DU Validation Service Vendor Partner Information

This document provides an overview of the requirements and criteria necessary to become a Desktop Underwriter® (DU®) validation service approved verification report supplier. It is meant to communicate expectations to potential report suppliers and explain the purpose and rationale behind Fannie Mae’s rigorous onboarding and post-production monitoring processes.

Vendor Participation

The DU validation service platform leverages third-party data providers to independently validate borrower income, assets, and employment data, providing our lenders Day 1 Certainty™ with relief from representation and warranties on validated loan components. Potential third-party verification report suppliers may participate on the DU validation service platform by the following two methods:

1. A report distributor (reseller) through a relationship with an eligible report supplier of Day 1 Certainty verification reports accepted by Fannie Mae.
2. Partnering with Fannie Mae to become a approved report supplier through a structured onboarding process

Upon successful completion of all requirements, a report suppliers will be submitted for approval for the DU validation service platform after which they will continue to engage with Fannie Mae in post-production monitoring activities and annual reassessments.

Verification Report Distributors

To use the DU validation service, lenders may choose to work with a report distributor that has a relationship with an eligible verification report supplier. Report distributors are not directly integrated to the DU validation service but rather obtain verification reports from an eligible report supplier. Because the report data comes from a verification report supplier, validated loan components are eligible for rep and warrant enforcement relief.

Verification Report Suppliers

Becoming an approved verification report supplier for the DU validation service involves a pre-qualification discussion, technical on-boarding, a pilot, and ultimately production roll-out. Prospective report suppliers undergo a third-party risk review and data accuracy tests, and participate in a pilot phase before being approved for production (see details on page 2).
Process to Become a Verification Report Supplier

This diagram provides a high-level overview of the process to become a report supplier for the DU validation service. Once a report supplier has completed the pre-qualification phase and executed an agreement with Fannie Mae, additional details will be provided.

Considerations

Fannie Mae is committed to building a leading product for validation services to expedite the mortgage origination process. To help potential report suppliers understand the structure and processes that are in place to support this effort, we highlighted the following key considerations:

- Fannie Mae is a large organization responsible for key borrower financial information and must require a certain standard of risk and compliance from all potential report suppliers across the enterprise
- Fannie Mae assumes significant risk by offering relief from representation and warranties on validated loan components that would otherwise be assumed by lenders
- Lenders conduct their own third-party risk due diligence and expect Fannie Mae to thoroughly review potential report suppliers before acceptance onto the DU validation service platform
- Major banks and financial institutions will not work with report suppliers who do not adhere to certain standards for risk mitigation and operational control assurance (i.e. SOC 2 Type 2 certified, robust third party risk management process)
- Fannie Mae must ensure that consistent expectations and requirements are communicated to and met by all potential report suppliers
Report Supplier Eligibility Criteria

Outlined below is a list of the minimum eligibility criteria and documentation needed to ensure successful entry onto the platform:

- List of integrated loan origination system (LOS) vendors and affiliates/resellers *(if applicable)*
- Externally audited, financial statements. Will accept:
  - Audited financials – 2 or more years
  - 10K SEC Filings (public company)
- Business and technical processes and controls for data quality and accuracy *(must provide formal documentary evidence such as applicable policies/procedures as well as use-case artifacts to enable validation of functional implementation)*
  - Vendor/Third Party Risk Management documentation *(addressing onboarding due-diligence and ongoing monitoring activities)*
  - Quality Assurance and/or Quality Control (QA/QC) documentation *(methodology, functions, personnel, and recent reporting/results)*
  - DU validation service Business Process & Operational documentation *(data collection processes and schema generation diagram/mapping)*
  - Change Control Policy *(including alignment w/ Fannie Mae Change Control Policy requirements)*
  - Issue Case/Incident Management Procedures *(addressing internally identified issues and customer reported issues, escalation, remediation & reporting process)*
  - Independent Audit Program *(scope, frequency, reporting & results)*
  - Employee Training on QA/QC *(Policy, training materials, frequency, tracking etc.)*
- External network security penetration test and application security test completed within the past 12 months *(must provide results and remediation status of any findings, if applicable)*
- Documentation evidencing independent assessment of the report suppliers processes and information systems controls that are relevant to security, availability, processing integrity, confidentiality, and privacy completed within the past 12 months *(must provide results and remediation status of any findings, if applicable)*. Acceptable assessments include:
  - SOC2 Type 2 Report *(preferred - assessment period covers at least six months, ideally 12 months)*
  - PCI DSS *(Report supplier’s service offering/platform must be within Report supplier’s PCI DSS certified environment)*
  - NIST 800-53
  - Agreed Upon Procedures (AUP) – based on SANS Top 20 Controls *(Critical Security Controls (CIS))*
- Current documented business continuity (BCP) plan and the most recent BCP test completed within the past 12 months *(must provide results and remediation status of any findings, if applicable)*
- Current documented disaster recovery plan (DRP) and the most recent DRP tests completed within the past 12 months *(must provide results and remediation status of any findings, if applicable)*
- Onsite review with Fannie Mae’s Third-Party Risk Management Team *(applicable for Income, Employment, or Asset verification and other select Report suppliers as determined by management discretion)*
- Demonstrate understanding of the Fair Credit Reporting Act (FCRA) and Regulation V. Provide evidence to demonstrate one of the following:
- Entity acts as a CRA and is FCRA compliant
- Entity does not act as a CRA

- Integrate with the DU validation service platform per Fannie Mae DU validation service integration guide
- Provide data in the Fannie Mae XML schema structure
- Identify Pilot lenders to test with in Pilot prior to receiving approval for Pilot with the following qualification:
  - Ability to submit 1,000 processed single or bulk transactions *(for Report suppliers providing 4506-T Tax Transcripts)*, and/or
  - Ability to provide 300 delivered loans *(for Report suppliers providing Verification of Income, Employment, and/or Asset Services)*. Please note that Lender/Vendor may have to deliver more than 300 because of natural fall out
- Reissue the verification report upon Fannie Mae request
- Allocate dedicated resources (project management, technical, risk, networking, legal, and marketing) to support onboarding activities, integration with the DU validation service platform, pilot testing, and pre-and post-production release including remediating potential lender issues during Pilot and post-Production
- Adhere to post-Production monitoring and reporting requirements, including, but not limited to:
  - Ongoing business credit risk and transaction monitoring, weekly reporting on customer adoption and service use, quarterly reviews on performance/SLA monitoring, data accuracy/completeness, financial health, and public source news, and an annual risk reassessment

**Additional Information**

Data vendors may contact [Data Vendor Inquiries](#) for more information.

**Related Resources**

- [Day 1 Certainty™](#)
- [DU validation service](#)