



Fannie Mae®

Desktop Underwriter Validation Service

Reference Guide

July 30, 2019

This document provides information related to the DU validation service. While every effort has been made to ensure the reliability of the content, Fannie Mae's *Selling Guide* and its updates, including Guide Announcements and Release Notes, are the official statements of Fannie Mae's policies and procedures, and should be adhered to in the event of discrepancies between information in this document and the *Selling Guide*.



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Trademark Acknowledgements

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Overview

Desktop Underwriter® (DU®) offers the DU validation service to provide lenders an opportunity to deliver loans with more certainty. The *DU Validation Service Reference Guide* provides detailed information and requirements related to the DU validation service.

Certain components of the loan file will be eligible for validation by DU using electronic verification reports obtained from vendors. When a component of the loan is validated by DU, the loan may be eligible for representation and warranty enforcement relief related to that component. Different lender quality control and documentation requirements may also apply. Refer to *Selling Guide*, B3-2-02, *DU Validation Service*.

The validation service is available only for conventional loans underwritten through DU. This is an optional service offered by DU. Lenders are not required to participate in order for a loan to be underwritten through DU.

Components Eligible for Validation and Eligible Verification Reports

The components eligible for validation through the DU validation service and the related verification reports are listed below. As described below in the [Authorized Vendors](#) section, lenders can obtain verification reports directly from a report supplier or from a report distributor that works with that report supplier.

Components Eligible for Validation	Eligible Verification Reports
Income	<ul style="list-style-type: none"> • Advanced Data Income Tax Verification-4506T • Avantus IRS-Direct Tax Transcripts • BankVOD 4506-T IRS Tax Transcripts • Taxdoor™ 4506-T Service from Chronos Solutions • CoreLogic® 4506-T Direct • ComplianceEase® 4506xpress Report • Taxpayer Tax Return Summary Report from DataVerify® • DataVerify® Verifications of Income (VOI) • Taxpayer Tax Return Summary Report from Equifax • The Work Number® from Equifax® Employment and Income Verification Report • First American Mortgage Solutions 4506-T Tax Transcripts • Income Tax Verification (ITV) Report from Informative Research • MeridianLink, Inc. 4506-T Tax Transcript Service • TRV® Transcript Service from NCS (National Credit-reporting System, Inc.) • IncomeVerify from Partners Credit & Verification Solutions (also known as Credit Interlink) • PointServ 4506-T Tax Transcripts • QuestSoft Verifications 4506-T Transcripts • SharperLending Tax Verification Provider (TVP) • Universal Credit Services 4506-T • 4506-Transcripts.com Tax Transcripts • 4506-T Tax Transcripts from Veri-Tax™ • Veri-Tax Employment and Income Verification
Employment	<ul style="list-style-type: none"> • DataVerify® Verifications of Employment (VOE) • Partners Credit & Verification Solutions Verification of Employment (VOE) • The Work Number from Equifax Employment and Income Verification Report



	<ul style="list-style-type: none"> • The Work Number from Equifax Employment Verification Report
Assets	<ul style="list-style-type: none"> • Finicity® Verification of Assets • Blend Generated Asset Statement • AccountChek™ Asset Report from FormFree • Plaid Asset Report • PointServ VOA Report • FinLocker Asset Report

Authorized Vendors

A lender may obtain a verification report directly from a “report supplier” or from a “report distributor” as described below:

- Report suppliers have entered into an agreement with Fannie Mae to participate in the DU validation service. Report suppliers generate the report and send the report data electronically to the DU validation service. This report reflects the report supplier’s name and/or logo.
- Report distributors have not entered into an agreement with Fannie Mae, but have an agreement with an eligible report supplier. The report supplier (not the distributor) sends the report data electronically to the DU validation service. The verification report reflects both the report distributor’s name and the name and/or logo of the applicable report supplier.

The [DU Validation Service Verification Report Vendor List](#) provides a listing of authorized report suppliers and report distributors.

Lender Requirements for Participation

No special approval is required from Fannie Mae for a lender to use this service; however, the lender must “opt-in” to participate.

To opt-in for The Work Number or tax transcripts obtained from Equifax (or a report distributor who obtains the information from Equifax), a lender must complete and submit the *DU Validation Service Set-Up Form* (see Fannie Mae’s website for instructions). Lenders must identify the DU institutions to be activated for each report supplier that is supported through the service. For all other vendor reports, no separate opt-in form is required. Loans will be assessed through the DU validation service if the lender opts-in by selecting a vendor in the 3rd Party Data Provider field in DU, has entered a reference number, and meets all requirements for participation outlined below.

The following requirements must be met prior to participation:

- The lender must have a relationship with, and have entered into a contract for the services provided by, an authorized report supplier or report distributor.
- The lender’s agreement with a vendor must allow for the report supplier to share the information contained within the verification report with Fannie Mae electronically for use by the DU validation service.
- The lender must establish controls to manage and monitor the vendors in accordance with its own regulatory requirements.

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.



Lender and DU Steps for Using the Validation Service

The following describes the steps that the lender and DU will perform as part of the DU validation service.

The Lender

1. Obtains borrower authorization to obtain information from a vendor.
2. Orders information from a vendor(s).
3. Confirms that the verification report matches the borrower. DU will attempt to match the verification report based on certain borrower information entered by the lender in DU and will not obtain the report if the information does not match.
4. Reviews the borrower's information and any information obtained from the vendor, and updates the data in DU. The lender must investigate and resolve any information obtained that may conflict with, or be contrary to, the information reflected in the loan file or on the verification report.
5. Submits (or resubmits) the loan to DU.

If an updated verification report is obtained by the lender, the lender must resubmit the mortgage loan to DU and receive a message that the component has been validated in order for the representation and warranty enforcement relief to apply. Copies of all verification reports obtained must be maintained in the loan file.

DU

1. Obtains an electronic copy of the verification report. (**Note:** Additional information may need to be provided to DU for DU to identify and access the electronic copy of the verification report. These details are contained in the sections below that outline each component eligible for validation through the DU validation service).
2. Reviews the verification report and compares the information on the verification report to the information provided by the lender in DU (this could include DU applying certain calculations to the information provided on the verification report).
3. Determines the component's eligibility for validation.
4. Issues DU messages, including messages regarding the validation results and related documentation requirements.

Submission to DU

Customers who do not have direct system integration can manually enter the third-party verification report reference number (or loan number) in DU. DU has an Income & Asset Validation section in the Additional Data section of the online loan application. In this section, lenders will choose the Third Party Data Provider Name and enter the corresponding reference number associated with the report obtained from the provider. Up to four Reference Numbers may be entered for each Third Party Data Provider Name selected. This will give lenders the ability to enter the provider and reference number information for each borrower on the loan application. Customers must enter the reference number in the following format:

Income & Asset Validation	
Report Supplier	Reference Number
Vendor Name <input type="text" value="Vendor Name"/>	<input type="text" value="999601111:100003"/>
<input type="text" value=""/>	<input type="text" value=""/>
<input type="text" value=""/>	<input type="text" value=""/>
<input type="button" value="Insert More"/>	

SSN (no dashes):Reference ID
(if this is a GUID, it needs to contain the dashes)

Examples by vendor:

AdvancedData – SSN:Order ID/Order #

Avantus – SSN:Report ID

BankVOD – SSN:Order Number

Blend – SSN:Reference #

ChronoSolutions – SSN:Tax File Number

ComplianceEase – SSN:DU Reference Number

CoreLogic – SSN:Report ID

DataVerify – SSN:PIN Code

Fincity – SSN:Report ID

FinLocker – SSN:Report ID

FirstAmericanMortgageSolutions – SSN:Reference Number



Formfree – SSN:Report ID or Reissue Key
Informative – SSN:Order Number
MeridianLink – SSN:Reissue Key
NCS/NationalCredit-ReportingSystem – SSN:Order No.
PartnersCredit* – SSN:Report ID
Plaid – SSN:Audit Copy Token
PointServ – SSN:FNMA Ref #

QuestSoft® Corporation – SNN:FXID
SharperLending – SSN:Reference Number
UniversalCreditServices – SSN:Order #
VeriTax – SSN:Report ID
4506-Transcripts.com** - SSN:Reference #
**also known as Credit Interlink*
***also known as Private Eyes*

Note: For The Work Number® from Equifax® and the Equifax 4506-T Tax Transcript Service, the third-party verification report reference number is the lender loan number. It is already captured in DU so no further fields are needed.

The Placeholder field can be used to override the Lender Loan Number field:

- Where a new loan has been created for the borrower but the lender wishes to use the previously ordered The Work Number report,
- Where the borrower has multiple open loans and the lender wishes to use just a single The Work Number report across those loans, or
- Where a loan number has not yet been assigned.
- In cases where a loan number was not yet assigned, the lender should enter the information located in the Tracking Number Field of the Equifax verification order into the Placeholder Field in DU.

Validation Results

When a component of the loan file is assessed through the DU validation service, three results are possible: validated, not validated, or unable to validate. DU will issue a message providing the validation results. Refer to the sections below for additional details on the DU messaging that will be issued.

Regardless of the validation result, DU will continue to use the information provided by the lender in DU for the DU underwriting recommendation. The results of the validation service do not override, impact, or alter any information submitted by the lender to DU. The lender must ensure that:

- All information entered by the lender in DU is fully documented (in some cases, the verification report satisfies this condition).
- All documentation, including the verification report, meets the applicable age of documentation requirements.
- All DU messages have been satisfied.

Refer to the following sections for details regarding income, employment, and asset validation.

Income Validation

DU uses information from the verification report to calculate the borrower's income based on a number of factors. It then compares its calculated income amount to the income amount entered by the lender in DU.



Report Suppliers and Verification Reports, Income Types, and DU Input

The following table lists the report suppliers and the verification reports that can be used by the DU validation service for income, and identifies the income types that can be validated. As described above in the [Authorized Vendors](#) section, lenders can obtain verification reports directly from a report supplier or from a report distributor that works with that report supplier. The eligible income types must be appropriately identified in DU using the DU Income Types as indicated in the table below.

Report Suppliers and Verification Reports	Income Types Eligible for Validation	DU Income Type (Non-military)
Suppliers: <ul style="list-style-type: none">• DataVerify• Partners Credit & Verification Solutions• The Work Number from Equifax• Veri-Tax Reports: Employment and Income Verification Report	Base	Base Income
	Bonus	Bonuses
	Overtime	Overtime
	Commission	Commissions



Report Suppliers and Verification Reports	Income Types Eligible for Validation	DU Income Type (Non-military)
<p>Suppliers:</p> <ul style="list-style-type: none"> • Advanced Data (Income Tax Verification-4506T) • Avantus (IRS-Direct Tax Transcripts) • BankVOD (BankVOD 4506-T IRS Tax Transcripts) • Chronos Solutions (Taxdoor) • ComplianceEase (4506xpress Report) • CoreLogic (4506-T Direct) • DataVerify (4506-T IRS Transcripts) • Equifax (The Equifax 4506-T Tax Transcript Service) • First American Mortgage Solutions (4506-T Tax Transcripts) • Informative Research (Income Tax Verification (ITV) Report) • MeridianLink, Inc. (4506-T Tax Transcript Service) • NCS (TRV Transcript Service) • Partners Credit & Verification Solutions (IncomeVerify)* • PointServ (4506-T Tax Transcripts) • QuestSoft Corporation (QuestSoft Verifications 4506-T Transcripts) • SharperLending Tax Verification Provider (TVP) • Universal Credit Services 4506-T • Veri-Tax (4506-T Tax Transcripts) • 4506-Transcripts.com** (Tax Transcripts) <p>*Also known as Credit Interlink **Also known as Private Eyes</p> <p>Reports: Taxpayer Tax Return Summary Report</p>		
	Retirement (IRA distributions, pension and annuities)	Pension
	Social Security (retirement, disability, supplemental, survivor benefits)	Social Security
	Self-employment (IRS Form 1040, Schedules C or C-EZ for sole proprietorships only)	Base Income and Self-Employment Flag (in Employment Section) = Y

Note: This table applies to income only. Lenders must continue to obtain the verification of employment in accordance with Selling Guide, B3-3.1-07, Verbal Verification of Employment. See [Employment Validation](#) below for details on employment validation completed by the DU validation service.

Borrowers Employed by Family Members or Interested Parties

When income has been validated by the DU validation service, the lender is not required to determine if the borrower is employed by a family member or interested party to the property sale or purchase.

Verification Methods

Income verification report suppliers can offer two options to obtain income information. Both methods are acceptable for use with the DU validation service:

- Data obtained from its existing database of employer-provided information, or
- Data developed from the vendor contacting the employer directly to obtain the information.

In either case, DU obtains an electronic copy of the verification report ordered by the lender.



Loan Criteria for Income Validation

The following criteria applies when ordering and using income verification reports:

- The borrower must be an active employee as defined by the DU validation service (for example, the vendor report cannot reflect that the borrower is on leave or terminated). Refer to Appendix A for a list of the status types that will be reflected on the vendor report that are considered “active” by DU for validation purposes.
- The lender loan number and the borrower’s Social Security number entered in DU must match exactly to the lender loan number and the borrower’s Social Security number on the vendor report in order for DU to access an electronic copy of the report.
- The income type must be eligible for validation via the vendor and identified correctly as “base,” “bonus,” “overtime,” or “commission” on the report. Military income is not eligible for DU validation. Income identified as “other” on the report is not validated by DU.
- The borrower’s information (including name, address, and Social Security number) must be accurate in DU.
- For all loans, including those with validated income, the lender must continue to ensure the income amount it enters in DU is appropriate based on its review and investigation of any conflicting or contradictory information in the loan file and the verification report.

The lender must retain a copy of all verification reports obtained in the permanent loan file.

Income Validation Using Vendor Reports

DU attempts to validate the income information in DU on a per-borrower and per-income type basis by performing the following:

- Applying its own calculations to arrive at a monthly income amount using data from the report (see Income Calculations below);
- Comparing the DU calculated amount to the amount provided by the lender in DU;
- Determining whether the income is validated, not validated, or unable to be validated; and
- Issuing specific validation messages.

DU Messaging Related to Income Validation

DU issues messages based on the results of DU’s validation process.

Validated: When income is validated (meaning DU’s calculations are greater than or equal to the amount the lender submitted to DU, or less than the amount but within a 1% tolerance), the message will indicate that the income has been validated using the vendor report and that the vendor report is acceptable documentation to support the income.

Not Validated: When income is not validated (meaning DU’s calculations are less than the amount the lender submitted to DU by more than the 1% tolerance), the message will identify the amount of income DU calculated. The message will specify the documentation, in addition to the vendor report, that the lender must obtain to support the amount of income in DU.

Unable to Validate: When DU is not able to perform its calculations (for any reason), the message will indicate DU was unable to validate the information.

Note: If the vendor report does not cover the required number of years to complete the calculations outlined below, DU is unable to validate the income.

Income Calculations Using Income Verification Reports

To validate income, DU may use calculation methods that differ from the standard income calculations in the *Selling Guide*.



Income Type	Calculations								
Base	<p>Minimum History: 12 months of base income reported on the vendor report from the same employer.</p> <p>DU calculates the monthly base income amount used for validation based on the Payment Frequency reported by the employer on the vendor report, such as annually, quarterly, monthly, weekly, daily, or hourly, as shown below. This calculation is in accordance with the following calculations outlined in the <i>Selling Guide</i>:</p> <ul style="list-style-type: none"> • annually: amount / 12 • monthly: as reported, or 10,11, or 13 monthly payments (amount x number of months) / 12 • twice monthly: amount x 2 • biweekly: (amount x 26) / 12 • semi-annually: (amount x 2) / 12 • quarterly: (amount x 4) / 12 <p>For borrowers who are listed as hourly or daily, the average number of hours or days worked is not used by DU even if it is provided on the vendor report. In those cases, DU will determine the monthly base income amount based on the Information Effective Date reported by the employer on the report. The calculations are described below.</p> <p>DU attempts to identify inconsistencies between “Rate of Pay” and “Year-to-Date Income” on the vendor report before validating monthly base income for borrowers with these pay frequencies. DU calculates base income using the logic outlined above (“Payment Frequency Amount”), and compares this amount to the actual year-to-date earnings reported on the vendor report (“Monthly Average Amount”) using the logic outline below.</p> <ol style="list-style-type: none"> 1. DU calculates the Monthly Average Amount using most recent 12 months of base pay reported as “Year-to-Date” base income on the vendor report. This will include amounts from both the current and prior year to arrive at a full 12-month average. <ul style="list-style-type: none"> <i>If “Total Pay” is the only income value reported on the vendor report (i.e., base, bonus, overtime and commission income fields are all blank), DU will calculate the Monthly Average Amount using the “Total Pay” field for the current and prior year.</i> 2. DU compares the Monthly Average Amount to the Payment Frequency Amount to determine if base income can be validated. <ol style="list-style-type: none"> a. If the Monthly Average Amount is \geq the Payment Frequency Amount or $<$ the Payment Frequency Amount by no more than 20%, base income is eligible for validation. b. The Payment Frequency Amount is compared to the base income amount provided in DU to determine if the income is validated or not validated. <table border="1" data-bbox="467 1654 1518 1904" style="margin-top: 20px;"> <tr> <td colspan="2" data-bbox="467 1654 1518 1728">If Information Effective Date is prior to February 1 of the current year, DU uses only data from the prior year.</td> </tr> <tr> <td colspan="2" data-bbox="467 1728 1518 1764" style="background-color: #e0e0e0;">Hourly or Daily</td> </tr> <tr> <td data-bbox="467 1764 565 1837">1.</td> <td data-bbox="565 1764 1518 1837">DU calculates the estimated average number of hours or days worked per week in the prior year = (Base income / 52) / rate of pay</td> </tr> <tr> <td data-bbox="467 1837 565 1904">2.</td> <td data-bbox="565 1837 1518 1904">DU uses the lesser of (a) hours or days calculated in Step 1, or (b) 40 hours (5 days for daily) as the average number of hours or days worked per week.</td> </tr> </table>	If Information Effective Date is prior to February 1 of the current year , DU uses only data from the prior year.		Hourly or Daily		1.	DU calculates the estimated average number of hours or days worked per week in the prior year = (Base income / 52) / rate of pay	2.	DU uses the lesser of (a) hours or days calculated in Step 1, or (b) 40 hours (5 days for daily) as the average number of hours or days worked per week.
If Information Effective Date is prior to February 1 of the current year , DU uses only data from the prior year.									
Hourly or Daily									
1.	DU calculates the estimated average number of hours or days worked per week in the prior year = (Base income / 52) / rate of pay								
2.	DU uses the lesser of (a) hours or days calculated in Step 1, or (b) 40 hours (5 days for daily) as the average number of hours or days worked per week.								



	<p>3. DU calculates monthly income = (Rate of Pay x Average number of hours (or days) per week determined in Step 22 x 52) / 12</p> <p>If Information Effective Date is on or after February 1 but prior to May 1 of the current year, DU uses current year-to-date data and prior year data.</p> <p>Hourly or Daily</p> <p>1. DU calculates the estimated average number of hours or days worked per week in the current year = (Year-to-date base income / number of weeks reported) / rate of pay</p> <p>2. DU calculates the estimated average number of hours or days worked per week in the prior year = (Base income / 52) / rate of pay</p> <p>3. DU uses the lesser of (a) hours or days calculated in Step 1, (b) hours or days calculated in Step 2, or (c) 40 hours (5 days for daily) as the average number of hours or days worked per week.</p> <p>4. DU calculates monthly income = (Rate of Pay x Average number of hours (or days) per week determined in Step 3 x 52) / 12</p> <p>If Information Effective Date is on or after May 1, DU uses current year-to-date data.</p> <p>Hourly or Daily</p> <p>1. DU calculates the estimated average number of hours or days worked per week in the current year = (Year-to-date base income / number of weeks reported) / rate of pay</p> <p>2. DU uses the lesser of (a) hours or days calculated in Step 1, or (b) 40 hours (5 days for daily) as the average number of hours or days worked per week</p> <p>3. DU calculates monthly income = (Rate of Pay x Average number of hours (or days) per week determined in Step 2 x 52) / 12</p> <p>Note: <i>DU uses Base income to calculate income for borrowers listed as hourly or daily. If no Base income is reported, DU will not validate hourly or daily income.</i></p>
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Income Type	Calculations										
Bonus	<p>Minimum History: 24 months of bonus income reported on the vendor report from the same employer.</p> <p>DU calculates the monthly bonus income amount used for validation by comparing the bonus income reported for year one (current year) to that reported for year two (prior year) as reflected on the vendor report. If bonus income for year one was not reported, DU compares the bonus income amounts for years two and three. The calculations are described below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e1eef6;">Historical data</th> <th style="background-color: #e1eef6;">Calculations</th> </tr> </thead> <tbody> <tr> <td>Bonus income reported for year one is: <ul style="list-style-type: none"> ≥ bonus income reported for year two, or < bonus income reported for year two by no more than 10% </td> <td>(year one + year two) / 24</td> </tr> <tr> <td>Bonus income reported for year one is < bonus income reported for year two by more than 10%</td> <td>year one / 12</td> </tr> <tr> <td>There is no bonus income reported for year one and bonus income reported for year two is: <ul style="list-style-type: none"> ≥ bonus income reported for year three, or < bonus income reported for year three by no more than 10% </td> <td>(year two + year three) / 24</td> </tr> <tr> <td>There is no bonus income reported for year one and bonus income reported for year two is < year three by more than 10%</td> <td>year two / 12</td> </tr> </tbody> </table>	Historical data	Calculations	Bonus income reported for year one is: <ul style="list-style-type: none"> ≥ bonus income reported for year two, or < bonus income reported for year two by no more than 10% 	(year one + year two) / 24	Bonus income reported for year one is < bonus income reported for year two by more than 10%	year one / 12	There is no bonus income reported for year one and bonus income reported for year two is: <ul style="list-style-type: none"> ≥ bonus income reported for year three, or < bonus income reported for year three by no more than 10% 	(year two + year three) / 24	There is no bonus income reported for year one and bonus income reported for year two is < year three by more than 10%	year two / 12
Historical data	Calculations										
Bonus income reported for year one is: <ul style="list-style-type: none"> ≥ bonus income reported for year two, or < bonus income reported for year two by no more than 10% 	(year one + year two) / 24										
Bonus income reported for year one is < bonus income reported for year two by more than 10%	year one / 12										
There is no bonus income reported for year one and bonus income reported for year two is: <ul style="list-style-type: none"> ≥ bonus income reported for year three, or < bonus income reported for year three by no more than 10% 	(year two + year three) / 24										
There is no bonus income reported for year one and bonus income reported for year two is < year three by more than 10%	year two / 12										



Overtime and Commission

Minimum History: 24 months of overtime or commission income reported on the vendor report from the same employer.

DU calculates the monthly overtime or commission income amount used for validation by comparing the amount reported for year one (current year) to that reported for year two (prior year) as reflected on the vendor report. If income was not reported for year one, DU compares the income amounts for years two and three. The calculations are described below.

Note: DU annualizes the overtime or commission income reflected on the report if it has been reported for less than a full year. For example, if the vendor report reflects that the borrower has worked 26 weeks in the current year and earned \$1,000, DU will annualize that amount to \$2,000. Year two must always reflect a full year of earning to meet the minimum 24 month history requirement.

Historical data	Calculations
Overtime or commission income reported for year one is: <ul style="list-style-type: none"> • \geq overtime or commission income reported for year two, or • $<$ overtime or commission income reported for year two by no more than 10% 	$(\text{year one} + \text{year two}) / 24$
Overtime or commission income reported for year one is $<$ overtime or commission income reported for year two by more than 10%	$\text{year one} / 12$
If no overtime or commission income has been reported for the current year, the following calculations will be used based on the Information Effective Date of the report.	
Information Effective Date of the vendor report is prior to May 1.	

Historical data	Calculations
Overtime or commission income reported for year two is: <ul style="list-style-type: none"> • \geq overtime or commission income reported for year three, or • $<$ overtime or commission income reported for year three by no more than 10% 	$(\text{year two} + \text{year three}) / 24$
Overtime or commission income reported for year two is $<$ year three by more than 10%	$\text{year two} / 12.$
If Information Effective Date of the vendor report is on or after May 1.	
Historical data	Calculations
No overtime or commission income will be validated.	



Age of Document Requirements for Vendor Reports

In order for DU to validate income, the order date of the report cannot be more than 30 days prior to the DU casefile create date.

Additionally, lenders must ensure the information effective date of the report complies with Fannie Mae’s standard age of credit document requirements as outlined in *Selling Guide*, B1-1-03, *Allowable Age of Credit Documents and Federal Income Tax Returns*.

Tax Return Transcripts

Tax return transcript report suppliers provide an electronic copy of the borrower’s tax return transcript based on the borrower’s execution of the IRS Form 4506-T.

Loan Criteria for Income Validation using Tax Return Transcripts

The following criteria apply when ordering and using tax return transcripts:

- The borrower must currently be receiving the type of income entered in DU.
- The borrower’s information (including name, address, and Social Security number) must be accurate in DU.
- For all loans, including those with validated income, the lender must continue to ensure the income amount it enters in DU is appropriate based on its review and investigation of any conflicting or contradictory information in the loan file and the verification report.

Vendor Name	Vendor-Specific Criteria
Advanced Data	The lender must select “AdvancedData” as the Third Party Data Provider Name in DU. Advanced Data will provide a corresponding Order ID/Order # that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN*, a colon, and then the Advanced Data Order ID/Order #.
Avantus	The lender must select “Avantus” as the Third Party Data Provider Name in DU. Avantus will provide a corresponding Report ID that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN*, a colon, and then the Avantus Report ID.
BankVOD	The lender must select “BankVOD” as the Third Party Data Provider Name in DU. BankVOD will provide a corresponding Order Number that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the BankVOD Order Number.
Chronos Solutions	The lender must select “Chronos” as the Third Party Data Provider Name in DU. Chronos will provide a corresponding Tax File Number that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Chronos Tax File Number.



Vendor Name	Vendor-Specific Criteria
ComplianceEase	<p>The lender must select "ComplianceEase" as the Third Party Data Provider Name in DU.</p> <p>ComplianceEase will provide a corresponding reference number that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the ComplianceEase DU reference number.</p>
CoreLogic	<p>The lender must select "CoreLogic" as the Third Party Data Provider Name in DU.</p> <p>CoreLogic will provide a corresponding Report ID that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the CoreLogic Report ID.</p>
DataVerify	<p>The lender must select "DataVerify" as the Third Party Data Provider Name in DU.</p> <p>DataVerify will provide a corresponding Pin Code that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the DataVerify Pin Code.</p>
Equifax	<p>When the lender has ordered a Taxpayer Tax Return Summary Report from Equifax, the lender loan number and the borrower's Social Security Number (SSN) in DU must match exactly to the lender loan number and the borrower's SSN on the tax transcripts in order for DU to access an electronic copy of the tax transcripts.</p>
First American Mortgage Solutions	<p>The lender must select "FirstAmerican" as the Third Party Data Provider Name in DU.</p> <p>Firs American will provide a corresponding Reference Number that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the First American Reference Number</p>
Informative Research	<p>The lender must select "Informative" as the Third Party Data Provider Name in DU.</p> <p>Informative Research will provide a corresponding Order Number that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the Informative Research Order Number.</p>
MeridianLink	<p>The lender must select "MeridianLink" as the Third Party Data Provider Name in DU.</p> <p>MeridianLink will provide a corresponding Reissue Key that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the Meridian Link Reissue Key.</p>



Vendor Name	Vendor-Specific Criteria
NCS	<p>The lender must select “NCS/National Credit-reporting System, Inc.” as the Third Party Data Provider Name in DU.</p> <p>Informative Research will provide a corresponding Order No. that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the NCS Order No.</p>
Partners Credit & Verification Solutions <i>also known as CreditInterlink</i>	<p>The lender must select “PartnersCredit” as the Third Party Data Provider Name in DU.</p> <p>Partners Credit & Verification Solutions will provide a corresponding Reference Number that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Partners Credit & Verification Solutions Report ID.</p>
PointServ	<p>The lender must select “PointServ” as the Third Party Data Provider Name in DU.</p> <p>PointServ will provide a corresponding FNMA Ref # that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the PointServ FNMA Ref #.</p>
QuestSoft Corporation	<p>The lender must select “QuestSoft Corporation” as the Third Party Data Provider Name in DU.</p> <p>QuestSoft Corporation will provide a corresponding FXID that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the QuestSoft Corporation FXID.</p>
SharperLending	<p>The lender must select “SharperLending” as the Third Party Data Provider Name in DU.</p> <p>Sharper Lending will provide a corresponding Reference Number that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Sharper Lending Reference Number.</p>
Universal Credit Services	<p>The lender must select “Universal” as the Third Party Data Provider Name in DU.</p> <p>Universal Credit Services will provide a corresponding Order # that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Universal Credit Services Order #.</p>
Veri-Tax	<p>The lender must select “VeriTax” as the Third Party Data Provider Name in DU.</p> <p>Veri-Tax will provide a corresponding Report ID that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Veri-Tax Report ID.</p>



Vendor Name	Vendor-Specific Criteria
4506-Transcripts.com <i>also known as Private Eyes</i>	The lender must select "4506-Transcripts.com" as the Third Party Data Provider Name in DU. 4506-Transcripts.com will provide a corresponding Reference # that will be entered into the DU reference number field along with the borrower's SSN. The reference number entered will be the borrower's SSN, a colon, and then the 4506-Transcripts.com Reference #.

¹The borrower's SSN entered in DU must match exactly to the SSN on the tax transcript for DU to access an electronic copy of the report.

The lender must retain a copy of the tax transcripts in the loan file.

Income Validation Using Tax Return Transcripts

DU attempts to validate the income information in DU on a per-borrower and per-income type basis by performing the following:

- Applying its own calculations to arrive at a monthly income amount using data from the tax transcripts (see Income Calculations for Tax Transcripts below);
- Comparing the DU calculated amount to the amount provided by the lender in DU;
- Determining whether the income is validated, not validated, or unable to be validated; and
- Issuing specific validation messages.

DU Messaging for Validation

DU issues messages based on the results of DU's validation process.

Validated: When income is validated (meaning DU's calculations are greater than or equal to the amount the lender submitted to DU, or less than the amount but within a 1% tolerance), the message will indicate that the income has been validated using the tax transcripts and that the tax transcripts are acceptable documentation to support the income.

Note: *For Social Security income, the current Cost of Living Adjustment (COLA) is applied in addition to the general 1% tolerance.*

Not Validated: When income is not validated (meaning DU's calculations are less than the amount the lender submitted to DU by more than the 1% tolerance), the message will identify the amount of income DU calculated. The message will specify the documentation, in addition to the tax transcripts, the lender must obtain to support the amount of income in DU.

Unable to Validate: When DU is not able to perform its calculations (for any reason), the message will indicate DU was unable to validate the information.

Note: *If the tax transcripts do not cover the required number of years to complete the calculations outlined below, DU is unable to validate the income.*

Income Calculations Using Tax Return Transcripts

To validate income, DU may use calculation methods that differ from the standard income calculations in the *Selling Guide*.



Income Types	Calculations
<p>Social Security</p>	<p>Minimum History: Most recent tax return transcript.</p> <p>DU calculates the monthly Social Security income amount used for validation using the amounts listed as “Total Social Security Benefits” and “Taxable Social Security Benefits” from the tax transcript data. Because DU cannot determine from the tax transcript the amount of Social Security income that is attributed to each borrower on a joint return, DU will compare the calculated amount to the sum of the Social Security income reported for all borrowers.</p> <p>If any portion of the Social Security income is identified on the tax transcript as non-taxable, DU will gross up that amount by 25% for validation purposes.</p> <p>DU uses the following formula:</p> <ul style="list-style-type: none"> • Total Social Security Benefits – Taxable Social Security Benefits = Non-taxable portion • Non-taxable portion x 1.25 = Grossed up amount • (Grossed up amount + Taxable Social Security Benefit)/ 12 = Monthly Social Security income. • DU will apply any COLA adjustment prior to making the comparison to the amounts entered in DU. <p>DU is not able to determine from the tax transcript the type of Social Security income being reported. When income has been validated and the Social Security income:</p> <ul style="list-style-type: none"> • Is in the form of retirement or disability from the borrower’s own work account, the tax transcript is acceptable documentation if the income is validated. • Represents supplemental security income, the lender must obtain proof of current receipt in addition to retaining the tax transcript. • Is for the benefit of another in the form of survivor benefits, retirement, or disability, the lender must obtain a copy of the Social Security Administration award letter, proof of current receipt, and any additional documentation required to confirm a three-year continuance in addition to retaining the tax transcript. <p>DU issues a message reminding lenders of these additional requirements.</p>
<p>Pension/Retirement</p>	<p>Minimum History: Most recent tax return transcript.</p> <p>DU calculates the monthly pension/retirement income amount used for validation by using the amounts listed as “IRAs, Pension and Annuities” from the tax transcripts to determine the monthly income. Because DU cannot determine from the tax transcript the amount of pension/retirement income that is attributed to each borrower on a joint return, DU will compare the calculated amount to the sum of the pension/retirement income reported for all borrowers.</p> <p>If any portion of this income is identified on the tax transcripts as non-taxable, DU will gross up that amount by 25% for validation purposes.</p> <p>DU uses the following formula:</p> <ul style="list-style-type: none"> • Total IRAs, Pensions, and Annuities – Taxable IRAs, Pensions and Annuities = Non-taxable portion • Non-taxable portion x 1.25 = Grossed up amount • (Grossed up amount +Taxable IRAs, Pensions and Annuities) /12 = Monthly pension/retirement income <p><i>Note: Tax return data is acceptable documentation to support Pension/Retirement income that is derived from a pension or annuity account. For all other retirement</i></p>



Income Types	Calculations										
	<p><i>income types (e.g., 401k, IRA, or Keogh account), the lender must evidence enough assets to support 3-year continuance. DU will issue a message reminding lenders of the additional requirements.</i></p>										
<p>Self-Employment (Sole Proprietorship)</p>	<p>Minimum History: Two years of tax return transcripts.</p> <p>Self-employment income is entered as base income in DU with an indication that the borrower is self-employed.</p> <p>DU checks the Employer Identification Number (EIN) or the Business Name listed on the tax transcripts to ensure the income generated for both years is from the same employer/business. If EINs or Business Names do not match from year to year, DU does not validate the income.</p> <p>The following table outlines the calculations used by DU to determine the self-employment income that will be compared to the amount provided by the lender in DU:</p> <table border="1" data-bbox="414 735 1518 913"> <thead> <tr> <th data-bbox="414 735 966 766">Borrower Filed Schedule C</th> <th data-bbox="969 735 1518 766">Borrower Filed Schedule C-EZ</th> </tr> </thead> <tbody> <tr> <td data-bbox="414 770 966 913"> Business Income or Loss (Schedule C) – Meals and Entertainment + Depreciation + Exp. For Business Use of Home = Annual Schedule C income (loss) </td> <td data-bbox="969 770 1518 913"> Business Income or Loss (Schedule C) = Annual Schedule C-EZ income (loss) </td> </tr> </tbody> </table> <p><i>Note: Certain items, such as depletion, amortization and casualty loss, are reflected on the actual Schedule C, but are not provided on the tax transcripts and cannot be used in DU's calculation. Therefore, DU's calculated income may be different than the income amount that would otherwise be permitted if the actual Schedule C was used to calculate income. This is also true for non-recurring business income, which is not provided on the tax transcripts and cannot be used in DU's calculation.</i></p> <p>DU determines the monthly income by comparing the income reported for year one (current year) and year two (prior year).</p> <table border="1" data-bbox="414 1270 1518 1438"> <thead> <tr> <th data-bbox="414 1270 974 1302">Historical data</th> <th data-bbox="977 1270 1518 1302">Calculations</th> </tr> </thead> <tbody> <tr> <td data-bbox="414 1306 974 1375">Year one amount > year two, or < year two by no more than 10%</td> <td data-bbox="977 1306 1518 1375">(year one + year two) / 24</td> </tr> <tr> <td data-bbox="414 1379 974 1438">Year one amount < year two by more than 10%</td> <td data-bbox="977 1379 1518 1438">Year one/12</td> </tr> </tbody> </table>	Borrower Filed Schedule C	Borrower Filed Schedule C-EZ	Business Income or Loss (Schedule C) – Meals and Entertainment + Depreciation + Exp. For Business Use of Home = Annual Schedule C income (loss)	Business Income or Loss (Schedule C) = Annual Schedule C-EZ income (loss)	Historical data	Calculations	Year one amount > year two, or < year two by no more than 10%	(year one + year two) / 24	Year one amount < year two by more than 10%	Year one/12
Borrower Filed Schedule C	Borrower Filed Schedule C-EZ										
Business Income or Loss (Schedule C) – Meals and Entertainment + Depreciation + Exp. For Business Use of Home = Annual Schedule C income (loss)	Business Income or Loss (Schedule C) = Annual Schedule C-EZ income (loss)										
Historical data	Calculations										
Year one amount > year two, or < year two by no more than 10%	(year one + year two) / 24										
Year one amount < year two by more than 10%	Year one/12										

Additional DU Messages

Self-Employed Borrowers

Additional messages are issued by DU for borrowers with self-employment income when there is an indication in the tax transcripts that the income may be from different self-employment businesses.

- **Multiple Schedule C Businesses.** When the tax transcripts indicate the borrower has multiple Schedule C (or C-EZ) businesses, DU compares the business name on the tax transcripts to the employer name in DU. DU issues a message indicating the names of the businesses provided in DU that were matched to a corresponding business in the tax return data. Only income from the matched businesses in DU is used by DU to validate self-employment income.
- **Potential income from other business structures.** When there is an indication that the borrower has other self-employment income from other business structures (other than a sole proprietorship), DU cannot assess the



income/loss of the other business(s) and the impact to overall base income, and, therefore, DU is unable to validate any self-employment income.

Transcripts for Joint Tax Returns

When the tax transcript indicates that a joint tax return was filed, but not all tax filers on the return are borrowers in DU, DU determines if the tax transcript can be used for validation purposes based on the type of income being validated by DU.

- Social Security and pension/retirement income is not eligible for validation if one or more tax filers are not borrowers in DU. When this occurs, DU issues a message indicating that because the tax return was a joint return and not all tax filers are borrowers in DU, Social Security and pension/retirement income cannot be validated.
- Self-employment income (Schedule C) is eligible for validation using the tax transcript based on a joint tax return if the Social Security number for the borrower in DU matches the Social Security number associated with the self-employed borrower reflected on the tax transcript.

Age of Document Requirements for Tax Return Transcripts

In order to ensure that the income validation is completed using the most recent tax transcripts, the following will be used to determine if the transcript contains the most recent tax return information. Lenders are not required to comply with the age of credit documents as outlined in *Selling Guide*, B1-1-03, *Age of Credit Documents and Federal Income Tax Returns* when DU issues the message that income has been validated.

- For loan casefiles created on or before April 30, the most recent tax transcript must be provided. The most recent tax transcript would be for the prior year (current year minus 1). If the prior year tax return has not yet been filed or the transcript is not yet available, the most recent tax transcript will be the current year minus 2.
- For loan casefiles created after April 30, the most recent tax transcript must be provided for validation to be completed. The most recent tax transcript will be for the prior year (current year minus 1).

Employment Validation

DU uses information from the verification report to assess the borrower’s employment based on a number of factors.

Report Supplier and Verification Reports, Employment Types, and DU Input

The following table lists the report suppliers and verification reports that can be used by DU to validate employment based on the income type. As described above in the [Authorized Vendors](#) section, lenders can obtain verification reports directly from a report supplier or from a report distributor that works with that report supplier. The income types associated with the employment must be appropriately identified in DU using the DU Income Types as indicated in the table below.

Report Suppliers and Verification Reports	Income Types Eligible for Employment Validation	DU Income Type (Non-military)
Suppliers: <ul style="list-style-type: none"> • DataVerify • Partners Credit & Verification Solutions • The Work Number from Equifax • Veri-Tax Reports: <ul style="list-style-type: none"> • Employment and Income Verification Report (VOI) or • Employment Verification Report (VOE) 	Base	Base Income
	Bonus	Bonuses
	Overtime	Overtime
	Commission	Commissions



Verification Methods

Employment verification report suppliers can offer two options to obtain employment information. Both methods are acceptable for use with the DU validation service:

- Data obtained from its existing database of employer-provided information, or
- Data developed from the vendor contacting the employer directly to obtain the information.

In either case, DU obtains an electronic copy of the vendor report ordered by the lender.

Loan Criteria for Employment Validation Using Vendor Reports

The following criteria applies when ordering and using vendor reports:

- The borrower must be an active employee as defined by the DU validation service (for example, the vendor report cannot reflect that the borrower is on leave or terminated). Refer to Appendix A for a list of the status types that will be reflected on the vendor report that are considered “active” by DU for validation purposes.
- The lender loan number and the borrower’s Social Security number entered in DU must match exactly to the lender loan number and the borrower’s Social Security number on the vendor report in order for DU to access an electronic copy of the report.
- If a borrower has income generated from self-employment and another non self-employment income type that is also eligible for validation (base income, for example), self-employment income will only be validated if both the self-employment income and the other non-self-employment income type are validated.
- The borrower’s information (including name, address, and Social Security number) must be accurate in DU.
- The income type for the employment being validated must be eligible for validation via the vendor and identified correctly as “base,” “bonus,” “overtime,” or “commission” in DU. Military employment is not eligible for validation.
- For all loans, including those with validated employment, the lender must continue to ensure the employment information it enters in DU is appropriate based on its review and investigation of any conflicting or contradictory information in the loan file and the verification report.

The lender must retain a copy of all vendor reports obtained in the permanent loan file.

Employment Validation Using Vendor Reports

DU attempts to validate the employment information in DU on a per-borrower and per-employer basis by performing the following:

- Assessing certain data on the VOE or VOI report;
- Comparing the VOE report to the VOI report (if applicable);
- Determining whether the employment is validated, not validated, or unable to be validated; and
- Issuing specific validation messages.

DU Messaging Related to Validation

DU issues messages based on the results of DU’s validation process.

Validated: When employment is validated, the message will indicate that the employment has been validated using the vendor, that the vendor report is acceptable documentation to support the employment, and that the loan must close by the date provided (Report Date+10 calendar days).

Not Validated: When employment is not validated, the message will indicate that DU did not validate employment, and the reason. The message will specify the documentation that the lender must obtain in order to verify the employment entered into DU.

Unable to Validate: When DU is not able to perform its assessment (for any reason), the message will indicate DU was unable to validate the information.

Employment Assessment Using Vendor Reports

DU will assess the following information on the verification report to validate employment.



Data on Vendor Report	DU Assessment
Employer name	DU will compare the employer name on the verification report to <ul style="list-style-type: none"> • the employer name in DU, and • if the verification report is a VOE, the employer name on any previously obtained VOI report. If the employer name in DU does not match the employer name on the verification report, DU will not validate employment. If the employer name on the VOE does not match a previously obtained VOI, DU may validate employment, but will not validate the associated income.
Information Effective Date	The “Information Effective Date” on the verification report must be no more than 35 days prior to the Report Date.
Status Types	DU will assess the status type on the verification report to ensure that <ul style="list-style-type: none"> • it is considered to be “active”, and • if the verification report is a VOE, there has been no change to the status type from any previously obtained VOI report. If the status type is not considered to be “active”, DU will not validate employment. If the status type on the VOE does not match a previously obtained VOI, DU may validate employment, but will not validate the associated income. See Appendix A for a list of the status types that will be reflected on the vendor report that are considered “active” by DU for validation purposes.
Employer Disclaimer	DU will identify the existence of certain combinations of key words in the Employer Disclaimer section of the verification report. If certain key word combinations exist that suggest the status type of “active” may not be relied upon, DU will not validate employment.

Additional Information

- Employment and income are validated independently of each other, but the results of the employment validation may impact income validation.
 - DU may validate employment, but may not validate the associated income.
 - If DU does not validate employment, the associated income will also not be validated.
- If DU does not validate employment due to the employer name not matching the employer entered into DU, the lender may remedy the mismatch, if appropriate. If, after performing appropriate due diligence and determining that the employer identified in the verification report is the same employer listed in DU, the lender may update the employer name in DU to align with the verification report and resubmit the casefile to DU.
- If DU validates employment, but does not validate income due to either the employer name or the employment status type on the VOE not matching the employer name or employment status type on a previously obtained VOI, the lender may remedy the mismatch by obtaining an updated VOI and resubmitting the casefile to DU.
- Certain employee status types 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.
- Although DU performs an assessment of the Employer Disclaimer text and may not validate employment based on certain key word combinations found in the Employer Disclaimer, lenders must also review the report, including any Employer Disclaimer information, and investigate and resolve any conflicting or contradictory information, including any indication that the status type of “active” may not be relied upon.

Age of Document Requirements for Vendor Reports

In order for DU to validate employment, the date of the verification report cannot be more than 30 days prior to the DU casefile create date.



Verbal Verification of Employment

When employment is validated by DU, the validation satisfies the requirement for verbal verification of employment described in the *Selling Guide* B3-3.1-07, *Verbal Verification of Employment*. Lenders must comply with all DU messages, including ensuring the loan closes by the “Close by Date” stated in the DU employment validation message for the validation to apply. This may require lenders to reorder a verification of employment to ensure that the borrower’s employment status remains unchanged no more than 10 days prior to closing.

Asset Validation

DU uses information from the verification report to calculate the borrower’s assets based on a number of factors. It then compares its calculated asset amount to the amount of assets reflected in the Total Funds to be Verified amount in DU.

Report Supplier, Verification Report and Asset Types

The following table lists the report suppliers and verification reports that can be used by the DU validation service for assets, and identifies the asset types that can be validated. As described above in the [Authorized Vendors](#) section, lenders can obtain verification reports directly from a report supplier or from a report distributor that works with that report supplier. The lender must appropriately identify assets in DU, but validation is based on the Total Funds to be Verified as determined by DU to be the amount of funds required to complete the transaction.

Report Supplier and Verification Report	Asset Types Eligible for Validation
Blend – Generated Asset Statement	Checking Account
	Savings Account
Finicity – Verification of Assets Report	Certificate of Deposit (CD)
FinLocker – FinLocker Asset Report	Money Market Account
FormFree - AccountChek Asset Report	Stocks
Plaid – Asset Report	Mutual Funds
PointServ – VOA Report	Retirement Account

Ineligible Transactions

Transactions that include the following are not eligible for asset validation:

- A personal gift in accordance with the *Selling Guide* Section B3-4.3-04, *Personal Gifts*; and
- A borrower who is using employment-related assets as qualifying income in accordance with *Selling Guide* B3-3.1-09, *Other Sources of Income*.

DU will issue a message to state that assets could not be validated because the loan includes a gift or a borrower using employment-related assets as income.

Loan Criteria for Asset Validation

The following criteria applies when ordering and using a vendor asset report:

- The asset type must be eligible for validation via the vendor. Asset types reflected on the asset report that are not eligible for validation will not be considered by DU. Refer to [Asset Calculations Using Asset Verification Reports](#) for eligible asset types.
- The borrower’s information (including name, address, and Social Security number) must be accurate in DU.
- For all loans, including those with validated assets, the lender must continue to ensure the asset information it enters in DU is appropriate based on its review and investigation of any conflicting or contradictory information in the loan file and the verification report.

The lender must retain a copy of all asset reports obtained in the permanent loan file.



Vendor-Specific Criteria	Vendor-Specific Criteria ¹
Blend	<p>The lender must select “Blend” as the Third Party Data Provider Name in DU.</p> <p>Blend will provide a corresponding Reference # that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Blend Reference #.</p>
Finicity	<p>The lender must select “Finicity” as the Third Party Data Provider Name in DU.</p> <p>Finicity will provide a corresponding Report ID that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Finicity Report ID.</p>
FinLocker	<p>The lender must select “FinLocker” as the Third Party Data Provider Name in DU.</p> <p>FinLocker will provide a corresponding Report ID that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the FinLocker Report ID.</p>
FormFree	<p>The lender must select “Formfree” as the Third Party Data Provider Name in DU and enter the corresponding AccountChek Asset Report ID or Reissue Key obtained from FormFree. The reference number entered into DU will be the borrower’s Social Security number, a colon, and then the AccountChek Asset Report ID or Reissue Key.</p>
Plaid	<p>The lender must select “Plaid” as the Third Party Data Provider Name in DU.</p> <p>Plaid will provide a corresponding Audit Copy Token that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the Plaid Audit Copy Token.</p>
PointServ	<p>The lender must select “PointServ” as the Third Party Data Provider Name in DU.</p> <p>PointServ will provide a corresponding FNMA Ref # that will be entered into the DU reference number field along with the borrower’s SSN. The reference number entered will be the borrower’s SSN, a colon, and then the PointServ FNMA Ref #.</p>

¹The borrower’s SSN entered in DU must match exactly to the SSN on the asset verification report in order for DU to access an electronic copy of the report from the vendor.

Validation Using Asset Verification Reports

DU attempts to validate assets on a loan-level basis by performing the following:

- Applying its own calculations to arrive at an amount of available assets using data from the report (see Asset Calculations Using Asset Verification Reports below);
- Comparing the DU calculated amount to the Total Funds to be Verified amount in DU;
- Determining whether assets are validated, not validated, or unable to be validated; and
- Issuing specific validation messages.

DU Messaging Related to Validation

DU issues messages based on the results of DU’s validation process.



Validated: When assets are validated (meaning DU's calculations are greater than or equal to the Total Funds to be Verified amount in DU), the message will indicate that assets have been validated using the asset report and that the asset report is acceptable documentation to support the amount of assets required to be verified.

Not Validated: When assets are not validated (meaning DU's calculations are less than the Total Funds to be Verified amount in DU), the message will identify the amount of assets DU calculated. The message will specify the documentation, in addition to the asset report, that the lender must obtain to support the amount of assets required to be verified.

Unable to Validate: When DU is not able to perform its calculations (for any reason), the message will indicate DU was unable to validate the information.

Note: *Even when assets are validated, there may be instances where additional documentation is required. Any additional documentation requirement will be contained in the DU message.*

Asset Calculations Using Asset Verification Reports

To validate assets, DU may use calculation methods that differ from the standard asset calculations in the *Selling Guide*. The DU validation service assesses assets as follows:

- Checking, savings, CD and money market accounts are considered first. If additional funds are required, DU will proceed to assess stock, mutual fund and retirement accounts.
- The amount of assets available is aggregated across all like accounts for all borrowers on the loan.
- Bonds and stock options are not eligible for consideration and will not be considered by DU even if they are included on the verification report.

Asset Type	Calculations
Checking, Savings, CD, Money Market	Minimum History: <ul style="list-style-type: none"> • Purchase transactions: 60 days' worth of account information • Refinance transactions: 30 days' worth of account information The current balance is used to determine the amount of assets available.
Stock, Mutual Fund, Retirement Accounts	Minimum History: None. Most recent monthly or quarterly report. The current balance (net of any margin accounts) is used to determine the amount of assets available.

Note: *If an eligible asset account is reflected as a business account on the asset report and the borrower is self-employed, the lender must continue to consider whether the withdrawal of funds for the transaction will have a negative impact on the business, if applicable. If the withdrawal will have a negative impact on the business, the assets must be removed from DU and an updated asset report must be obtained that does not include the business account. See Selling Guide, B3-4.2-02, Depository Accounts.*

Cash Deposit on Sales Contract (Earnest Money)

Whether earnest money is validated as part of the asset validation process is dependent on how the information is reflected in DU. Lenders must follow the instructions contained in the *Selling Guide*, B3-4.4-02, *Documentation Requirements*, for entering earnest money in DU.

If the earnest money is entered as an Other Credit in DU, the amount will not be included within the Total Funds to be Verified Amount in DU, and, therefore, will not be included in the amount of assets validated. DU will issue a message requiring the lender to verify the source of funds if the earnest money is being used to make any part of the borrower's minimum contribution that must come from his or her own funds.

Additional DU Messages

Stock, Mutual Fund and Retirement Accounts



The DU validation service will issue additional messaging when stock, mutual fund and retirement accounts are entered into DU:

- When retirement assets are entered in DU, a message will be issued requiring the lender to ensure that withdrawals are permitted, and that withdrawals are not limited to those completed in connection with the borrower's employment termination, retirement, or death. If any of these conditions are present, the retirement account assets must be removed from DU and an updated asset report must be obtained that does not include the account.
- If DU determines that liquidation from a stock, mutual fund, or retirement account would be required to satisfy the amount needed for down payment or closing costs in accordance with the *Selling Guide*, B3-4.3-01, *Stocks, Stock Options, Bonds, and Mutual Funds*, DU will issue a message specifying the amount of funds that must be verified

Large Deposits

For purchase transactions, DU automates the assessment of large deposits as part of the asset validation process. 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. When a large deposit needs to be documented, DU will issue a message specifying the amount of the large deposit, as well as the institution name and account number of the account that includes the large deposit. If no message is issued by DU, then no documentation of any large deposit appearing on the asset report is required when assets have been validated.

Increase in Amount of Assets Required at Closing

If the actual amount of funds required to complete the transaction is greater than the Funds Required to Close specified in DU (which is a component of the Total Funds to be Verified amount used for asset validation purposes), the lender must ensure that the file includes sufficient documentation of liquid assets to cover the additional amount. DU will issue a message with this reminder when assets have been validated. See *Selling Guide*, B3-2-10, *Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report* for additional details on whether the loan must be resubmitted to DU.

Age of Document Requirements for the Asset Verification Reports

The date of the report must comply with Fannie Mae's standard age of credit document requirements as outlined in *Selling Guide*, B1-1-03, *Allowable Age of Credit Documents and Federal Income Tax Returns*.



Appendix A

Employment Verification Report Status Types

The following status types reflected on the vendor report are considered “Active” for validation purposes:

- Active
- On international assignment
- Multiple positions
- New employee
- Part-time
- Currently employed
- Full-time