

Verified isn't Qualified

*Closing the Confidence Gap in
Mortgage Income Verification*

Introduction

Income and employment defects are the leading source of underwriting rework, delayed closings, and repurchase exposure in mortgage lending today. According to an [ACES Quality Management Report](#), income and employment defects accounted for nearly 23% of all critical defects in Q1 2025, the largest single category in the report.

This reflects a market that has invested heavily in automating data collection and still has not solved the harder problem: the gap between verified income data and GSE-qualifying income, the interpretive and calculation work that sits between a complete verification report and a figure an underwriter can submit to an AUS system with confidence. For most lenders, that work is still manual, inconsistent, and disconnected from GSE-specific rules.

Income is Getting Harder to Verify and Qualify

A [2025 industry analysis](#) estimates that gig workers now represent 36% of the U.S. workforce, with 15% fully self-employed, and both figures are expected to continue growing. In fact, a [2024 Fannie Mae Mortgage Lender Sentiment Survey](#) of nearly 200 senior mortgage executives confirmed that 34% more borrowers are earning variable and gig income in recent years.



With gig work comes income instability. [Truework’s 2026 analysis of verified mortgage applicant income](#) found that the share of applicants showing income instability rose from 50% in 2022 to 62% in 2025, meaning a growing majority of borrowers now present income patterns that fall outside the steady, single-employer profile that GSE income rules were originally built around.



The reality is that current industry guidelines require more prescriptive policy from secondary market investors to handle digital gig economy income accurately. The shift is not just changing who lenders are underwriting, but it is also changing how stable that income looks on paper.

The operational consequence is compounding. Each non-W-2 borrower profile introduces income types, calculation rules, and GSE eligibility questions that require interpretive expertise, not just data retrieval. When that interpretation happens manually, downstream of verification, lenders absorb the cost in rework, resubmissions, and inconsistent underwriting outcomes across their teams.

The persistent defect rate in income and employment is not primarily a data quality problem. Lenders can have accurate, direct-source payroll data in a verification report and still submit a file to underwriting with the wrong qualifying income figure. The two problems are related but distinct: one is about retrieving the right data, the other is about applying the right GSE calculation rules to it.

Where Current Workflows Fall Short

Most verification platforms, however well-designed, address the first problem and leave the second to the lender. Even lenders who have modernized their verification stack find that the workflow downstream reverts to manual patterns:



Spreadsheets and standalone income calculators are used to interpret payroll and tax data against GSE income rules



Multiple AUS submissions when a file bounces back due to an income discrepancy discovered in underwriting



Underwriter-specific compliance logic for GSE income rules, producing variable outcomes on comparable files across teams



Disconnected vendor relationships for verification, calculation, and GSE submission, each requiring separate management overhead

For self-employed borrowers, the gap widens further. GSE-compliant income calculation for a borrower with Schedule C business income, S Corp distributions, and a separate W-2 from a second employer requires analysis that neither standalone calculators nor manual underwriter review reliably delivers at scale, at speed, or with consistency.

Fannie Mae's Quality Insider (2025) identifies income calculation errors and insufficient documentation as persistent top defect drivers in its quarterly QC sampling. These are not isolated execution failures. They reflect a structural gap in how verification workflows are designed, one that ends at data delivery rather than at a qualifying income output.

The Cost of Income Uncertainty

Income uncertainty accumulates quietly. It shows up as an extra condition on a file, a resubmission to AUS, a delayed closing, or, when a defect survives to post-close review, a repurchase demand.

At scale, those incremental costs become a structural margin problem with two distinct dimensions.

Repurchase Exposure

Freddie Mac's loan repurchase volume grew 29% to \$430 million in Q2 2024, primarily attributable to income verification defects. ACES Quality Management described the persistent rise in income and employment defects as 'baffling', given the GSEs' increasing scrutiny and growing penalties for income errors.

Milliman's Q1 2025 Mortgage Repurchase Index reinforces the concern: with interest rates keeping borrower DTIs elevated, any manufacturing defect related to income calculation or documentation carries direct repurchase exposure. Income calculation accuracy has moved from a quality standard to a balance sheet risk.

According to a Reggora and STRATMOR Group study examining 18 months of repurchase activity, the average repurchase costs a lender \$32,288, and that income-related issues, alongside appraisal issues, account for 57% of all repurchase requests.

Rework and Cycle Time

Every income-related bounce-back from AUS represents underwriter time spent on a file that should already be in submission. Inconsistent income calculation methodology across teams compounds the problem, producing variable outcomes on comparable files and eroding both operational efficiency and pipeline predictability.

For loan officers, the downstream effect is immediate: slower closings, more borrower touchpoints on documentation, and a competitive disadvantage against originators whose back-office processes move faster. Income uncertainty is a production problem as much as it is a compliance problem.

Lenders managing income qualification manually are constrained in a specific and costly way: growth requires proportional expansion of underwriting resources, not better tooling. The manual calculation and review burden grows with volume. Teams that want to originate more must hire more, rather than relying on a workflow that improves through automation.

The Industry Shift Toward Income Confidence

Both Fannie Mae and Freddie Mac have built structured frameworks for income validation that offer lenders representation and warranty relief on income-related loan components when approved data sources and automated calculations are used. The underlying premise across both GSEs is the same: income should be run against GSE rules before underwriting submission, not discovered as defective after.

The shift is from income completion (proving that income data exists) to income confidence (knowing that the qualifying income figure will pass GSE review before the file reaches underwriting).

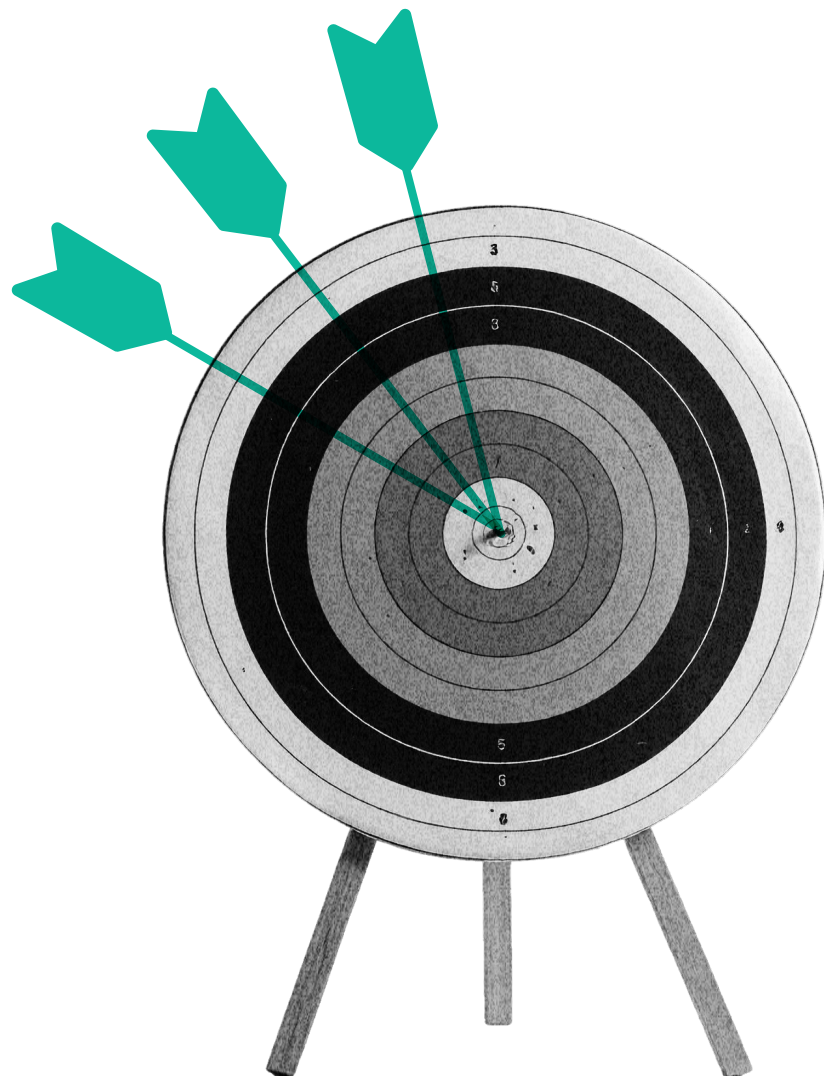
Fannie Mae's Day 1 Certainty program uses the Desktop Underwriter validation service to confirm income, employment, and asset data through approved third-party vendors. Fannie Mae has reported that loans with all four Day 1 Certainty components validated show materially lower repurchase risk, and when a properly validated component is later found to have a defect, Fannie Mae generally does not exercise repurchase remedies for that component. Fannie Mae's Income Calculator extends this to complex income types, providing GSE-compliant calculations for self-employed borrowers, the population where manual interpretation carries the highest defect risk.

Similarly, Freddie Mac's AIM capability within Loan Product Advisor (LPA) automates the assessment of borrower assets, income, and employment. Loans originated using AIM are 2.1x less likely to produce defects and become delinquent, and eligible loans may receive representation and warranty relief when leveraging verified income and asset data. ICE Mortgage Technology integrated AIM Check into the ICE Mortgage Analyzer in August 2025, extending AIM to the pre-application stage and allowing lenders to review borrower income and employment, with calculated income flowing automatically into subsequent LPA submissions.

The challenge for most lenders is not about the awareness of these programs. The GSEs have been publishing their frameworks, incentivizing adoption, and penalizing non-compliance for years. The challenge lies in integration: accessing AIM Check or DU validation requires approved data sources, compliant report formats, and the ability to connect data collection directly to GSE calculation logic, all within a single, streamlined workflow.

Most lenders access pieces of this framework through separate vendor relationships. A verification provider handles data collection. A standalone calculator handles income analysis. An LOS integration handles AUS submission. Each connection introduces a handoff, and each handoff is a potential failure point. The architecture of GSE-integrated income qualification demands a unified workflow, and most current verification stacks are not built to deliver one.

Lenders that have integrated income calculation earlier in their workflow are realizing a compounding advantage: fewer bounce-backs, fewer rework cycles, faster closings, and a meaningful reduction in repurchase exposure. For many organizations, the question is shifting from whether this approach makes operational sense to how quickly they can move from disconnected verification-and-calculator workflows to a more unified, GSE-integrated income process.



How to Close the Income Verification Trust Gap

Closing this gap requires more than a better calculator bolted onto a verification report. It requires a workflow where the same platform that collects income data also applies GSE-specific calculation logic to it, so the two steps stop being separate problems handled by separate tools.

The intent is to replace the interpretive step that currently separates verification from underwriting submission. Operations teams need a GSE-aligned income figure they can use as a starting point for AUS submission, rather than a verified dataset they still need to calculate and validate manually.

The practical effect of closing this gap shows up differently depending on where someone sits in the origination process.



For Operations Leaders

The most direct impact is on defect rate and rework volume. A GSE-aligned, pre-validated income figure can materially reduce the recalculation cycle when a file bounces back from AUS, and GSE-compliant calculations built into your verification platform help replace individual underwriter interpretation with a standardized methodology that supports more consistent outcomes at scale. The representation and warranty protections available through Freddie Mac AIM and Fannie Mae's Day 1 Certainty framework can reduce certain categories of defects more directly associated with repurchase demands when those programs are used correctly.

Vendor consolidation is a secondary but meaningful benefit. One platform from verification request to qualifying income replaces the multi-vendor chain of verification provider, income calculator, and GSE submission tool, reducing management overhead and the handoff risk that each vendor boundary introduces.



For Underwriters

Underwriters are the team most directly affected by income-related bounce-backs, and an integrated verification and validation process reduces the volume of files that return with income conditions in the first place. Rather than receiving a verification report and a separate income calculation to reconcile, underwriters could receive a GSE-aligned income figure alongside the verification data, reducing the manual cross-checking that currently happens file by file. For complex income scenarios, gig income, self-employment, and multiple income streams, this means less time spent determining which GSE rules apply and more time spent on judgment calls that genuinely require underwriter expertise.



For Loan Officers

Early income qualification at the pre-approval stage surfaces potential income issues before they become underwriting conditions, compressing cycle times and reducing the rework that slows pipeline velocity. Self-employed borrowers and gig workers, historically the profiles most likely to generate back-and-forth at underwriting, can be assessed with greater precision and speed from the start of the application.

A single qualifying income figure gives loan officers a concrete, reliable number to anchor the borrower conversation at pre-approval, reducing the gap between what a borrower expects and what underwriting confirms.



For Technology Leaders

By consolidating verification, calculation, and GSE validation within a single platform, financial organizations reduce the technical debt of maintaining multiple vendor connections and data formats across the verification stack.

The Future of Mortgage Income Verification

The calculus is the same across operations, underwriting, and loan production: the gap between income completion and income confidence is where margin, cycle time, and competitive position are being lost. Closing it requires connecting verification data, GSE-aligned calculations, and underwriting-ready outputs in one workflow, rather than treating them as three separate problems to be solved by three separate tools.

Truework Qualified Income is built on that premise.

From the moment a lender submits a verification request through Truework, the platform collects income data from its GSE-approved network of direct-source payroll providers, consumer-permissioned credentials, and asset-based verifications, and through direct integration with GSEs, runs automated calculations against income rules to deliver a qualified income figure embedded directly in the verification report.

Qualified Income is not a feature addition to the verification stack. It is a redefinition of where the verification workflow ends: not at data delivery, but at a GSE-ready qualifying figure an underwriter can submit with confidence.

The organizations that modernize income verification workflows today are not just managing a current cost. They are building towards a workflow where income qualification keeps pace with a borrower population that is becoming more complex, not less. As GSE frameworks mature and borrower income profiles continue to diversify, the lenders best positioned will be the ones whose verification platform already accounts for both.

To learn how Truework Qualified Income fits your verification workflow, visit [truework.com](https://www.truework.com) or contact your Truework representative.

About Truework

Truework, a Checkr company, is a leading income and employment verification platform that helps mortgage lenders verify income, employment, and assets quickly, accurately, and securely. By orchestrating multiple verification methods through a single, modern platform, Truework reduces manual processes, minimizes risk, and helps organizations make confident decisions about their customers. Truework covers approximately 97% of U.S. employees through its combined Instant, Payroll Credentials, Smart Outreach, and Asset methods.

Learn more at www.truework.com