

[Company Name]
Loan Origination

Quality Control Plan

Date

[Company Name]

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 purchased by [Company Name (“XXX”)] through its subsidiaries 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 the Firm’s policies and procedures;
 - d) Comply with all HUD, FHA and VA requirements as applicable;
 - e) Meet FNMA, FHLMC, Ginnie Mae 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 [XXX] or its subsidiaries.
- 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 has the authority to access all origination and servicing records. The Quality Control Department has the freedom to review and evaluate policies, procedures and records. Files selected for review may not be substituted or shared with Operations prior to audit.

For recognizable patterns of deficiencies or indications of fraudulent activity, Quality Control personnel 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 the Firm's Management partner responsible for the activity;
- 2 - Ensuring that findings are communicated to Management at various levels 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 with other departments within the Firm to achieve the best objectives of the Quality Control Department and the Firm.

Management:

The Quality Control process is supervised by Senior Management and remains totally independent of loan production and servicing. An outside Quality Control firm may be used to perform the requirements outlined below to efficiently manage volume levels.

Reporting:

Any significant findings will be reported to the applicable department supervisor or branch manager within a reasonable time frame for resolution. Significant findings on appraisals, desk reviews or field inspections will be addressed with the original appraiser by the Appraisal Review Department.

Senior management is responsible for operational policies and procedures regarding loan originating, processing, underwriting, closing, packaging, purchasing, selling/servicing and shall be responsible for informing Quality Control Department personnel of any changes when they occur.

Senior management is provided with a written variance report within 90 days of file selection. The written report will outline the discrepancies noted and trends. The report also, outlines active Management Action Plans (MAP's) Monthly conference calls are held with line management to ensure issues identified are being addressed. Loans containing misrepresentation that materially impacts the underwriting decision or salability of the loan will be presented to applicable department for the appropriate action..

Monthly results/variances of a significant and/or recurring nature require Management 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. MAPs will be tracked and reported to Senior and Executive Management on a monthly basis.

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.

Early Payment Default Reviews:

A selection of loans that are considered early payment default are reviewed monthly.

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.

On-Site Reviews:

On-site visits may be made to Regional Operations Center (the "ROC") and to third party origination sources, as identified or required, to ensure that the lending practices conform to government, investor, and guarantor requirements.

During the on-site visits to branch offices or as identified or requested for approved correspondent/broker offices, an inspection will be made to see that lending policies are available to all employees and that they have been updated on a timely basis to accurately reflect changes in requirements by guarantors, investors and governmental agencies. If this information is not available at the branch office or approved correspondent/broker, arrangements will be made to immediately provide this information

Cancelled & Denied Loan Review:

At least five percent (5%) 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

Other:

- Each loan will be reviewed to ensure that all personnel participating in the lending activity are employed by the firm, or the loan was processed by a broker or correspondent approved by the firm.
- 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 [XXX's] records will be made to ensure no person who is debarred or suspended by HUD is employed by [XXX] or a subsidiary.
- 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.

Retention:

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

