

Lender Tips for Identifying Undisclosed Liabilities

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In [Announcement SEL-2010-01](#), *Selling Guide Updates for the Loan Quality Initiative*, we announced a new policy relating to undisclosed liabilities:

Lenders must determine that all debts of the borrower incurred or closed up to and concurrent with the closing of the subject mortgage are disclosed on the final loan application and included in the qualification for the subject mortgage loan. Lenders must have adequate internal controls and processes in place to evaluate borrower liabilities.

Lenders must take steps to proactively identify any and all undisclosed liabilities that may affect the loan approval in relation to underwriting guidelines, eligibility parameters, or pricing. Although many lenders already have such processes in place, Fannie Mae is providing some tips for lenders to consider:

- Refreshing a credit report just prior to closing may uncover additional debt or credit inquiries.
- Credit inquiries found on the credit report should be investigated to determine whether the borrower did in fact open additional debt resulting in repayment obligations. In some cases, it is possible to obtain a direct verification with the creditor associated with the inquiry.
- Fraud-detection tools are available through multiple vendors that assist lenders in identifying undisclosed mortgages or other potentially fraudulent scenarios. Two examples of available services:
 - A Mortgage Electronic Registration System (MERS®) report can be run to determine if the borrower has undisclosed liens and/or if another mortgage is being originated. MERS® ServicerID is a free service available to the public that allows users to obtain servicer information on properties with mortgage liens registered in the MERS® system. This service can be accessed via <https://www.mers-servicerid.org/sis/>. MERS® subscribers and members are provided more detailed information through the MERS® Link service.
 - Other vendor services are available that provide information via a multi-lender cooperative, which is a database through which lenders share borrower loan application and closing data. The information can identify undisclosed mortgages that are in the origination stage or that are recently closed.