

Table of Contents

Table of Contents.....	i
Introduction	iii
Section 1 – Investor/Agency Quality Control Program.....	5
Objective	5
Scope.....	5
Audit Coverage	5
Selection Of Loans	6
Loan Sampling Procedure	6
Selection Methodology.....	6
Quality Control Personnel and Production Personnel Separated by Plan.....	8
Disbarred Employees.....	8
Responsible Employees	8
Quality Control Manager(s).....	8
Use of Outside Firms to Perform Quality Control Review	9
Quality Control Review Process	10
Timing/Scope of Audits	14
Audit Schedule.....	14
Completion of Review	14
Special Procedure – Early Default.....	14
Special Procedure – Pattern of Deficiencies or Fraud.....	14
Quality Control Program Documentation	15
Request for Re-verification of Income or Assets	16
Tax Return Authenticity Process	18
Appraisal Review Request.....	19
Federal Regulatory Compliance and State Audit Checklist Process	20
Loan File Audit/Regulatory Compliance Checklist.....	21
Quality Control File Order/Checklist	22
Quality Control Credit Report Order Log	23
Corrective Action and Report Management.....	24
Notification to HUD of Significant Discrepancies.....	24
Employee Resources – Training	25
Resources.....	25
Field Review of Branch Offices	26
Field Review Items.....	26
Mortgage Insurance Endorsement Process	27
Reporting of Loan Sales Process.....	29
Termination of Insurance Process	30
Escrow Reporting.....	31
Section 2 – Federal Regulatory Compliance Highlights	32
RESPA - Real Estate Settlement Procedures Act (Regulation X)	33
Policy in Practice.....	33
Home Mortgage Disclosure Act (HMDA)	34
Policy in Practice – Loan Origination/Production Process.....	34
ECOA- Equal Credit Opportunity Act - Regulation B	36
Fair Housing Act.....	37
Policy in Practice.....	37
Fair Credit Reporting Act - FCRA.....	38
Policy in Practice.....	38
Regulation Z - Truth-In-Lending Act (TIL)	39
Policy in Practice – Origination	39
APR Tolerance.....	39

Section 3 – Audit/Examination and Record Retention Process	41
The Lock-In/Financing Agreement.....	42
Lock-In Process	45
Pre-Closing Quality Control Review	55
Record Retention Guidelines	56
Federal Record Retention Guidelines.....	57
Section 4 – Detailed Policies for Federal Compliance	58
Truth-in-Lending – Federal Reserve Regulation Z.....	58
Purposes of Truth-in-Lending Act.....	58
The APR Formula	63
Itemization of Amount Financed.....	65
Home Equity Lines and Open-Ended Credit.....	72
Advertising and Truth-in-Lending	78
Section 32 of Truth-in-Lending Act.....	81
Loans Subject to Section 32	81
RESPA – Regulation X – Real Estate Settlement Procedures Act.....	85
Controlled and Affiliated Business Arrangements (ABA).....	87
Other Controlled Business Arrangements	89
Enforcement of Section 8.....	92
RESPA Disclosure Requirements – Settlement Costs.....	92
Loan Fees	94
Prepaid Items.....	96
Interim Interest	96
Preparing a Good Faith Estimate	99
The Special Information Booklet.....	101
Yield Spread Premium	104
Transfer of Servicing and Servicing Practices Act.....	109
Transfer of Servicing and Servicing Practices Act.....	109
Closing Costs and the HUD-1 Settlement Statement.....	113
Guaranteed Mortgage Packages	116
Section 5 - Policy for Handling Complaints	118
State Laws	118
Complaint Policy	118
Section 6 - Audit Preparation	121
Assigned and Brokered Loan Referral Fee Policy	122
Brokering loans out for referral fees	122
Post-Closing Audit Preparation Checklist	123
Section 7 - Fraud Prevention	125
Origination Fraud Watch	128
Loan Characteristics	128
Section 8 - Branch Licensing Procedure.....	130
Out of State Transactions - Foreign Corporations.....	130
Local Jurisdiction – Office Registration.....	130
Public Offices – Non-Commercial Building.....	130