

# Unleashing the Full Potential of the DU<sup>®</sup> Validation Service



Are you overlooking opportunities to better serve your borrowers and further grow your business?

As a user of Fannie Mae's Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>), a powerful suite of tools is already at your fingertips. All you have to do is unleash its full potential. Fully utilizing the robust capabilities of DU to optimize processes and gain more certainty across the mortgage value chain can be a game changer for both your business and the borrower experience.

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Cindy Keith,  
Fannie Mae’s director of  
digital products.

The reality is that the mortgage lending industry is undergoing great change. The increase of regulatory requirements, evolving borrower expectations and demand for greater efficiencies are just a sampling of the factors reshaping today’s mortgage lending landscape.

To address these changes, [Fannie Mae launched its multi-pronged Day 1 Certainty® initiative in 2016](#), which leverages innovative technology and automation to reduce risk and deliver speed, simplicity, and certainty to the mortgage process. Through Day 1 Certainty, lenders enjoy freedom from representations and warranties on key aspects of the mortgage origination process. A key component of this initiative is an income, assets, and employment validation service — known as the DU validation service — offered to lenders through DU. Additional components of the initiative include Certainty on Appraised Value and Appraisal Waiver (formerly called Property Inspection Waiver). Nearly two years later, these benefit have grown increasingly evident and the results increasingly powerful.

Today, more than 1,000 lenders have leveraged one or more components of the Day 1 Certainty suite. These lenders account for three-quarters of Fannie Mae’s deliveries through DU. In 2017, lenders delivered more than \$300 billion in loans with one or more Day 1 Certainty features. The results are profound but the success story is far from over. This is just the beginning.

To help users further leverage the tools they have at hand and unleash the full potential of the DU validation service, this whitepaper takes a deeper dive into the power of data validation.

**Greater Efficiencies**

Thanks to rising loan origination costs and increased regulation, among other factors, lenders face the increasing need to retain their competitive edge by streamlining their processes and improving processing efficiencies to save money.

In fact, a 2017 Mortgage Lender Sentiment Survey conducted by Fannie Mae revealed that business process streamlining was a top priority for 35 percent of lenders.<sup>1</sup>

One significant way for lenders to save both time and money is to end the paper chase in the loan process. It is no secret that the paper-intensive nature of gathering and processing borrower information can be frustrating. Relying on the borrowers to supply you with documents in a timely manner and ensuring they are providing you with complete and accurate data is a drain of time and resources—not to mention the negative impact it can have on the borrower experience.

“Through the development and launching of various Fannie Mae initiatives, we want to reduce cycle time,” said Cindy Keith, Fannie Mae’s director of digital products.

Fannie Mae’s DU validation service is a key player in reducing cycle time. By using the tools they have at hand and fully leveraging the DU validation service, lenders can electronically validate their borrower’s income, assets, and employment using data directly from the source – leveraging third-party data providers. This enables lenders to break free of the paper chase, save time, labor and money.

<sup>01</sup> Duncan, Doug. “Perspectives.” Fannie Mae, 23 Aug. 2017. [www.fanniemae.com/portal/research-insights/perspectives/mortgage-lenders-consumers-082317-duncan.html](http://www.fanniemae.com/portal/research-insights/perspectives/mortgage-lenders-consumers-082317-duncan.html).

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The initial results of the DU validation service are impressive. Many users have successfully reduced cycle time by 6 to 20 days using multiple Day 1 Certainty features and, in some cases, are able to close loans within as few as 10 days.

#### **Enhanced Borrower Experience**

In today’s tech-driven society, people have come to enjoy the conveniences of being digital. Whether it’s banking, shopping or paying bills online, ensuring a pleasant customer experience is critical. The mortgage industry is no exception. In fact, a recent study found that nearly two-thirds of Americans expect to be able to apply for a mortgage and complete the application online.<sup>2</sup>

As the industry grows increasingly competitive and consumer demands shift, lenders are placing a higher priority on delivering better consumer experiences as evidenced by a 2017 Mortgage Lender Sentiment Survey.<sup>3</sup> According to the survey findings, 31 percent of lenders said that customer-facing technology was a top business priority to maintain or improve competitiveness. Of the 31 percent, 18 percent said it was the “most important priority.”

Leveraging the technology and automation of the DU validation service better equips lenders to provide a superior borrower experience and get Day 1 Certainty.

With the DU validation service, the process is simple.

- After obtaining borrower consent, simply order an eligible verification report from an approved vendor;
- Review the report and resolve any discrepancies with the borrower;
- Submit the report information into DU;
- Review specific messages related to the loan components that you submitted for validation. Income and asset messages are based on calculations that DU performs using data from the vendor verification reports you ordered.

While asset validation involves more engagement from the borrower (they electronically enter their banking credentials), don’t let that dismay you. It is important to remember that many of today’s consumers — regardless of their age — are familiar and comfortable with digitized transactions. In fact, asset validation often helps keep consumers at ease because it potentially decreases the risk of fraud.

“While it is different for some, and it’s definitely different for the mortgage industry, we are starting to see some real pick up in borrowers who are willing to participate by logging into accounts using their credentials and being part of the asset validation process,” Keith said.

Borrowers will appreciate the fact that digitized asset validation is easier than manually tracking down the proper information and making sure that the information is complete — the tools do this for them. Borrowers will also appreciate the fact that digital verification can mean faster loan origination time. Not only can borrowers save time by using electronic data versus tracking down and collecting paper documents but, because the loan application data is validated up front, it gives lenders faster and easier verification of key loan data components. With asset validation, some lenders have successfully reduced cycle time by 6 days.

<sup>02</sup> “Homebuyers Expect Digital Mortgages, But Also Want Human-Touch Communication, 2018 Ellie Mae Borrower Insights Survey Finds.” Ellie Mae, 2018, [www.elliemae.com/about/news-reports/press-releases/homebuyers-expect-digital-mortgages-but-also-want-human-touch-communication-2018-elliemae-borrower-insights-survey-finds](http://www.elliemae.com/about/news-reports/press-releases/homebuyers-expect-digital-mortgages-but-also-want-human-touch-communication-2018-elliemae-borrower-insights-survey-finds).

<sup>03</sup> Duncan, Doug. “Perspectives.” Fannie Mae, 23 Aug. 2017, [www.fanniemae.com/portal/research-insights/perspectives/mortgage-lenders-consumers-082317-duncan.html](http://www.fanniemae.com/portal/research-insights/perspectives/mortgage-lenders-consumers-082317-duncan.html).

## **Fannie Mae's DU validation service is a key player in reducing cycle time.**

### **More Transparency**

The DU validation service also gives lenders certainty on Day 1 that they will receive freedom from representations and warranties for income, assets, and employment information validated through DU.

“When Fannie Mae has validated data through the DU validation service — we’ve done our calculations, we’ve compared it with what’s in DU and validated it — then the lender has the opportunity to utilize that validation and enhance process efficiency,” Keith said.

For instance, lenders leveraging the DU validation service are no longer required to recalculate income as part of their pre-funding QC review or re-verify income as part of their post-closing QC process. However, lenders remain responsible for other parts of the traditional pre-funding and post-closing QC process, including complying with the DU messages, ensuring the vendor report matches the borrower information, and investigating any conflicting or contradictory information in the loan file.

By leveraging automation, analytics, and third-party data sources, the DU validation service users can improve efficiencies and feel confident in the integrity of the obtained information.

It is also important to note that, as it relates to loan repurchases, having certainty on income, assets, employment, as well as appraised value, not only improves efficiencies but also is beneficial from a financial planning perspective, such as loan loss reserve calculation and amounts. In fact, one lender reported a 25 percent reduction in their capital reserves due to the certainty provided through the DU validation service.

Please see Fannie Mae's [Selling Guide](#) for a more complete description of Day 1 Certainty and the DU validation service, including the requirements lenders must meet in order to take advantage of the benefits of Day 1 Certainty. And note that the life of loan representations and warranties continue to apply to all loans sold to Fannie Mae.

### **Unlocking the Full Potential**

It is important to remember that the DU validation service provides the tools to reduce risk and gives lenders faster and easier verification of critical loan data components. You have the tools at hand. The key is leveraging their full potential.

One of the best ways to overcome barriers and discover the true value of the DU validation service is to conduct a small pilot internally. Experiencing and demonstrating the full potential of the DU validation service helps lenders serve as key influencers and build trust in the power of the technology.

A small pilot also is a great way for lenders to better familiarize themselves with the platform and engage with the growing list of third-party vendors. For instance, they can see firsthand what the reports look like, how they go about ordering reports, how to better manage expectations (i.e., how soon a report is available, potential restrictions for income types, etc.), what the DU messages look like, and how to interpret those messages, etc.



**“Today’s mortgage lending industry is evolving and growing increasingly competitive. Ensure that you are staying ahead of the curve by embracing change and fully leveraging the DU validation service and Day 1 Certainty.”**

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“A pilot provides a manageable space to be able to test drive the DU validation service and allows the lender to think about process changes they may want to make to take full advantage of the value stream,” said Keith. “Having individuals participate in the pilot who are open to change and willing to experiment with new types of technology can provide additional benefits. Success stories that come out of the pilot are what help sell the product to the rest of the team.”

Since the launch of the Day 1 Certainty initiative, Fannie Mae has been working to provide lenders greater options by broadening the platform of third-party data vendors who access borrower income, employment, and asset data. Today, 25 report suppliers and more than 70 resellers are able to provide eligible verification reports and that number continues to grow.

**Must-Have Tips for Today’s User:**

- Be open to change and take advantage of new technologies – combining the value of tools like the DU validation service with an Appraisal Waiver (formerly called Property Inspection Waiver) can bring real efficiencies to your processes. In fact, many users have successfully reduced cycle time by 20 days when also exercising an Appraisal Waiver.
- Share feedback and broaden your knowledge — reaching out to industry groups and peers can be a great way to broaden your knowledge and learn from other DU users within the industry.
- Leverage Fannie Mae and vendor-developed educational resources like tutorials and webinars.
- Communicate the value to borrowers. It can be an effective way to drive greater adoption.
- Establish your goals and track your progress. At the end of the day, time savings translates into cost savings.

**Conclusion**

Today’s mortgage lending industry is evolving and growing increasingly competitive. [Ensure that you are staying ahead of the curve by embracing change and fully leveraging the DU validation service and Day 1 Certainty.](#)

By unlocking the full value of the DU validation service you’ll save time, money and reduce risk. You will also be able to deliver an exceptional customer experience to your borrowers — one they’ve come to expect in today’s tech-driven environment.

The mortgage origination process is in the midst of transformation and you are an important player in its success.