



Correspondent Services Division

### Customer On-site Approval Questionnaire

**General: To determine that the appropriate functional segregation and internal controls exist within the Lender's organization. To insure that the level of experience among employees involved in risk management is sufficient to support delegated underwriting, fund loans for third party originations business, and ability to engage in mandatory commitments.**

#### President, C.O.O., Secondary Marketing Officer:

1. Describe the organization structure.
2. How active are the principles in the daily operations of the organization?
3. What is the overall business strategy? (e.g., 100% retail, technology and consumer direct, wholesale, etc.)
4. What business strategies for growth are being contemplated? (e.g. opening new branches, implementation of new programs, etc.)
5. Does the organization have any affiliate companies such as title, escrow, and insurance?
6. Who are your warehouse line providers? How is the service and what could make the relationship better?
7. Where is risk management/secondary marketing located? What is the reporting structure?
8. Does the organization utilize vendor services for hedging and commitment management?
9. What loan origination system do you use?
10. Is underwriting function centralized or decentralized? What is the reporting structure of underwriters and processors?
11. Describe the overall sources of production (e.g. percentage TPO versus Retail).
12. Describe the mix of business (% conventional conforming, jumbo, government, etc).
13. Describe the experience level of the management team.
14. Obtain listing of branch office locations, managers, and underwriters (for wholesale and retail).
15. Which branches are the highest production offices in the company? What products do these branches originate (confirm that the mix is consistent with company's total mix of business)? If the mix is different, investigate whether the branch was acquired or if variation in production is due to geographic location.
16. Who are your "lead" investors? What to you enjoy, what would you alter? Who within the organization is responsible for driving implementation?

**Quality Control:**

1. Describe the structure of your department.
2. What is the experience level of staff?
3. Describe the QC processes and procedures in effect.
4. Obtain written QC Policies and Process document.
5. What is your sample selection? Are loans selected based upon branch, product, underwriter, investor, source of origination, etc?
6. What percentages of loans are reverified?
7. Are appraisal reviews ordered? If so, how often and/or under what circumstances?
8. What percentage of loans are full credit reports ordered?
9. How is tax return information reverified?
10. Are QC reviews current? (e.g., completed within 90 days of loan closing)
11. Describe the management reporting process and feedback/response loop policy.
12. (Is there a process in place to confirm implementation and effectiveness of corrective actions?)
13. Describe the process and procedures for reviewing early payment default and/or early payoff loans?
14. At what point is a loan considered an early payment default or an early payoff?
15. Describe the pre-fund audit function utilized (e.g. verification of reserves, employment, etc.)
16. What are the eligibility requirements for Counterparties?
17. Obtain written Policies and Procedures for approving and managing Third party approvals.
18. (Does the Lender conduct an onsite of new Brokers and/or Correspondents? If onsite is applicable, who performs? Are D&B, MARI, check licenses and references, etc run?)
19. Do you maintain delinquency benchmarks or targets? (Example: is the established benchmark on conventional production based upon an internal model or external, industry-based data).
20. How are delinquencies monitored for production?

**Quality Control (continued):**

21. Do you track TPO-specific delinquency rates? If so, what actions are taken in event delinquencies are above company benchmarks or targets?
22. How are denial rates and underwriting quality tracked?
23. How are post-close Quality Control policies and processes conducted? Outsourced or in house?
24. Obtain evidence of most recent month's QC report with findings and internal management response.
25. (The objective is to verify that the Lender is taking action on issues or comments within a QC report).
26. Have you required any Brokers or Correspondents to repurchase loans? If so, what were the reasons cited.
  
27. Obtain a listing of all repurchase and indemnifications by the Lender outstanding.
28. Have you accepted indemnifications from either Brokers and/or Correspondents?
29. Are Counterparties reviewed periodically for compliance / eligibility requirements?
  
30. Do you maintain a "Watch" or "Monitor" list?
31. Is there a procedure in place to insure that Counterparties use licensed and/or approved appraisers?
32. How are Brokers and Correspondent terminations processed?
33. Is there a process in place to insure terminated Counterparties are not able to register and fund loans with your organization?

## **Underwriting**

1. Describe the structure of your department.
2. What is the experience level of staff? (e.g. Direct Endorsement, etc.)
3. Where are underwriters located?
4. How is underwriting authority determined? Do you maintain differentiated levels of authority?
5. What delegated underwriting authority do you currently have with your existing investors?
6. What limits and or products are in place?
7. Are counter parties sponsored or empowered by your organization with underwriting authority?
8. What is the typical new file workload for an underwriter?
9. Do underwriters clear their own suspense and approval conditions?
10. Is contract underwriting utilized? If so, with what companies?
11. What AU systems are used? What products are run through the AU systems?
12. What are the underwriting guidelines used by your organization? How is staff informed of changes?
13. Are guidelines similar for retail and third party originated production?
14. Describe the loan approval process.
15. Describe the loan denial process.
16. How are approval and denial rates tracked?

## **Secondary Marketing/ Capital Markets:**

1. Describe the structure of your department.

2. What is the experience level of staff?
3. Describe how your daily pricing is established and your policies involving price changes
  - a. Explore whether Bridge and/or Bloomberg systems are utilized or whether web access is method for obtaining pricing.
  - b. Investigate whether branches are given varying pricing based upon location or product demands.
  - c. Are branches able to participate in service release premiums paid? If so, to what levels?
4. Describe your policies and processes involving accepting branch and/or third party rate locks.
5. Do you negotiate pricing (e.g. float downs in a declining rate environment)?
6. Do you maintain a best execution model?
7. Do you outsource any trading-related or commitment management functions?
8. Do you execute mandatory delivery trades? If so, on what products and what delivery mechanisms are employed (e.g., government AOT, conventional direct trade, jumbo bulk, etc.)?
9. Are traders managed to a daily trade limit (for mandatory deliveries)?
  - a. How are daily trades confirmed and tracked?
10. Do you hedge with options? If so, what strategy is employed?
11. Do you hedge with futures? If so, what futures contracts are used and at what loss limits are gain or loss triggers issued?
12. Do you generate a daily marked to market report? Do you mark outstanding mandatory commitments to the market (in addition to the loan pipeline)?
13. What is the process for allocating pipeline to trades? How are delivery tolerances managed (e.g. are tolerances automatically calculated)?
14. What is the policy for rolling trades?
15. Describe your loan/pool settlement procedures.
16. What commitment terms do you need? (Extended lock, Lock and Shop, Forwards, Bulk, etc.)