

Frequently Asked Questions

Desktop Underwriter[®] (DU[®]) “Potential Red Flag” Messages

Q1. What are DU Red Flag messages?

A1. DU Red Flag messages are user alerts designed to identify key data integrity issues or potential fraud associated with loan characteristics such as property valuation, Social Security numbers, and occupancy. There are approximately a dozen possible messages.

Q2. Why were the DU Red Flag messages created?

A2. The Red Flag messages were created in response to Fannie Mae's initiative to help lenders combat mortgage fraud. Many of the messages were introduced in late 2004.

Q3. Does a DU Red Flag message affect the DU underwriting recommendation?

A3. No. A Red Flag message simply alerts the user to an area that may warrant further investigation, and does not affect the DU underwriting recommendation.

Q4. Does a DU Red Flag message always indicate there is a data integrity issue or potential fraud problem associated with the loan application data?

A4. No. All Red Flag messages are subject to false positives. A false positive occurs when the Red Flag message fires even though there is not a data issue. Conversely, a Red Flag message may not fire even though there is a data issue. Therefore, neither the appearance of a DU Red Flag message nor its absence indicates or implies Fannie Mae's acceptance of the accuracy of any data submitted to DU. As always, the lender is responsible for the completeness and accuracy of all data submitted to DU.

Q5. Does the appearance of a DU Red Flag message, its absence, or my actions taken in response such a message, have any impact on my rep and warranting the completeness and accuracy of all data submitted to DU?

A5. No. As always, the lender is responsible for the completeness and accuracy of all data submitted to DU.

Q6. What impact do Fannie Mae's DU Red Flag messages have on loans selected to be reviewed by Fannie Mae?

A6. Fannie Mae applies some of the same logic that triggers Red Flag messages to identify loans selected for discretionary loan reviews performed by its National Underwriting Center.

Q7. Where are the DU Red Flag messages displayed in the Fannie Mae Underwriting Findings report?

A7. These messages are displayed under the section heading “Potential Red Flags,” which appears directly after the “Risk/Eligibility” section.

Q8. Is there additional information available about these messages?

A8. Yes. Fannie Mae offers monthly, lender-specific reporting through our Online Reporting Service, as well as a DU Potential Red Flags message matrix that includes message text, why the message fired and some recommended actions that can be taken in response to each Red Flag message. The reporting is available by requesting the Red

Flag Messaging Report User role in the Profile Access Manager's Delegated Administrator tool or by faxing the completed Online Billing and Reporting Service User Registration Form to Fannie Mae. The matrix is available at eFannieMae.com, in the DU Help Center or by contacting your Fannie Mae Technology Consultant.

Q9. Who should I contact if I have a question about a DU Red Flag message?

A9. Please contact your Fannie Mae customer account team.

Q10. What other anti-fraud services or information does Fannie Mae make available to lenders?

A10. In addition to DU Red Flag messages, Fannie Mae offers the following resources:

Training and education

To access these resources, please visit eFannieMae.com and look for the "Preventing Mortgage Fraud" link in the lower right hand section of the home page.

- **Classroom Training:** "Quality Assurance and Fraud Prevention" is a Housing Finance Institute class, offered on a regular basis that reviews Fannie Mae's requirements for implementing a sound quality assurance program and identifying signs of potential mortgage fraud.
- **Online Seminars:** "Basics of Mortgage Fraud" is a Web seminar that discusses various types of mortgage fraud, shares tips for detecting mortgage fraud, and identifies common "red flags" to look for when analyzing mortgage loan applications.
- **Online Publications:** Publications include "Originating Quality Mortgages" and "Monthly Mortgage Fraud Update."

Other resources

- **Dedicated Anti-Fraud Team:** Fannie Mae has a dedicated anti-fraud analysis, investigations, and reporting department that monitors and investigates mortgage-related fraud incidents. This team publishes our "Monthly Mortgage Fraud Update," available on eFannieMae.com.
- **Fraud Reporting:** Report possible mortgage fraud to Fannie Mae via our Web site, eFannieMae.com, or by calling our fraud tips hotline at 1-800-732-6643.