



# Florida Curen Conference



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Quality Mortgage Outsource Solutions

# **YOUR QUALITY CONTROL PLAN**



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# COMPONENTS OF A QUALITY CONTROL PLAN

- Objective
- Timeliness
- Sample
- Pre-fund Audit Review
- Post Close Audit Review
- Management Oversight
- Action Plans
- Notifications
- Reporting



# OBJECTIVE does the plan

- provide a Mission Statement on company attitude on Quality Control
- define qualifications of staff
- Require that QC is conducted independent of origination and underwriting
- detail who is performing QC function: Inside staff or Outside QC Vendor
- address Vendor Management if Outside Vendor used
- establish a Defect Rate: Material - Moderate
  1. Target
  2. Gross
  3. Net
- comply with Local, State & Federal laws



# TIMELINESS

- Does the plan outline timeframes required by agencies
  - File selection completed within 30 days of month end
  - Reviews are completed within 60 days of selection – 90 days
  - Reports to senior management within 30 days of completion of review – by 120<sup>th</sup> day





# SAMPLE SIZE

- Prefund sample size is up to management – Not Prescribed
- 10% of closed/funded loans Close
- 10% of Rejected Loans
- 100% of all first payment and early payment defaults
- Discretionary audits are required
  - Samples to review areas to have high risk



# PRE-FUND QC

- Review of Data and Documents
  - Confirm Borrower identity
  - Confirm SSN or TIN
  - Confirm occupancy on primary residence or second home
  - Confirm that all liabilities are documented and included in ratios
  - Income calculations correct and have supporting documentation
  - Appraisal supports value
  - Confirm data integrity on DU/LP findings
  - Adequate mortgage insurance coverage
- QC plan must provide for hard stop to prevent closing if significant issue



# POST CLOSE QC

- Verification of all income, assets, occupancy, gifts & employment including IRS transcripts
- Field Reviews performed on 10% of sample
- New RMCR/tri-merged on all loans in sample
- Desk reviews of appraisals on all loans in sample
- Verify loan file contains:
  - origination documents
  - loan processing documents
  - closing documents
  - legal documents
  - compliance documents
- Review HUD1 for accuracy & compliance to GFE





# MANAGEMENT OVERSIGHT

- Management review of reports
- Determine corrective actions on individual loan basis as well as company-wide
- Develop action plan to manage to defect rate
  - Each department head to provide confirmation that action plan has been implemented
  - Track results of action plan
  - Adjust action plan as needed
- **Management must be involved in all aspects of the QC Process**



# NOTIFICATIONS

- Notification to agency if:
  - QC cycle is in arrears more than one 30-day cycle
  - Reporting lags more than 30 days
  - Any significant findings affect the risk
  - Any findings of fraud
- Notification will include a written report of the findings and have corrective action plan
- File SAR report if required



# REPORTING

- Monthly reports of defects are given to appropriate department for response and given to senior management for review
- Reports are maintained for each loan audit
  - Include documents reviewed
  - Reverification performed and results
  - Exceptions found including trending
  - Defect rate for compliance and credit
- Records maintained for at least 3 years





# VENDOR SELECTION

## Formal Vendor Due Diligence Process

- Experience and length of time in business
- Check References and Document
- Experience of Staff
- Site Visit
- On Shore/Off Shore/Near Shore - Risk
- Audited Financials
- SAS 70/SSAE 16



# VENDOR SELECTION

- Risk Level:
  - High
  - Moderate
  - Low
- Network Security
- Business Continuity/Disaster Recovery
- Protecting Sensitive Information
- Quality of Work
- Delivery of Work
- Chemistry



# REFERENCE MATERIAL

- Fannie Mae
    - Quality Control Self-Assessment
    - Loan Defect Categories
    - Beyond the Guide
    - [efanniemae.com](http://efanniemae.com) - Focus Area – Loan Quality
  - FHLMC
    - [Freddiemac.com](http://Freddiemac.com)
- FHA
- Chapter 7





Thank you for allowing me and my  
company to be a part of your  
conference



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