

QUALITY ASSURANCE
Catch Your Mistakes Before They Catch You

DHAVAL PATEL



Ginnie Mae

ARM Pools



- Incorrectly certifying ARM pools can cause:
 - Penalties
 - Collapsing of Pools
 - Issuers and Investors may suffer financial consequences
 - Damage to reputation
 - Multiple oversights can have severe outcomes

ARM Pools



- Tips to on how to prevent incorrect certifications on ARM pools:
 - Use a list at all times to verify the ARM loans in a pool are correctly certified
 - Work as a team
 - Random audit

Advanced Questionnaire



- The Advanced Questionnaire focuses on:
 - Facilities, Fiscal Soundness, and Management
 - Document Access and Security
 - Pool and Loan level Custodial Procedures

Checklist



- The Checklist focuses on:
 - Minimum required pool level documents and loan level documents
 - Review of Documents for:
 - Initial Certification
 - Final Certification
 - Recertification

Advanced Questionnaire and Checklist



- The importance of Advanced Questionnaire and Checklist:
 - Eliminate Problems
 - Increases Awareness
 - Avoid potential findings and errors
 - Makes your processes, procedures and workflows effective and efficient

Fannie Mae

Ratings Categories



- The number of risk categories identified by Fannie Mae includes:
 - Certification Error Rate
 - Custody Practices
 - Physical Facilities
 - Eligibility
 - Policies and Procedures
 - Contingency

Scope of the Quality Assurance



- Perform monthly Quality Assurance in the following area:
 - Certification
 - Vault
 - Releases

- Use a statistically valid sample size

- Quality Assurance should be focused at the department level as well as the employee level

- The QA Manager should report outside of the Operations team

Common errors for Certification



- The most common errors for Certification includes:
 - Data Errors
 - Document Errors

Common errors for Vault and Releases



- The most common errors for Vault includes:
 - Loans physically moved without updating the system
 - Loans are not filed correctly
 - Delivered mail not checked in properly

- The most common errors for Releases includes:
 - Releasing incorrect loans
 - Releasing loans without updating the system
 - Releasing loans without proper authorized signatures

Perform QA on Processes



- Certification
 - Review all required data and documents
 - Review specific data elements, documents and forms

- Vault
 - Validate new acquisitions
 - Run Quality Assurance reports
 - Create a logbook to track the receipt and distribution of incoming mail

Perform QA on Processes



- Releases
 - Randomly select a day each month to review releases
 - Review the release request forms are complete with authorized signatures
 - Ensure the system is updated correctly based on what is released
 - Run Quality Assurance reports to monitor the aged requests - Be Preventive!

Reporting and Mediation



- The QA Manager should report findings back to the management team for resolution
- The resolution plan must include how the findings will be corrected and resolved
- Ensure findings are within defined benchmark levels
- Ensure adequate policies and procedures are established to correct and prevent exceptions

Freddie Mac

Scope of the Quality Assurance



- Conduct regular reviews
- Ensure benchmarks for acceptable error rates are defined
- Ensure there is a segregation of duties
- Contact Seller/Servicer and/or Freddie Mac after identifying potential issues

Compliance Controls



- Notes, supplement documents and assignments
- Release documents to Seller/Service
- Document Tracking and Reporting System
- Disaster Recovery Plan

FHLB of Chicago

Quality Assurance Reviews



- Two different types of Quality Assurance reviews:
 - Custodial Site Review
 - The Quality Assurance Sample Review

Custodial Site Review



- Purpose of the Custodial Site Review:
 - Assesses the Custodian's operational capabilities
 - Control of Collateral Files
 - Policies and procedures for Initial and Final Certification
 - Disaster Recovery Plan

Custodial Site Review



- The Collateral File sample review includes:
 - Comparison of data fields with the Promissory Note/Assignments
 - Certification of endorsements and documents
 - Review of completeness and consistency of the endorsements and supplement documents

MPF Program Audit Tips



- Designate one audit contact
- Ensure availability of requested documents
- Inform staff of MPF audit visit
- Make copies with MPF loan number
- Forward trailing corrective documents to MPF provider

Common Findings and Tips



➤ Common Findings

- Assignments
- Living Trust loans
- Misc. Note fields

➤ Tips

- Training
- Investor - Specific procedures updated regularly
- Excellent QA Procedures

Quality Assurance Program Requirements



- Be in written format
- Should include standard operating procedures for all employees and agents
- Should provide a written and quantifiable mechanism for evaluation and monitoring

Quality Assurance Program



- A Custodian cannot be approved if they do not meet the requirements of Quality Assurance program
- An approved custodian will get 60 days to correct the issue
 - If the issue is not corrected, the Custodian may be dismissed to act as an MPF Custodian

Best Practices

Best Practices



- Be Preventive
- Utilize proven management tools
- Review all workflows/processes

Best Practices



- Implement Quality Assurance program
- Implement, measure and control the Key Risk Indicators (KRI) activities
- Identify benchmarks to monitor KRI activities

Best Practices



- Work with your Internal Compliance department
- Work with your Internal Management team
- Effective training and development
- Team Involvement and Communication

Any Questions?