



# **Greater Texas Mortgage**

## **Loan Origination**

### *Compliance/ Quality Control Plan*

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# Greater Texas Mortgage Compliance/ Quality Control Policy

## **Purpose:**

Quality Control is a system of internal controls that provides management with an opportunity to examine and, if necessary, adjust its policies and procedures. It is a system of internal controls that validates standards, measures performance and determines compliance with applicable federal, state and firm requirements.

Quality Control is also a vehicle to correct identified deficiencies in a timely manner.

Written policies established by which mortgage loans are originated and sold by Greater Texas Mortgage to wholesale lenders will be evaluated to ensure loans are properly originated.

- 1) Evaluations are conducted to ensure that all loans:
  - a) Comply with insurer and guarantor requirements;
  - b) Are acceptable to private institutional investors;
  - c) Conform to Greater Texas Mortgage policies and procedures;
  - d) Comply with all HUD, FHA and VA requirements as applicable;
  - e) Meet FNMA, FHLMC, and specific investor requirements; and
  - f) Comply with applicable state and federal laws.
  
- 2) Evaluations are conducted to identify inadequacies, errors, or abuses relating to particular originating officers, processors, underwriters, appraisers, or other persons involved in the lending process so that prompt corrective action can be taken by Greater Texas Mortgage.
  
- 3) Quality Control is required to evaluate, document and monitor the general quality of all loans originated and expand scope of Quality Control reviews when fraudulent activity or patterns of deficiencies are identified.

## **Authority and Responsibility:**

### **Authority:**

The Quality Control Department, (aka, Scott Yonce) has the authority to access all origination records. The Quality Control Department has the freedom to review and evaluate policies, procedures and records. Each file will be evaluated for recognizable patterns of deficiencies or indications



of fraudulent activity, Quality Control will have the latitude to investigate files at their discretion.

### **Responsibility:**

The responsibilities of the Quality Control Department include, but are not limited to:

- 1 - Instituting controls to ensure that audit findings have been reviewed with Scott Yonce for the activity;
- 2 - Ensuring that findings are communicated immediately in an effort to motivate corrective action;
- 3 - Developing an effective professional relationship with all business partners; and
- 4 - Coordinating the activities of the Quality Control Department to achieve the best objectives of the Quality Control Department and Greater Texas Mortgage.
- 5- Create and monitor Red Flag Policy for Greater Texas Mortgage.
- 6- Create and monitor Anti-Money Laundering Program for Greater Texas Mortgage.
- 7- Ensure compliance with a state and federal agencies with mortgage lending oversight.

### **Management:**

The Quality Control, (aka, Scott Yonce) process is supervised by himself and does not work independent of loan production. It is the responsibility to Scott Yonce to monitor his activities for the highest level of quality at all times. It is also Scott Yonce's responsibility to ensure Greater Texas Mortgage stays up to date of all changes within the industry.

### **Reporting:**

Any significant findings will be addressed immediately.

Significant findings on appraisals, desk reviews or field inspections will be addressed with the Appraisal Management Company chosen by the wholesale lender.

Scott Yonce is responsible for operational policies and procedures regarding loan originating, processing, underwriting, closing, and shall be responsible for updating the Quality Control manual of any changes when they occur.



Scott Yonce will insure Actions Plans are put in place to address changes within guidelines. The plan will also outline active Management Action Plans (MAP's). Weekly calls are made with wholesale lender account executives to ensure issues identified are being addressed, and to keep up to date of any changes.

Loans containing misrepresentation that materially impacts the underwriting decision or salability of the loan will be presented to applicable department for the appropriate action within 30 days of initial discovery.

Monthly results/variances of a significant and/or recurring nature require Scott Yonce to establish a Management Action Plan (the "MAP") which details the actions that will be taken to correct the discrepancies noted and outlines the timeframe for completing the action plan.

All records of quality control findings must be maintained for at least 3 years/36 months from the closing/funding date.

**Follow-Up:**

A master report package will be maintained which will contain the final audit report, loan level detail and if applicable the MAP created to correct the deficiencies noted. The Quality Control Department will recommend modifications to policies and procedures to address identified patterns of deficiencies or fraudulent activities.

**Area of Review & Selection Criteria:**

**Post Closing Reviews:**

A statistical sample of closed loans will be selected and reviewed on a monthly basis. A Discretionary selection will be used when a pattern of deficiencies or fraudulent activity is detected. All reviews are to be completed within 60 days of selection and no later than 90 days from the end of the month in which the loans closed.

**Target Reviews:**

Targeted samples may be utilized periodically to supplement the monthly sampling, including, but not limited to, loan product type, geographic location, property type and borrower characteristics, client or employee. Target samples, which may be selected on an ongoing basis, will be reported separately.

**Cancelled & Denied Loan Review:**



At least ten percent (10%) of all closed/funded loans will be selected for review. At least ten percent (10%) of all loans denied will be randomly selected for review. The reasons given for the rejection or cancellation will be reviewed and validated along with the information required by the Home Mortgage Disclosure Act (“HMDA”). The review will also ensure that the requirements of the Equal Credit Opportunity Act (“ECOA”) were met and documented in each file. If FHA loans are denied a ten percent (10%) sample will be randomly selected. All First Payment and Early Defaults will be audited.

**Other:**

- Each loan will be reviewed to ensure that all personnel participating in the lending activity are employed by Greater Texas Mortgage
- HUD’s most recently published Limited Denial of Participation (“LDP”) list will be reviewed for all parties on all FHA loans.
- An annual review of Greater Texas Mortgage records will be made to ensure no person who is debarred or suspended by HUD is employed by Greater Texas Mortgage.
- An annual review will be conducted to determine if lending policies and procedures are made available to all employees. In addition, the process for informing employees of changes in guarantor, investor, and governmental agency requirements on a timely basis to ensure compliance will be reviewed.
- All FHA loans selected will be reviewed to determine if the loan was current at the time of submission for mortgage insurance endorsement.
- All loans selected will be reviewed to verify that all documents on which corrections appear have been initialed by the borrower(s).

**Procedures:**

Procedures for each area of review outlined above have been established and are continually being enhanced to ensure that all new federal, investor, and agency requirements are incorporated in the review process. These procedures outline in detail each audit step as well as specify the tools and systems utilized to perform the audit and are incorporated as part of this plan by reference.

**Training:**

In addition to scheduled training conference calls with wholesale lenders, Scott Yonce will be required to meet all continuing education requirements needed to maintain a current license status.

**Retention:**



All Quality Control reports along with associated documentation will be retained by Greater Texas Mortgage for a minimum of thirty-six (36) months following the month in which the review was completed.

### **General Compliance Rules:**

- Take Application and Log file onto application log.
- Price loan same or next day. If accepted, email RESPA within 72 hours. If denied, turn down file within 72 hours and send denial letter.
- All purchase loans must have HUD Settlement statement sent with emailed RESPA package.
- On ARM products, any type of loan, Purchase, Refi, Cash Out, we must include ARM booklet information in email along with RESPA package.
- Keep conversation log noted with any exceptions including reason loan has not closed within 30 days.
- All applications must be scanned into file folder immediately. After scanning any documents, the paper copy is to be shredded. Any use of fraud or false documents will lead to immediate termination.
- Take time to insure accuracy when quoting rate and fees. Customers seeing changes to rate and/or fees at closing for the first time will not be tolerated.
- When preparing the Good Faith Estimate and TIL's, make sure you mark appropriate boxes on GFE to include all the applicable fees in Truth In Lending and what fees will affect the APR. All fees need to accurate in Calyx point.
- Validate all names, loan officers numbers, etc are filled out.
- Manager must review ALL turndown notices for accuracy before they are emailed out.
- Any RESPA violation will result in appropriate action up to and including termination.
- Greater Texas Mortgage will NEVER collect ANY upfront fees of any kind from our customer. This includes, but is not limited to: Appraisal fee, Application fee, Credit Bureau Fee, Processing, or any other fee paid directly to Greater Texas Mortgage from the customer. All standard closing cost money transactions (i.e., origination fee, processing fee, credit report fees, etc) between the customer and Greater Texas Mortgage will be handled through the title company and listed on the HUD 1 Settlement Statement. The appraisal will be paid directly to the



appraisal management company.

- At no time is any loan officer of Greater Texas Mortgage allowed to contact the appraiser directly.
- Upon closing a file, all appropriate documents will be gathered from the title company and saved in the electronic file of the borrower. This will include, Notice of Penalties, signed HUD Statement, Note, and borrower right to cancel.
- All computer systems will be protected with passwords.

**In addition, Greater Texas Mortgage will conduct the following on all loans prior to funding.**

- Complete Social Security Verification form and re-verify Social Security number on all loans.
- Review Income Calculations and supporting documentation.
- A Verbal verification of employment will be conducted within 48 hours of closing.
- All Assets needed to close or meet reserve requirements will be reviewed and verified.
- All Appraisals or other property valuations will be reviewed.
- Verify adequate mortgage insurance coverage.
- If a condo is the subject property, verify the project is Approved.
- Review loan to determine automated underwriting info is accurate.

**For Post-Closing reviews, Greater Texas Mortgage will conduct the following on all loans.**

- Desk reviews of appraisals on all loans included in the quality control sample.
- Field Review performed on 10% of loans included in the quality control sample.
- New RMCR/tri-merged on all loans included in the quality control sample.
- Written re-verification of borrower's employment, deposits, gift letters, credit sources and other sources of funds.
- Verify that the loan file contains all required origination documents.
- Verify that the loan file contains all the required closing documents.
- Verify that the loan file contains all the required legal documents.
- Review the HUD-1 settlement statement to be certain that it was accurately and properly certified.
- Verify 4506 was executed on all loans in QC selection.
- Ensure that none of the participants in the mortgage transaction (excluding the seller of a principal residence) is debarred or suspended.

**Origination Documents that must be reviewed for accuracy and**



## **completeness**

- Applications
- Verifications of Employments
- Credit Reports
- Verifications of Deposit
- Loan Verifications
- Appraisal
- Purchase Agreement
- Supporting Documentation
- Required Disclosures
- Automated Underwriting Data
- Mortgage Delivery Data

## **Legal Documents That Must be Reviewed for Accuracy and Completeness**

- Notes and Riders
- Mortgage Insurance or guaranty certificate
- Mortgage or deed of trust with all applicable riders
- Assignment of mortgage
- Title commitment/policy
- Survey
- Truth-In Lending Disclosures
- Good Faith Estimate
- HUD-1 Settlement Statement
- Right of Rescission, if applicable
- Hazard insurance policy or certificate of insurance
- Certain state and federal laws for other requirement, such as Regulation Z, Regulations B, RESPA, and the Flood Act. This also includes the Texas Cash Out 12 Day Letter.
- Conformity of numbers, cost, definitions, and disclosures between all closing forms and application data
- All closing documents for all signatures, witnesses, and notaries.