

## Desktop Underwriter® Potential Red Flag Messages

**Introduction:**

This document is intended to provide greater clarity around what causes Desktop Underwriter (DU®) to return each potential red flag message and our recommended approach for reviewing information when each of these messages is received. The appearance of these messages does not affect the underwriting recommendation from DU. Rather they are designed to help lenders detect inconsistencies and potentially fraudulent transactions. Furthermore, the absence of any of the following messages does not indicate or imply Fannie Mae’s acceptance of the accuracy of the data submitted to DU, including the appraised value (either the estimated or actual value). Lenders continue to be responsible for the accuracy of the data entered and, when DU requires an appraisal, for the property appraisal representations and warranties.

For more information on the Potential Red Flag messages provided by DU, refer to Chapter 4 of the *Guide to Underwriting with DU*.

Potential Red Flag	Message Text	What Causes DU to Return This Message?	We Recommend Careful Review of the Following:
<b>Excessive resubmissions</b>	<i>This loan has experienced an unusually high number of submissions. Excessive submissions can indicate improper manipulation of loan application data. We recommend that you review the loan application to ensure accuracy.</i>	An unusually high number of submissions on a refinance transaction in combination with changes to certain data elements.	<ul style="list-style-type: none"> <li>■ <b>Appraisal:</b> <ul style="list-style-type: none"> <li>– to ensure that the comps used are for valid comparable properties;</li> <li>– for information about additions or renovations made to the subject property since the last purchase or refinance transaction that may have increased the property value.</li> </ul> </li> <li>■ <b>Credit documents</b> to check the accuracy and integrity of the borrower’s asset and income data.</li> </ul>
<b>Liabilities comparison</b>	<i>According to the credit report, the total payments and balances declared on the 1003 differ by more than expected tolerances. Verify that all liabilities belonging to the borrowers are disclosed on the 1003 and that the balances and payments are accurate.</i>	Total liabilities and payments reported on the credit report differ from those declared on the online loan application by more than expected tolerances.	<ul style="list-style-type: none"> <li>■ <b>Online loan application:</b> <ul style="list-style-type: none"> <li>– to ensure that all liabilities and payments are being accurately reflected from the credit report.</li> <li>– to determine if one or more liabilities has been removed from the online loan application verses omitted from the total expense calculation.</li> </ul> </li> </ul>

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<b>Manufactured home caution</b>	<i>Desktop Underwriter has identified this property as a manufactured home in Fannie Mae's property database. However, the property type was not identified as a manufactured home in the loan application. The lender should research the subject property type. If the property is a manufactured home, the property type on the loan application must be corrected to accurately reflect manufactured home as the property type and the loan must be resubmitted for underwriting.</i>	The subject property address appears to be a manufactured home, yet Manufactured Home was not selected as the property type on the online loan application.	<ul style="list-style-type: none"> <li>■ <b>Appraisal</b> to see if the property type is identified as a manufactured home. Obtain additional clarification from the appraiser, if needed.</li> <li>■ <b>Online loan application</b> to see whether the subject property address and the property type were entered correctly.</li> </ul>
<b>Occupancy Type</b>			
<b>A. Inconsistency</b>	<i>It appears that the subject property address and the borrower's current address on this application do not match. Because this loan was submitted as a principal residence refinance transaction, we recommend that you determine the accuracy of this information and, if appropriate, make necessary corrections and resubmit the loan.</i>	The loan was submitted as a refinance transaction on the borrower's current principal residence. However, the subject property address does not match the borrower's current address listed on the online application.	<ul style="list-style-type: none"> <li>■ <b>Online loan application:</b> <ul style="list-style-type: none"> <li>– to see if the transaction type was entered correctly;</li> <li>– to check the accuracy of the subject property address and the borrower's current address.</li> </ul> </li> </ul> <p><u>Acceptable reasons</u> for different addresses include:</p> <ul style="list-style-type: none"> <li>– a construction to permanent refinance;</li> <li>– a refinance transaction for an adult disabled child or elderly parent as defined in the Fannie Mae Single Family Selling Guide, Part VII, Chapter 1.</li> </ul>

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<b>Occupancy Type</b>			
<b>B. Intent to occupy</b>	<i>The data submitted indicates the intent of the borrower(s) to occupy this property as a principal residence. However, according to our records, we have recently purchased at least one loan belonging to the borrower(s), secured by a property that is identified as their principal residence. We recommend verifying the borrower(s) intent to occupy this property.</i>	The online loan application indicates the intent of the borrower(s) to occupy the subject property as a principal residence. However, according to our records, we have recently purchased at least one loan to the borrower(s) secured by property identified as a principal residence.	<ul style="list-style-type: none"> <li>■ <b>Online loan application:</b> <ul style="list-style-type: none"> <li>– to check the accuracy of the subject property address;</li> <li>– to see whether Intent to Occupy was entered correctly.</li> </ul> </li> <li><u>Acceptable reasons</u> for an additional principal residence include:                             <ul style="list-style-type: none"> <li>– a move/relocation where the prior principal residence has not been sold yet;</li> <li>– a transaction for an adult disabled child or elderly parent as defined in the Fannie Mae Single Family Selling Guide, Part VII, Chapter 1.</li> </ul> </li> <li>■ <b>Additional documentation</b>, if needed, to verify the borrower’s intent to occupy the subject property as his or her principal residence.</li> </ul>
<b>Social Security Number (SSN) Alerts</b>			
<b>A. Deceased individual</b>	<i>According to the Social Security Administration, the Social Security number entered for &lt;insert borrower name&gt; has been associated with a deceased individual. Verify the accuracy of the data entered.</i>	The SSN entered on the online loan application is associated with a deceased person according to the Social Security Administration.	<ul style="list-style-type: none"> <li>■ <b>Online loan application:</b> <ul style="list-style-type: none"> <li>– to see if the SSN was entered correctly;</li> <li>– to verify employment and credit references.</li> </ul> </li> <li>■ <b>Accuracy of the SSN.</b> Obtain additional documentation or clarification from borrower, if needed.</li> <li>■ <b>Possible use of a deceased person’s SSN by the surviving spouse.</b> In such cases, create a new loan using only the borrower’s SSN and resubmit the loan.</li> </ul>

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<b>Social Security Number (SSN) Alerts</b>			
<b>B. Invalid format</b>	<i>According to the Social Security Administration, the Social Security number entered for &lt;insert borrower name&gt; appears to have an invalid format. Verify the accuracy of the data entered.</i>	The nine-digit format of the SSN entered on the online loan application appears to be invalid. For example, in a valid SSN, the first three digits cannot be zeros.	<ul style="list-style-type: none"> <li>■ <b>Online loan application</b> to see if the SSN was entered correctly.</li> <li>■ <b>Accuracy of the SSN.</b> Check to see if the number entered is actually an identification number other than that issued by the Social Security Administration. For example, the number may have been an Employer Tax ID, an Individual Taxpayer Identification Number (ITIN), or a Canadian Social Insurance Number. Obtain additional documentation or clarification from the borrower, if needed.</li> </ul>
<b>C. Not issued</b>	<i>According to the Social Security Administration, the Social Security number entered for &lt;insert borrower name&gt; has not been issued. Verify the accuracy of the data entered.</i>	The SSN entered on the online loan application has reportedly not been issued.	<ul style="list-style-type: none"> <li>■ <b>Online loan application:</b> <ul style="list-style-type: none"> <li>– to see if the SSN was entered correctly;</li> <li>– to verify employment and credit references.</li> </ul> </li> <li>■ <b>Accuracy of the SSN.</b> Check to see if the number entered is actually an identification number other than that issued by the Social Security Administration. For example, the number may have been an Employer Tax ID, an Individual Taxpayer Identification Number (ITIN), or a Canadian Social Insurance Number. Obtain additional documentation or clarification from borrower, if needed.</li> </ul>
<b>D. Year of issuance</b>	<i>Based on the approximate issuance date of the Social Security number and the borrower age on the application, the Social Security number entered for &lt;insert borrower name&gt; appears to be inconsistent with his or her age. Verify the accuracy of the data entered.</i>	The SSN entered on the online loan application appears to have been issued prior to the borrower's date of birth.	<ul style="list-style-type: none"> <li>■ <b>Online loan application:</b> <ul style="list-style-type: none"> <li>– to see if the SSN was entered correctly;</li> <li>– to verify employment and credit references.</li> </ul> </li> <li>■ <b>Accuracy of the SSN.</b> Obtain additional documentation or clarification from borrower, including the borrower's age and date of birth.</li> </ul>

## Desktop Underwriter® Potential Red Flag Messages

Potential Red Flag	Message Text	What Causes DU to Return This Message?	We Recommend Careful Review of the Following:
<b>Property Valuation</b>			
<b>A. Excessive value (Cash-out and rate-term refinance)</b>	<i>The Desktop Underwriter collateral assessment model indicates that the submitted value estimate for this &lt;insert refinance type&gt; transaction may be excessive. The lender should carefully review the appraisal for this transaction.</i>	The estimated or appraised value entered on the online loan application for the subject property in a refinance transaction appears to be excessive based on data in the DU collateral assessment model.	<ul style="list-style-type: none"> <li>■ <b>Appraisal</b> <ul style="list-style-type: none"> <li>– to ensure that the comparables used are valid comparable properties;</li> <li>– for information about additions or renovations made to the subject property that may have increased the property value since the last purchase or refinance transaction;</li> <li>– to examine the most recent prior sale price in relation to the current appraised value.</li> </ul> </li> </ul>
<b>B. Excessive value with valuation risk (Cash-out and rate-term refinance)</b>	<i>The Desktop Underwriter collateral assessment model indicates that the submitted property value estimate for this &lt;insert refinance type&gt; transaction may be excessive for the local market. In addition, the risk characteristics for this transaction are consistent with those Fannie Mae has historically found to contribute to inflated property valuations. The lender should carefully review the appraisal for this transaction.</i>	There is a combination of risk: The estimated or appraised value entered on the online loan application for the subject property in this refinance transaction appears to be excessive, AND other risk characteristics in the loan, such as LTV, correlate historically with inflated property valuations.	<ul style="list-style-type: none"> <li>■ <b>Appraisal</b> <ul style="list-style-type: none"> <li>– to ensure that the comparables used are valid comparable properties;</li> <li>– for information about additions or renovations made to the subject property that may have increased the property value since the last purchase or refinance transaction;</li> <li>– to examine the most recent prior sale price in relation to the current appraised value.</li> </ul> </li> </ul>

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<b>Property Valuation</b>			
<b>C. Rapid appreciation</b>	<i>The Desktop Underwriter collateral assessment model indicates that the submitted property value estimate for this refinance transaction (or sales price for a purchase money transaction) appears to have an excessive rate of appreciation based on an analysis of a recent prior sale of the subject property. The lender should carefully review the appraisal for this transaction.</i>	The estimated or appraised value entered on the online loan application for the subject property in a refinance transaction, or the sales price for a purchase transaction, appears to have an excessive rate of appreciation based on a recent prior sale of the property.	<ul style="list-style-type: none"> <li>■ <b>Appraisal</b> <ul style="list-style-type: none"> <li>– to ensure that the comparables used are valid comparable properties;</li> <li>– for information about additions or renovations to the subject property that may have increased the property value since a prior purchase transaction;</li> <li>– to examine the most recent prior sale price in relation to the current appraised value.</li> </ul> </li> </ul>
<b>D. Rapid appreciation with valuation risk</b>	<i>The Desktop Underwriter collateral assessment model indicates that the submitted property value estimate for this refinance transaction appears to have an excessive rate of appreciation based on an analysis of a recent prior sale of the subject property. In addition, the risk characteristics for this transaction are consistent with those Fannie Mae has historically found to contribute to inflated property valuations. The lender should carefully review the appraisal for this transaction.</i>	The estimated or appraised value entered on the online loan application for the subject property in a refinance transaction appears to have an excessive rate of appreciation based on a recent prior sale of the property. In addition, other risk characteristics in the loan, such as LTV, correlate historically with inflated property valuations.	<ul style="list-style-type: none"> <li>■ <b>Appraisal</b> <ul style="list-style-type: none"> <li>– to ensure that the comparables used are valid comparable properties;</li> <li>– for information about additions or renovations made to the subject property that may have increased the property value since a prior purchase transaction;</li> <li>– to examine the most recent prior sale price in relation to the current appraised value.</li> </ul> </li> </ul>