

**MITIGATING THIRD PARTY RISK FOR  
MORTGAGE LENDERS**

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Prepared by  
**Donna (“Casey”) Case-Rossato, Esq.**  
**Chief Counsel-Wholesale Lending**  
**CitiMortgage, Inc.**  
**St. Louis, MO**  
**636-261-6494**  
[donna.caserossato@citi.com](mailto:donna.caserossato@citi.com)

**BRINGING THIRD-PARTY ORIGINATORS, APPRAISERS, CLOSING  
AGENTS AND OTHER THIRD PARTIES “ON BOARD”: WHAT SHOULD  
YOU BE LOOKING FOR?**

1. THIRD PARTY ORIGINATOR APPROVALS AND RECERTIFICATIONS:
  - a. Eligibility Review
    - i. Completed Application
    - ii. Certification of Ownership
    - iii. Properly completed, signed and dated application, with corporate resolution if applicable
    - iv. List of current employees involved in loan origination process, to compare against internal watch list
    - v. Most recent full year financial statements and/or tax returns
    - vi. Resumes of key individuals (owners, principals, senior management) to evaluate level of expertise and for checks against internal watch list
    - vii. Set number of Investor references
    - viii. Satisfactory review of personal credit report for all principals owning more than x%
    - ix. Check lender/broker name, principals, owners and DBA names against internal and external watch lists and other resources, as well as OFAC check
    - x. Completed Affiliate Business Questionnaire (if applicable), along with any other disclosures that would provide notice to customers of lender/broker
  - b. Approval Guidelines-Will vary based on type of lender (broker or correspondent)
    - i. Establish a net worth guideline (again, this will vary). Consider exceptions based on broker’s/lender’s mortgage experience and track record

- ii. Verify status of all required licenses (broker, lender, 1st mortgage, 2<sup>nd</sup> mortgage, etc.) for all branches in all states where origination occurs and that organization is in “good standing”
    - c. Annual Recertification Requirements
      - i. Completed update of staffing
      - ii. New review of internal and external watch lists for updated information
      - iii. New personal and business financial updates
      - iv. Confirm all necessary licenses still in place and business is in good standing
      - v. Develop regular formalized, objective process to review concerns and errors, consider terminating relationship
    - d. Technology Considerations
      - i. Do you have the manpower to perform these functions?
      - ii. Do you have the technology to perform review and maintain an objective standard?
      - iii. Do you have the technology to store and recall data, as needed?
2. APPRAISERS, CLOSING AGENTS AND OTHER THIRD PARTIES
- a. Initial Review
    - i. Formal Application or Written Request?
    - ii. Need references? From whom? Lender/Broker?
    - iii. Minimum net worth requirements?
    - iv. Any required licenses in that state for that function? Who is checking?
    - v. Consider E&O insurance and dollar value of policy
    - vi. Always, always, always—are they on internal or external watch list?
    - vii. Do you have the right technology and adequate staff?
  - b. Subsequent Review
    - i. Is there a formal annual review or is it ad hoc?
    - ii. How do you keep track of their performance?
    - iii. Who is checking on status of required licensing?
    - iv. Are you checking your internal and external watch lists?

**NET MESSAGE: Integrated process required across all product lines for all parties. All potential clients are screened against eligibility requirements and re-evaluated on an annual basis. Development of a process to evaluate and maintain data for subsequent use is key.**