Control

**Q59. What impact does the DU validation service have on Fannie Mae's requirements for lenders' QC processes?**

For loans with a component validated by the DU validation service, the lender is not required to re-calculate the validated income or assets as part of its pre-funding QC review or re-verify or re-calculate the validated information as a part of the post-closing QC process.

The lender's QC process should continue to:

- Include a review of the file as a whole and ensure the information it enters in DU is appropriate based on its review and investigation of any inconsistent or contradictory information in the loan file and the vendor report.
- Ensure compliance with the DU messages and that the appropriate required documentation is in the file.
- Re-verify in accordance with the *Selling Guide* any components of the loan that were unable to be validated or were not validated by DU.

**Q60. What if the lender outsources post-closing QC processes?**

Lenders that use an outsourced third-party vendor for quality control should work closely with the vendor to make sure that any QC efficiencies are only applied on the loans with the appropriate DU messages – and that the vendor still performs reverification where it is required.



**Q61. What action should a lender take if they discover data discrepancies or find data within a vendor report that just doesn't make sense?**

Lenders should report data issues to the [Day 1 Certainty Data Discrepancy mailbox](#). The mailbox is used to gather data discrepancies that lenders may identify as part of their due diligence of loans validated through the DU validation service. This information will be used by Fannie Mae to identify gaps with data quality and to improve our models.

## Troubleshooting

**Q62. Why would a lender not see DU validation messages?**

A lender must opt in to use the DU validation service with any Equifax report, including The Work Number. Once activated, the lender should see messages for casefiles submitted for validation.

For all other vendors, or if you have activated for an Equifax report and are still having trouble, please contact your account team or call 1-800-2FANNIE (1-800-232-6643), Option 1 (technology support).

**Q63. If a lender ordered and received a verification report from a vendor for the borrower but the DU validation service was not able to validate, what might have happened?**

Some information may not qualify for validation. For example, if a borrower has been employed less than 12 months, a vendor may issue a report for that borrower that the lender determines to be acceptable income documentation. However, DU will not validate the income provided because DU requires at least 12 months of income for the validation service to run. The 12-month minimum requirement is specific to the validation service – not a change in overall *Selling Guide* policy.

See the [DU Validation Service Reference Guide](#) (requires DU, DO, or Fannie Mae Connect credentials) for more details.

**Q64. What does it mean if employment was not validated for a borrower due to Employer Disclaimer Information?**

At times, the Employer Disclaimer section of a verification report contains information indicating that the information on the report may not accurately reflect the borrower's employment status (employment status may remain "active" for some period of time after termination, for example). DU looks for combinations of key text in the disclaimer section and will not validate employment if certain text is present.

**Q65. Employment was not validated for a borrower because the employer name on the VOE does not match the employer name in DU. 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). Does this mean this employment record cannot be validated?**

If, after performing the appropriate due diligence, the lender determines that the reason for the difference in employer name is purely data entry and the employers are, in reality, the same, the lender may update the employer name in DU to match the name as it appears on the verification report and resubmit to DU.



## **NEW. Privacy and Information Security**

**Q66. Are DU validation service vendors required to meet prescribed information security standards?**

Fannie Mae requires DU validation service vendors to undergo an information security review before becoming a DU validation service report supplier. Lenders, however, must conduct their own information security reviews to ensure that the vendors they choose meet their requirements.

**Q67. Does Fannie Mae set the terms under which DU validation service vendors provide services to lenders?**

No. Lenders are solely responsible for negotiating the terms governing the validation services provided by DU validation service vendors, including borrower credential and data retention periods, frequency of use of credentials to access borrower data and other privacy protections. Fannie Mae encourages lenders to ask questions of vendors to ensure that the vendors you choose provide the services, privacy protections, and disclosures that best fit your expectations, as well as those of your borrowers. Lenders may wish to inquire as to whether vendors intend to use customer data outside of the mortgage transaction. Lenders are also reminded that some DU validation service vendors use third parties to obtain the data and should ensure that whatever terms they negotiate apply equally to any such third party.

**Q68. What type of borrower consent is required?**

The type of borrower consent required is determined by the lender (working with their legal counsel) and/or the requirements of the report vendor. The lender is ultimately responsible for ensuring the adequacy of the consent for the transaction.

**Q69. What information should borrowers be told before providing their consent and log-in credentials? Who is responsible for providing this information?**

Before providing their consent and credentials, borrowers should be informed to the extent deemed appropriate:

- who will have their credentials and data;
- how their credentials and data will be used;
- if and when their credentials and data will be deleted;
- how to revoke consent (such as by changing their credentials) and the consequences of revoking consent; and
- who to contact if they have concerns about the DU validation service.

The lender and the vendor must determine how best to communicate this information to the borrower.

**Q70. How long does Fannie Mae retain borrower log-in credentials? How long does Fannie Mae retain the data it receives?**

Fannie Mae does not receive or retain borrower log-in credentials. Fannie Mae uses a reference number provided by the lender to obtain account information from the vendor. Fannie Mae currently retains the data received from DU validation service vendors for so long as is necessary for legitimate business purposes.



**Q71. Do all DU validation service vendors have the same privacy and breach policies?**

No. The DU validation service platform has a wide variety of vendors each with their own business model, which includes their policies on access, retention, deletion of borrower data and credentials, and breach response procedures. Lenders must conduct thorough due diligence to ensure the vendors they choose meet their needs and expectations.

**Q72. California recently passed the California Consumer Privacy Act (CCPA). How will the CCPA impact Day 1 Certainty and the DU validation service?**

The CCPA creates new rights for California consumers to know what information has been and will be collected about them, as well as rights to opt-out of certain data sharing and to request data be deleted in some cases. The CCPA is likely to be amended before it goes into effect, and implementing regulations will need to be adopted. As a result the operational impacts remain uncertain. What is certain is that California consumers will have more control over their personal information once the law goes into effect.

**Q73. In October of 2017, the Consumer Financial Protection Bureau (CFPB) issued data sharing and aggregation principles (Principles) for protecting consumers when they authorize third-parties to access their financial data. What impact might these Principles have on Day 1 Certainty and the DU validation service?**

The Principles reflect a data sharing and aggregation framework that aspires to enhance already-existing consumer protections. The CFPB expressly notes that the Principles are non-binding, and do not establish requirements or obligations for stakeholders. While Fannie Mae continues to monitor emerging guidance and may take additional actions in the future, at this time we are making no changes to Day 1 Certainty or to the DU validation service in response to the Principles. Each stakeholder should review the Principles with their own legal counsel and take whatever steps they believe appropriate for them.