Quality Control Plan

Table of Contents

Section 1

Purpose and Scope

1.1 Corporate Mission Statement for Quality Control Standards

The company has developed this quality control plan for residential mortgage lending in accordance with its Enterprise Risk Management (ERM) plan. The purpose of the plan is to set forth business practices and standards for pre- and post-funding quality control. The foregoing plan must meet the approval of the company's executives and managers.

This quality control plan is designed to establish, monitor, and reevaluate various internal components of the organization to ensure the highest level of business practices. The plan also sets forth the steps and procedures in dealing with external components of the organization, including third-party originators (TPOs) and third-party service providers. Certain components of the plan shall function as an early detection warning system to identify documentation errors, compliance violations, fraud, or misrepresentation involving internal or external representatives of the company.

The organization's operational plan shall be carried out to comply with specific requirements stipulated by the organization's internal credit policies, warehouse and correspondent lenders, insurers, private secondary market conduits, and Government Sponsored Enterprises (GSEs) including Fannie Mae, Freddie Mac, HUD, Ginnie Mae, and the Federal Home Loan Bank's Mortgage Partnership Finance Program. The plan reflects the steps and procedures to be carried out as a general practice based on universally accepted industry standards.

The company's policy contained herein regarding post-funding quality control reflects the most recently published requisites for Fannie Mae, Freddie Mac, FHA, VA, and Ginnie Mae. This plan does not preclude the company from its obligation to fulfill any present or future servicing elements set forth by HUD that are related to handling of escrow accounts, payment collection, agency, insurer, or investor reporting. Specific pre-funding, settlement, or post-funding rules pertaining to other types of mortgages, such as non-QM loans, shall be implemented as an amendment to this plan.

1.2 Managerial Oversight

The company's organizational structure includes an executive capacity assigned to perform risk management and compliance oversight. Steps and procedures for pre- and post-funding quality control are completed in an area that is independent from loan production. All or part of services may be outsourced to a qualified third-party service provider. Senior management leaders are responsible for overseeing the approval, selection, and monitoring of all third-party service providers, including verifications, investigations, and updating components of the quality control process.

Quality control analysts are required to be experienced underwriters who are trained and updated on all agency requirements for one- to four-family properties. QC analysts are provided access to agency updates through the company's compliance subscription services, HUD Mortgagee Letters, and bulletins issued by the Enterprises, including Fannie Mae and Freddie Mac.

Managerial oversight includes a risk management system that warrants that only sound credit underwriting is exercised in all of its lending activities. Integral to the risk management function is the review of quality assurance trend reports, exception reports, individual file summaries submitted by quality assurance, and follow through for remediation. Ongoing review of quality assurance reports is a management effort to ensure that the company standards are consistently met by all of its employees and representatives. The quality control plan includes a response action policy for remediation and disciplinary action.

1.3 Annual Policy Review

The company requires this policy be reviewed no less than annually. The required annual review shall include a directive ensuring the QC policy is compliant with current laws and agency requisites. Procedural implementation of this policy shall be completed within the current scope of the company's business lines and operations, prior years' audits, and current industry trends.

1.4 Separation of Duties

The company adheres to an organizational structure that discourages any conflict of interest. Specific duties are separated as follows: the President and CEO is responsible for the overall operation of the company and is the person ultimately responsible to ensure adherence to the foregoing plan. The Vice President of Quality Control is responsible for overseeing the steps and processes outlined in this plan, establishing quality standards and benchmarks, and carrying out requirements for pre- and post-funding quality control.

Section 2

Pre-funding QC

2.1 General Requirements of Pre-funding

The company shall complete its pre-funding quality control requirement early enough in the loan origination process to allow adequate time to complete services. Steps shall be in accordance with requirements of Fannie Mae, Freddie Mac, HUD, and applicable secondary market investors. This section outlines the procedural steps generally acceptable to institutional investors. Specific rules required under Fannie Mae, Freddie Mac, and FHA are outlined in the specific agency section in this manual.

2.2 SSN and ITIN Verification

Pre-funding quality control procedures shall determine if the Social Security Number (SSN) or applicable Individual Tax Identification Number (ITIN) of all borrowers were validated through identity check service providers. File documentation should address discrepancies or include explanations. Supporting documentation provided by the borrower should be noted by QC. Any borrower whose name or SSN number is listed on the OFAC lists (Office of Foreign Asset Control) or other security list shall be considered a red flag. All SSN verification and documents must be in compliance with the USA Patriot Act and the company's procedures for FACTA Red Flags Identity Theft.

2.3 Red Flags Detection

The company's pre-funding quality control file reviews must include a step to determine if the requirements of the Red Flags identity theft plan were met by the loan processing department. Each mortgage application should be examined to ensure that any noted red flags were properly mitigated.

For outsourced quality control, the compliance officer is responsible to ensure quality control QC management is monitoring the service provider to ensure flag detection is addressed in findings reports. Any exceptions noted in QC reports shall require remediation and management response. Corrective action may include acceptable curing options for the borrower file and/or employee training.

2.4 Address Discrepancies

The company must ensure that pre-funding QC monitors whether the company provided immediate response to all notices of address discrepancies received from credit reporting agencies. In general, notices are issued when the agency has detected discrepancies between the borrower's address provided with report request vs. credit bureau data. Consumer credit reports and other identification documents must be cross-referenced for accuracy. Should discrepancies be uncovered, QC analysts must note whether an acceptable form of explanation or supplemental documents were provided by the borrower.

2.5 Credit Alerts and Warnings

The company must ensure that pre-funding QC monitors whether the company provided immediate response to all alerts and warnings contained in a credit report and/or all alerts and warnings noted on a Factual ID or Fraud Check report. QC analysts must ensure that explanations, supplemental documentation, or other mitigation steps were taken.

2.6 Fraud Investigation

The company may utilize industry databases of public and nonpublic information to check the current standing of any party to the transaction through sources such as Freddie Mac Exclusionary List, HUD LDP List, Appraiser Institute, Nationwide Multistate Licensing System (NMLS), etc. Pre-funding spot checks that evidence fraud or misrepresentation shall constitute suspension of the loan closing until the matter is resolved. The company shall maintain business agreements with agency-approved resources for the purpose of investigating public and nonpublic sources of information.

2.7 Pre-funding Employment Verification

As appropriate and in accordance with changes to conform to certain investor or agency requirements, the company shall institute a general policy for pre-funding employment verification. The company shall complete such steps internally or outsource verification procedures to authorized vendors. Prior to scheduling any closing, the underwriting department shall telephone and/or electronically deliver employment verifications to the employer for at least one borrower in a loan application. All originators must be covered on a regular basis for written pre-funding employment verification. At a minimum, telephone verification is completed on all loans prior to funding.

Section 3

Fannie Mae Requirements

3.1 General Requirements

The company shall comply with Fannie Mae's Lender Quality Control Requirements as outlined in the Fannie Mae Selling Guide. Section D1-1-01. Basic elements of the QC program shall include:

- QC Plan Contents
- Quality Standards and Measures
- QC File Reviews
- Selection of Loans for QC Review
- Reporting and Remediation

The QC program, systems and processes must:

- Maintain compliance with the contractual obligation to Fannie Mae.
- Maintain compliance to all applicable federal, state, and local laws.
- Ensure the loans meet Fannie Mae's eligibility requirements.
- Confirm compliance with applicable federal, state and local laws and regulations.
- Assess compliance with internal policies.
- Guard against fraud, negligence, errors and omissions by officers, employees, contractors (whether or not involved in the origination process) brokers, borrowers, marketing partners, and others involved in the mortgage process.
- Evaluate and monitor the overall quality of mortgage production through pre-funding and post-funding review programs including compliance with Fannie Mae's requirements regarding eligibility, underwriting, documentation, and property collateral.

3.8 Pre-funding Sampling Size

Each month, the company must complete a minimum number of prefunding QC reviews. The monthly loan selection must equal, at a minimum, the lesser of:

- 10% of the prior month's total number of loans closed or acquired, or 10% of the current month's projected total number of loans to be closed or acquired.
- 750 loans

If using projections, the company will perform a reconciliation process to ensure the 10% requirement is met. If the company does not close or acquire at least 10 loans in the prior month, at least one loan will be selected for prefunding QC.

Government loans acquired from a correspondent lender that meet the following requirements may be excluded from the 10% prefunding sample calculation:

- The correspondent lender completed the underwriting of the loan (delegated underwriting).
- The correspondent lender obtained the required government guaranty or government insurance, as applicable.

3.9 Targeted Pre-funding Reviews

Pre-funding QC shall be completed for loans in areas the company identifies as having a higher potential for errors, misrepresentation, or fraud. Targeted areas may include the following:

1. Loans with characteristics or circumstances related to errors or defects identified in prior prefunding, prepurchase and post-closing review results.
2. Loans with complex income calculations (for example, rental income, self-employed, and short history of receipt of income).
3. Loans requiring the use of non-standard processing or underwriting guidelines (for example, delayed financing, multiple financed properties, assets used as income, or manual reserve calculations).
4. Loans secured by properties located in areas with high delinquency rates or areas experiencing rapid increases or decreases in property values.

3.17 Underwriting Review

The company must verify the accuracy and integrity of the information used to support the lending decision for all mortgage loans selected for a QC review. The QC reviewer must determine if the loan was underwritten in accordance with Desktop Underwriter findings, explained below.

Review of Underwriting Decision and Approval Conditions

- QC review must confirm that the mortgage loan was underwritten in accordance with Fannie Mae's requirements and that adequate support for the underwriting decision is contained in the loan file.
- QC review must confirm that all loan approval conditions required by the underwriter were satisfied and that the information on the closing documents, including the settlement statement, is consistent with the underwriting decision and the final terms of the mortgage loan.

Review of DU Findings and Conditions

- For loans underwritten through DU, the QC analyst must confirm that all DU verification messages and approval conditions findings report were satisfactorily resolved and adequately supported by appropriate documentation. If DU returned an ineligible recommendation, the QC reviewer must confirm that the loan was eligible for delivery to Fannie Mae.

3.18 Requirements for Reverifications

All reverification documentation must be retained either in the underwriting file or in the company's QC records. If information obtained through the reverification process differs from the information utilized in the underwriting of the loan, the loan must be re-underwritten to verify that the loan remains eligible for delivery to Fannie Mae.

When reverifications are performed by an outsource vendor, the reverification documentation may be maintained by the vendor. The vendor must provide results of the reverification findings, and documentation must be accessible to the company for at least three years from the date of the review and provided to Fannie Mae upon request.

When conducting the required post-closing QC reviews on loans selected through the random selection process, the reverifications or reviews noted below must be performed for all selected loans.

When conducting the required discretionary post-closing QC reviews, the company shall consider the purpose of the targeted selection when determining whether certain reverifications are necessary. If the purpose of the targeted selection is to focus specifically on income calculations, reverification of assets or a review of the appraisal is not within the scope of the review and is not required to be completed. however, reverifications of income and employment are required.

If the purpose of the targeted selection is to review loans originated through a new source of business, then all areas of the loan are in the scope of the review and all reverifications noted below must be performed. The lender must assess the purpose of the targeted loan selection and conduct the reverifications or reviews noted below as appropriate.

3.19 IRS Tax Transcripts

The company shall include a process for ordering IRS Transcript of Tax Returns through utilization of Form 4506-C in the mortgage file. For all loans reviewed through the random selection process (and for loans selected through the discretionary selection process, as applicable), the post-closing QC review must include the company's submission for tax transcripts to the IRS (or designee) using the IRS Form 4506-C or an acceptable alternative IRS form or process. An alternative form or process is also acceptable to Fannie Mae if it authorizes the release of comparable tax information from the IRS.

If tax returns were required in the underwriting of the loan, QC must obtain transcripts for the same tax years as documented by the borrower's tax returns. Transcripts must be obtained for all income types used in the underwriting process (personal and business, if applicable). The QC analyst must reconcile the transcript information received from the IRS with the income documents in the loan file.

3.20 Reverification of Income and Employment

For all loans selected through either random or discretionary selection process es, the post-closing QC review must include reverification of the borrower's income and employment information. The company must reverify the borrower's income and employment information directly with the source of the original documentation. The lender (or outsourced vendor) must and pay any applicable fees the employer may charge to provide the reverification information.

The reverification should be in writing. however, a verbal reverification is acceptable provided the company documents the conversation in writing, stating the name, title or position, and contact information of the interviewee.

The reverification documentation must be maintained in the underwriting file. If the employer does not provide verification of a borrower's income, the loan file must be documented to state the date the information was requested, but that it was not obtained. Reverification procedures may be supplemented with alternative information sources available on the Internet, maintained by state or local licensing authorities, and other third parties.

Social Security and retirement income

The QC review process must include review of Social Security Administration (SSA) award letters, and direct deposits into the borrower's bank account. Reverification steps can include confirmation directly from the Social Security Administration or executed through IRS Form 4506-C transcripts. Transcripts must reflect one full year of income, and support the amount used during origination, taking into account cost of living adjustments. This process may be used for retirement or disability income.

Military income

The QC review process must include a review of the borrower's Leave and Earnings Statement. Income does not have to be reverified directly with the U.S. military, however, the company must verify the pay rate through on-line sources available on line, such as the Defense Finance and Accounting Services (DFAS) pay tables. Copies of the pay tables must be retained in the QC file. Employment reverification steps should confirm the borrower was on active duty status at the time of the loan closing.

3.21 Reverification of Assets

For all loans selected via the random or discretionary selection processes, post-closing QC reviews must include reverification of the borrower's asset information. Lenders must reverify all sources of funds used for the down payment, closing costs, and any required reserves directly with the source of the original documentation.

Lenders (or outsourced vendors) are required to pay any applicable fees for reverification of assets and reconcile the information from the financial company with information in the underwriting file. For financial institutions who will not verify asset information, QC analysts are required to document the attempt in its QC records. Reverification of the full 12 months (or other time period) of asset data is not required.

Section 4

Freddie Mac Requirements

4.1 General Requirements

The foregoing policy has been written to comply with requirements of Freddie Mac, obligating its approved seller/servicers to monitor and evaluate the integrity of the origination process on a regular and timely basis. In accordance with Freddie Mac's policy, this QC plan provides written directives for standard operating procedures for all employees involved with, or affected by, the quality control process. Any post-closing QC procedures that are completed in-house shall operate independently of the mortgage origination and underwriting departments. The QC program is designed to reflect the following characteristics of the organization:

- Size and structure of the organization
- Experience and expertise of the staff
- Geographic areas of operation
- Branch structure
- Volume and types of mortgages originated
- Origination sources (retail, correspondent, other business channels)
- Significant changes in the product lines, origination sources or production process
- Controls to ensure that internal policies and procedures are followed

In accordance with Freddie Mac's Selling Guide, the company may use any combination of pre-closing or post-closing quality control reviews based on its specific operations and needs.

4.2 Outsourced QC Services

The company may use third-party quality control services for all or part of its quality control program and shall ensure that services performed by any third-party quality control companies comply with Freddie Mac's requirements. The company shall monitor and evaluate the performance of outsourced services on a regular basis, and review QC findings of the third-party company.

4.3 Transfer of Servicing

The company's post-closing quality control program includes procedures regarding transfers of loan servicing. When servicing is transferred, the company shall retain copies of the file documents to complete the quality control reviews or make arrangements with the new servicer to assist in the quality control reviews. Records of completed quality control reviews will be provided to the new servicer upon request.

4.4 Loan Sampling

The post-closing quality control sample will consist of random, targeted, and discretionary samples. The procedures for each type are summarized below:

Random Sample

Mortgages shall be randomly selected from the population so that every mortgage has an equal chance of selection. In accordance with Freddie Mac's requirements, Loan Product Advisor mortgages will make up a representative portion of the sample. Except as provided under the last paragraph of this section, QC shall select at least 10% of one of the following production populations:

- Total annual mortgage production, or
- Total annual secondary market mortgage production, or
- Total annual Freddie Mac mortgage production

The company shall schedule its sampling procedures so that every mortgage within the selected population has a chance of being selected for review within 90 days of closing. The company shall assign QC personnel the authority to conduct additional reviews at their discretion, and warrant that over the course of each 12-month period, the selected samples are representative of the full scope of the company's product line and production process. The full scope of the company's product line and origination process includes sampling of mortgages from each of the following:

- All product lines
- All geographic states
- Each branch office
- Each third party involved in the origination process
- Mortgages with high-risk characteristics such as: high loan-to-value ratios, ARMs, 3- to 4-unit properties, manufactured homes, cash-out refinance mortgages, investment property mortgages, and *Caution* mortgages

4.12 Reporting Requirements

The company's quality control program must provide that all pre-closing and post-closing quality control activities be fully documented in writing and reviewed by management on a regular basis.

Reporting results

Quality control review results must be reported in writing to the company's senior management within 90 days of selection of the mortgage files for review. The company must thoroughly analyze findings affecting the acceptability or eligibility of mortgages and initiate any necessary corrective actions.

Notification to Freddie Mac

The company must notify Freddie Mac within 30 days of the date the quality control results are reported in writing to the company's senior management when a finding affects the eligibility of a mortgage sold to Freddie Mac or if the finding is related to fraud or possible fraud.

The company must notify Freddie Mac Quality Control via the Tip Referral Tool, located in Freddie Mac Loan Advisor® and Servicing Gateway of findings that relate to any of the following:

1) Misrepresentations, misstatements or omissions to the extent they are associated with the origination of a mortgage, whether discovered through a post-closing quality control review or by any other means. All other findings related to fraud, suspected fraud or other suspicious activity must be reported.

2) The underwriting of the borrower's creditworthiness and capacity (e.g., borrower's income, credit/liabilities, assets) or borrower eligibility and qualification (e.g., Area Median Income, first-time homebuyer, lawful presence in the United States).

3) The underwriting criteria related to property or project eligibility (e.g., residential use, condominium eligibility), the appraisal report or the physical condition of the mortgaged Premises.

4) Mortgage or program terms and criteria (e.g., program that may require special company/Servicer approval as a prerequisite for delivery and the criteria described in the purchase documents, such as loan-to-value ratio, occupancy, credit score, mortgage purpose and mortgage product, terms such as ineligible transaction types and limitations on cash out to the borrower that determines the type of refinance) or any terms and criteria set forth in any negotiated provision.

5) A life-of-loan representation and warranty.

6) Charter matters.
7) Misstatements, misrepresentations, and omissions.
8) Data inaccuracies.
9) Clear title / first lien priority.
10) Compliance with laws.
11) Unacceptable mortgage products.
12) Requirements applicable at the time the mortgage was sold to Freddie Mac (e.g., no defaults, all taxes and insurances have been paid or escrows have been established, no modification, encumbrance, subordination or release of the mortgage).
13) The existence, sufficiency or enforceability of any required insurance or guaranty.
14) The form and/or execution of Freddie Mac required mortgage documents, without which the mortgage would be ineligible for sale to Freddie Mac or the enforceability of the required mortgage terms would be limited (e.g., Form 65, URLA, power of attorney, Texas Equity Section 50(a)(6) mortgage documents, nonstandard or special purpose documents such as Living Trusts).

4.13 Record Retention

Documenting QC Reviews

The company shall:

- Maintain complete records for each mortgage file selected for a pre-closing or a post-closing quality control review
- Document and explain discrepancies or inconsistencies found in the mortgage file that affect the eligibility of the mortgage based on the requirements of the company, the mortgage insurer, or Freddie Mac

Retention of Quality Control Records

For at least three years from the date of the pre-closing or post-closing quality control reviews, the company must retain all records of its quality control findings, along with documentation of any corrective action taken. These records must be made available to Freddie Mac and upon request to the new servicer if a transfer of servicing occurs.

Section 5

FHA Requirements

5.1 General Requirements

As a supervised or unsupervised Title II FHA mortgagee, the company's quality control operations must remain independent from Loan Production and designed to meet the following basic goals:

- Ensure compliance with both FHA and The company's origination policies used throughout its operations
- Protect The company and FHA from unacceptable risk
- Guard against errors, omissions, and fraud
- Determine the root cause of any deficiencies and identify potential internal and external control weaknesses
- Alert The company management to patterns of deficiencies with respect to mortgage process and personnel
- Ensure swift and appropriate corrective action
- Ensure the existence of required documentation (e.g., credit, loan, and appraisal information) that is the basis of underwriting or servicing decisions
- Ensure mortgages are secured by properties with sufficient collateral values

5.2 Elements of the Quality Control Program

1. The company assures that each office including, if applicable, its approved loan correspondents, authorized agents, and branches maintain copies of all HUD issuances, including regulations, Handbooks, Mortgagee Letters, and Circular Letters which are relevant to HUD-FHA origination and servicing activities. These documents must be accessible to all employees, periodically reviewed with appropriate staff, and kept current.
2. The company assures that all loans submitted to HUD-FHA for mortgage insurance endorsement are processed by its employees, its approved loan correspondents, or authorized agent.

Section 6

VA Requirements

6.1 Requirements for VA Automatic Lender Authority

This quality control plan provides for steps in accordance with the U.S. Department of Veterans Affairs (VA) requirements for Automatic Lender authority. Pre- and post-funding quality control steps shall ensure that the QC function consists of a program of internal or external audit of the mortgagee's compliance with VA loan processing and underwriting requirements, or an independent review by management personnel knowledgeable of such requirements who have no direct loan processing or underwriting responsibilities.

VA Procedure and Access to Regulations

The company's procedures shall be revised in a timely manner to accurately reflect changes in VA requirements and all personnel will be informed of the changes. The plan ensures that all loans submitted to VA for guaranty are processed by employees of the mortgagee or its authorized agent(s).

For VA loan origination, the company does not employ any individual or contract with appraisers who have been debarred or suspended from doing business in accordance with the General Services Administration (GSA) and the HUD Limited Denial of Participation (LDP). Each of the company's offices, including its approved agent(s) and branches, will maintain copies of all VA publications, including regulations, handbooks, releases and so on, which are relevant to the company's VA loan origination activities. Handbooks will be accessible to all employees, periodically reviewed with appropriate staff, and kept current. The company employees shall be held accountable for performance failures or errors, and corrective instructions will be provided to all relevant employees where patterns of deficiencies have been identified.

6.2 VA Site Review

For each branch office that originates VA loans, an on-site branch office review will be conducted at least once annually. This QC plan provides for written notification of deficiencies cited as a result of audits or reviews at least quarterly to senior management.

6.3 VA Reporting and Corrective Action

The company shall require prompt reporting of any violation of law or regulation, false statements or program abuses by the company, its employees, or any other party to the transaction to the VA office of jurisdiction.

The company shall maintain documentation of deficiencies and corrective actions taken. Prompt and effective corrective action shall be taken by senior management on all deficiencies identified by either the company or VA. The company shall provide audit or review findings to the VA on demand.

6.4 VA Timeliness and Size of QC Sampling

The scope of audits or reviews shall not be less than 10 percent of all VA-guaranteed mortgages originated monthly, including its branches and authorized agents. If the company originates more than 140 VA mortgages monthly, a statistical sampling may be used in lieu of the 10 percent.

The loan sample includes loans processed by all loan officers and underwriters and a random selection which includes loans from all branch offices and authorized agents. QC procedures are in place for expanding the audit scope when fraudulent activity or patterns of deficiencies are identified in accordance with the company's participating in LAPP.

6.5 VA Rules for Reviewing the File

The QC function provides for the following on loans selected for review:

1. Review of loans within 90 days of loan closing.
2. Written reverification of borrower's employment, deposits, and all sources of funds.
3. Reordering of a new credit report from another credit source. A Residential Mortgage Credit Report (RMCR) or an in-file report which merges the records of the three national repositories of credit files. The reviewer must determine whether underwriting conclusions and documentation are complete and accurate. specifically, the reviewer must make a determination on each item below:
4. Does each loan file contain all required loan processing, underwriting, and legal documents?
5. Were all relevant loan documents not "signed in blank" by the borrower or employee(s) of the company, and were all corrections initialed by the borrower or employee(s) of the company?

Section 7

Ginnie Mae Requirements

7.1 Monitoring of Issuer Responsibilities

The company is responsible for the administration and servicing of pooled mortgages. Certain responsibilities may be performed by a sub-servicer. however, quality control oversight shall include the monitoring of both the issuers and servicers responsibilities. The following quality control steps shall be completed for responsibilities performed by the Company (the issuer):

- Ensure that withdrawn funds from P&I custodial account were performed by the issuer.
- Ensure that accounting reports and certifications to Ginnie Mae were signed by issuer.
- Ensure that checks paid to security holders are signed by issuer.
- Ensure that withdrawal of funds from central P&I custodial account for payment of all book-entry securities and Ginnie Mae guaranty fee were authorized by the issuer.
- Ensure that the remittance advice to security holders was signed by issuer.
- Ensure that the guaranty fee in the central P&I custodial account was funded to enable ACH debit.
- Ensure that a register is maintained of security holders.
- Ensure that withdrawal of funds from central P&I custodial account for payment to security holders and payment of Ginnie Mae guaranty fee is authorized by the issuer (Ginnie Mae II additional responsibility).

7.2 Monitoring of the Servicer's Responsibilities

The following quality control steps shall be completed to ensure compliance to the responsibilities performed by the servicer:

1. Ensure that P&I and escrow amounts were collected by the servicer.
2. Ensure that funds into P&I and escrow custodial accounts were deposited by the servicer.
3. Ensure that funds from escrow custodial accounts were withdrawn by the servicer.
4. Ensure that funds for advances to security holders were supplied by the servicer.
5. Ensure the servicer is able to absorb losses on foreclosures not covered by FHA, VA, RD, or PIH settlements.
6. Ensure the servicer has prepared and submitted accounting reports to Ginnie Mae and RPB data to the RPB contractor.
7. Ensure the servicer has prepared and sent checks to security holders that are paid by check .
8. Ensure the servicer has prepared and sent remittance advice to security holders.
9. Ensure the servicer has reported the monthly guaranty fees via GinnieNET.
10. Ensure the service has performed accounting and monitoring functions of participations related to HECM loans (additional responsibilities for Ginnie Mae II MBS).

Section 8

Post-funding General Procedures

8.1 URLA Completion and Signatures

The Uniform Resident Loan Application (URLA) Form 1003 contains an acknowledgment statement whereby the borrower(s) authorize the company to carry out post-closing quality control audit. In this regard, the company does not require any separate documents or verbal permission. For the purposes of the QC audit, however, the URLA is reviewed to completeness, whether or not there are any discrepancies. Information contained in the URLA is reviewed and compared to other file documents

Verifications and Other Signature Forms

QC includes a review of every document which contains a borrower signature and looks for consistency of signatures of all borrowers cross-checked throughout the entire file contents. Below are listed the areas of concern:

- Verifications that are hand carried not mailed.
- Borrower(s)' only current address reference is a P.O. Box Number.
- Misspelling of company names, titles, forms not completed by HR or payroll.
- Similar type fonts on numerous documents.
- Additional numbers squeezed into sections of forms.
- Discrepancies between the amount of check and bank encoded number.
- Variances in donor signatures on check or gift form.
- Company or business name resembles borrower's name.

8.2 Compliance Disclosures

The following disclosures are reviewed for use of correct applicable form, product information, signatures, and dates.

- Loan Estimate (LE) and/or the Truth in Lending. Confirm issuance within three days of submission of the loan application.
- The URLA was either not signed by the borrower(s) or initialed by the loan officer.
- Rate lock disclosure reflects correct product, signature, dates.
- Dates/signatures on Notice to Applicants, Right to Copy of Appraisal, Right to Request Reconsideration of Value, Servicing Disclosure, Homeowners Fact Sheet, Borrower Authorizations, and other state/federal disclosures
- Dates/signatures on FHA and VA forms and disclosures.

8.3 Closing Disclosure (CD)

QC must ensure that closing costs were within the required tolerance levels indicated on the Loan Estimate (LE) compared to the Closing Disclosure. When completing an audit, the reviewer will check to see whether or not the borrower's funds required at closing were within the same range as the verified assets. If these funds cannot be substantiated, then QC will look at the "paper trail" of funds to determine whether the cash on hand was actually verified and if it appeared that the funds were from acceptable sources.

QC must confirm whether seller-paid closing costs, buydown points, or other concessions were within secondary market investor guidelines. Analysts should look for improprieties, cash advances or improper incentives. Charges, fees, and service costs must be consistent with industry standards. The following checklist can be utilized in reviewing the Closing Disclosure:

1. The sales contract matches data on the 1003 and other documents.
2. The loan amount on all documents match the promissory note.
3. The fees levied are identical to those on the Closing Instructions.
4. MIP is properly delineated and matches the Closing Disclosure.
5. Fees charged are within required tolerance of Loan Estimate (LE) items.
6. The borrower is not charged any fees not allowed by FHA or VA.