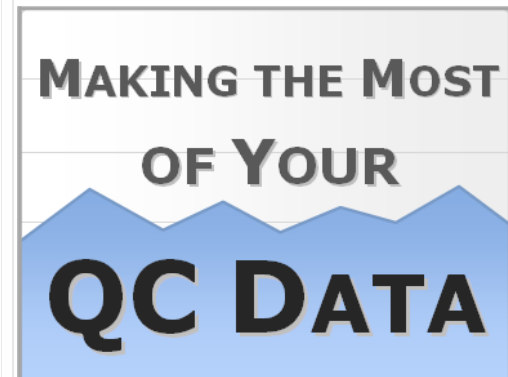


Making the Most of Your QC Data

May 26, 2011

Presented by:

Brady W. Meadows



THURSDAY, MAY 26 | 12:00 PM MDT

Mortgage Compliance Advisors

Instructions

- Because of the large number of registrants, the lines will be muted.
- To ask a question, click the plus sign next to “Questions” on the GoToWebinar box and type your question.
- The panelists will address questions at the end of each topic. If your question is not addressed, we will email the answer to you.
- You can find today’s slides on our News & Resources page:
 - <http://www.mortgagecomplianceadvisors.com/index.php/news-resources#resources>



Our Panelists

We are fortunate to have with us today a panel of experienced mortgage professionals. They will be taking the time to answer your questions and provide insight from hands-on application.

- Craig Christensen *MCA COO*
- Bob Warnock *MCA CEO*
- Jeff Christensen *MCA CFO*

The information provided by Mortgage Compliance Advisors, LLC has been taken from various public resources and does not constitute legal advice.



Agenda

- QC Cycle
- What's Required
- Management Reports
- Trending Reports
- Report Examples
- Closing Points



The Quality Control Cycle



← **Continuous Improvement** →



What's Required

We have our Post-Closing audits completed...Now what?

- **Report to Management**
 - Deliver to senior management within 30 days of the audits being completed.
- **Management's Response & Action Plan**
 - Management must respond to the report and make an action plan as to who should do what to correct the findings.
- **Corrective Action Plan and Monitoring**
 - Action report should identify actions taken, timetable for completion, and planned follow-up.
- **Response to Findings**
 - Company must respond to all findings found from file reviews.
- **Reporting to Investors and Agencies**
 - Report any misrepresentation, breach of your contract agreement, or detection of fraud within 30 days of uncovering the findings.



Trend Tracking Charts

SCORECARD

# of Loans	Average Loan Score	Processing / Underwriting			Credit Report			Appraisal			Closing			Regulatory Compliance			Total		
		IS	M	S	IS	M	S	IS	M	S	IS	M	S	IS	M	S	IS	M	S

Investor

Investor 1	11	86	10	-	-	1	-	-	5	-	-	1	-	-	7	12	3	24	12	3
Investor 2	2	90	2	-	-	1	-	-	-	1	-	-	-	-	2	-	3	3	3	-

Loan Officer

Loan Officer 3	2	93	1	-	-	-	-	-	2	-	-	-	-	-	2	-	3	2	-	
Loan Officer 7	2	79	1	-	-	-	-	-	1	-	-	1	-	-	1	3	1	4	3	1
Loan Officer 6	1	87	1	-	-	-	-	-	1	-	-	-	-	-	1	-	1	2	-	
Loan Officer 1	2	84	2	-	-	-	-	-	1	-	-	-	-	-	3	1	1	6	1	1
Loan Officer 10	1	86	1	-	-	1	-	-	-	-	-	-	-	-	2	-	2	2	-	
Loan Officer 4	1	98	1	-	-	-	-	-	-	-	-	-	-	-	1	-	-	2	-	
Loan Officer 2	1	92	1	-	-	1	-	-	-	-	-	-	-	-	1	-	2	1	-	
Loan Officer 8	1	91	1	-	-	-	-	-	1	-	-	-	-	-	1	1	-	3	1	-
Loan Officer 9	1	66	1	-	-	-	-	-	-	-	-	-	-	-	2	1	1	2	1	
Loan Officer 5	1	91	2	-	-	-	-	-	-	-	-	-	-	-	1	1	-	3	1	-

Underwriter

Underwriter 1	2	81	1	-	-	-	-	-	3	-	-	1	-	-	2	1	5	2	1	
Underwriter 4	8	85	8	-	-	2	-	-	-	1	-	-	-	-	4	10	2	14	11	2
Underwriter 3	2	95	2	-	-	-	-	-	1	-	-	-	-	-	2	1	-	5	1	-
Underwriter 2	1	91	1	-	-	-	-	-	1	-	-	-	-	-	1	1	-	3	1	-



Don't forget the Action Plan

- Most companies don't proceed with any QC data analysis after the management report and/or response to all findings.
- Action plans are arguably the **most important** part of the required items.
- Action plans allow you to have a written plan and time frame for how and when you will correct issues found.



What do I do with all this data?

- You spent the time and money to get it - why not use it?
- Companies should use QC software to capture all QC data and findings into a database.



Why do reports?

- Transform loan level review data into useful meaningful information
- Measure the quality of your employees
- Evaluate performance against requirements and goals
- Understand the effectiveness of processes and controls
- Identify actionable items
- Track effectiveness of actions taken
- Foster continuous improvement



Trend Tracking



Management Reports vs. Trending Reports

- **Management Reports**

- Typically show results from a specific audit period
 - Findings for month
 - Findings per loan type for month

- **Trending Reports**

- Typically shows results from an extended period of time. Shows data from several specific audit periods
 - Average findings per audit period for 12 months
 - Findings per branch over quarter
 - Findings per underwriter over 24 months
 - Average violation charges after Action Plan implemented



Trend Tracking

- Trend tracking may be required, but it is also the best way to track and monitor your company. Trend tracking gives you added value to your completed post close audits.
- Trend tracking is an effective way to ensure your employees and business segments are consistently producing quality loans.



Trend Tracking

- Audits should include a loan score on each file.
 - Track over time to see if score is decreasing or increasing.
- In addition, run tracking reports to determine most common findings and how often they reoccur.
- Track the performance of many categories, including the following:
 - Loan originators
 - Underwriters
 - Branches
 - Processor
 - TPO (correspondents or brokers)



Why pull Trend Tracking reports

- Determine adequate focus
- Identify problems
- Prioritize problems
- Progress toward goals and actions plans
- Create accountability
- Increase efficiency

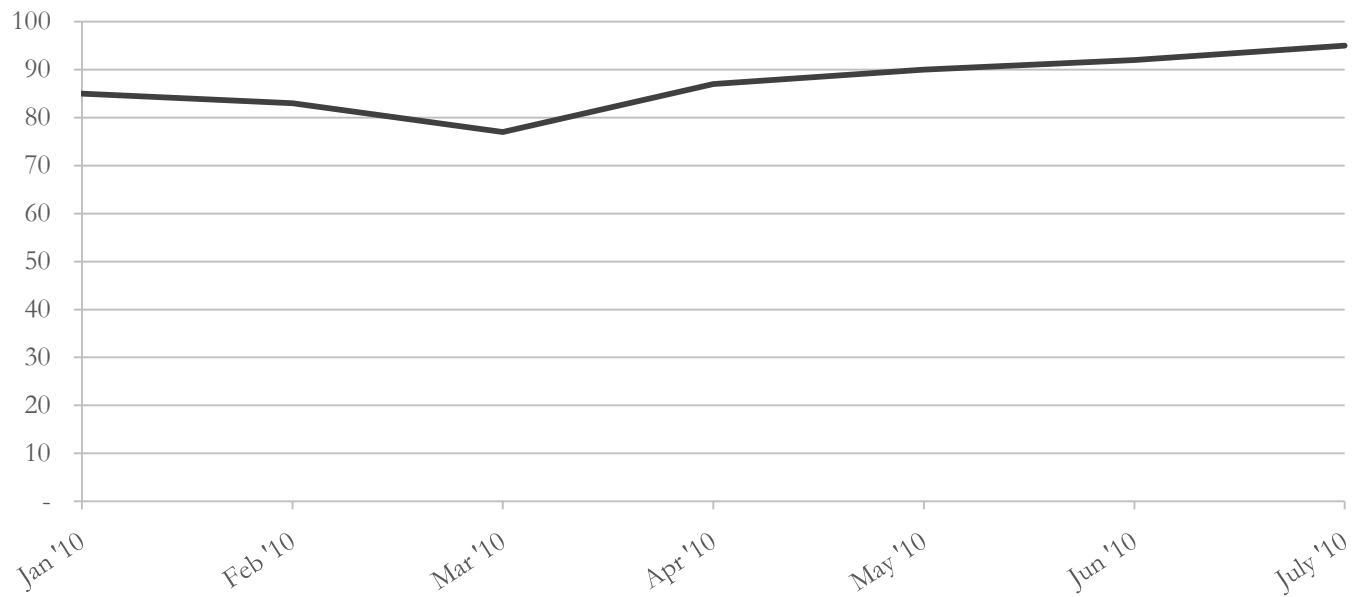


Trend Tracking Examples



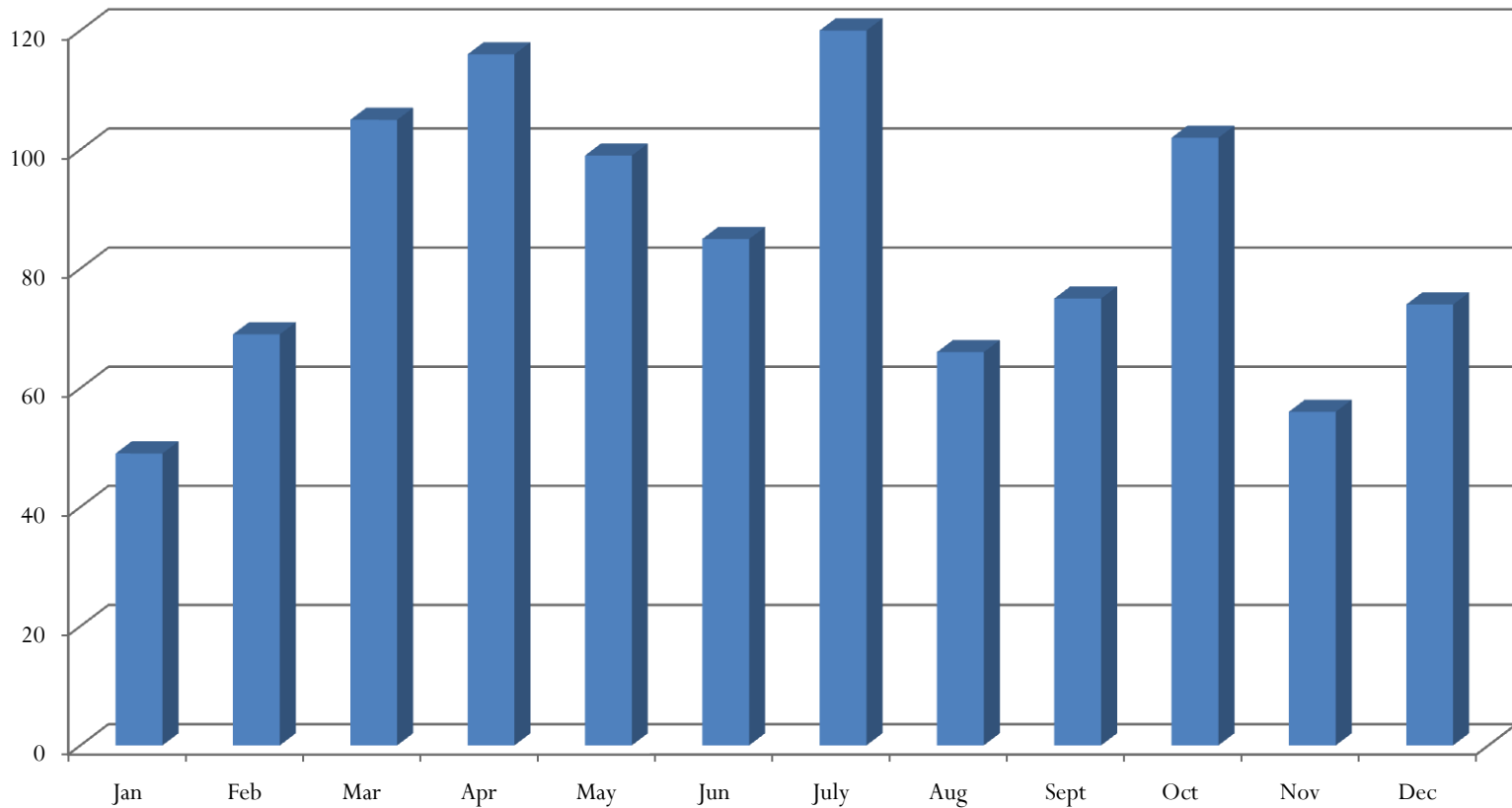
Trend Tracking Charts

ABC MORTGAGE LOAN SCORE TRENDING



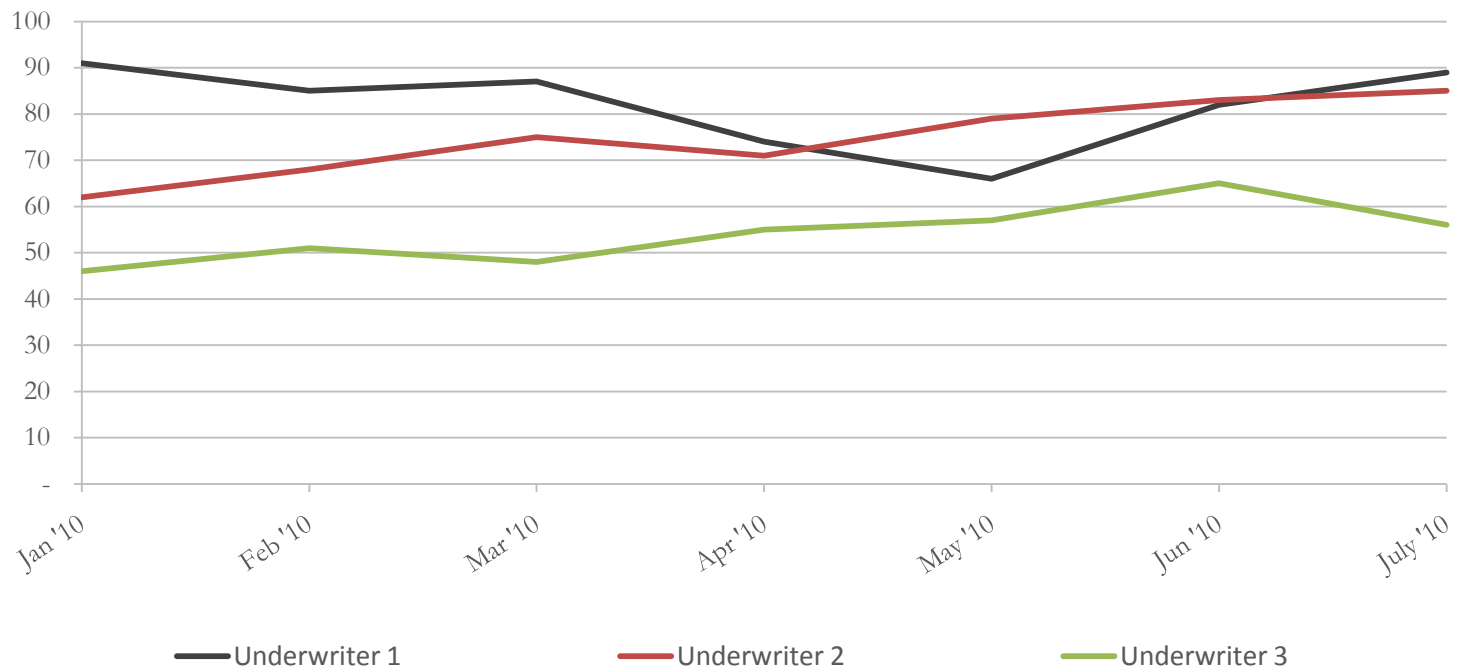
Company by Number of Findings

Number of Findings

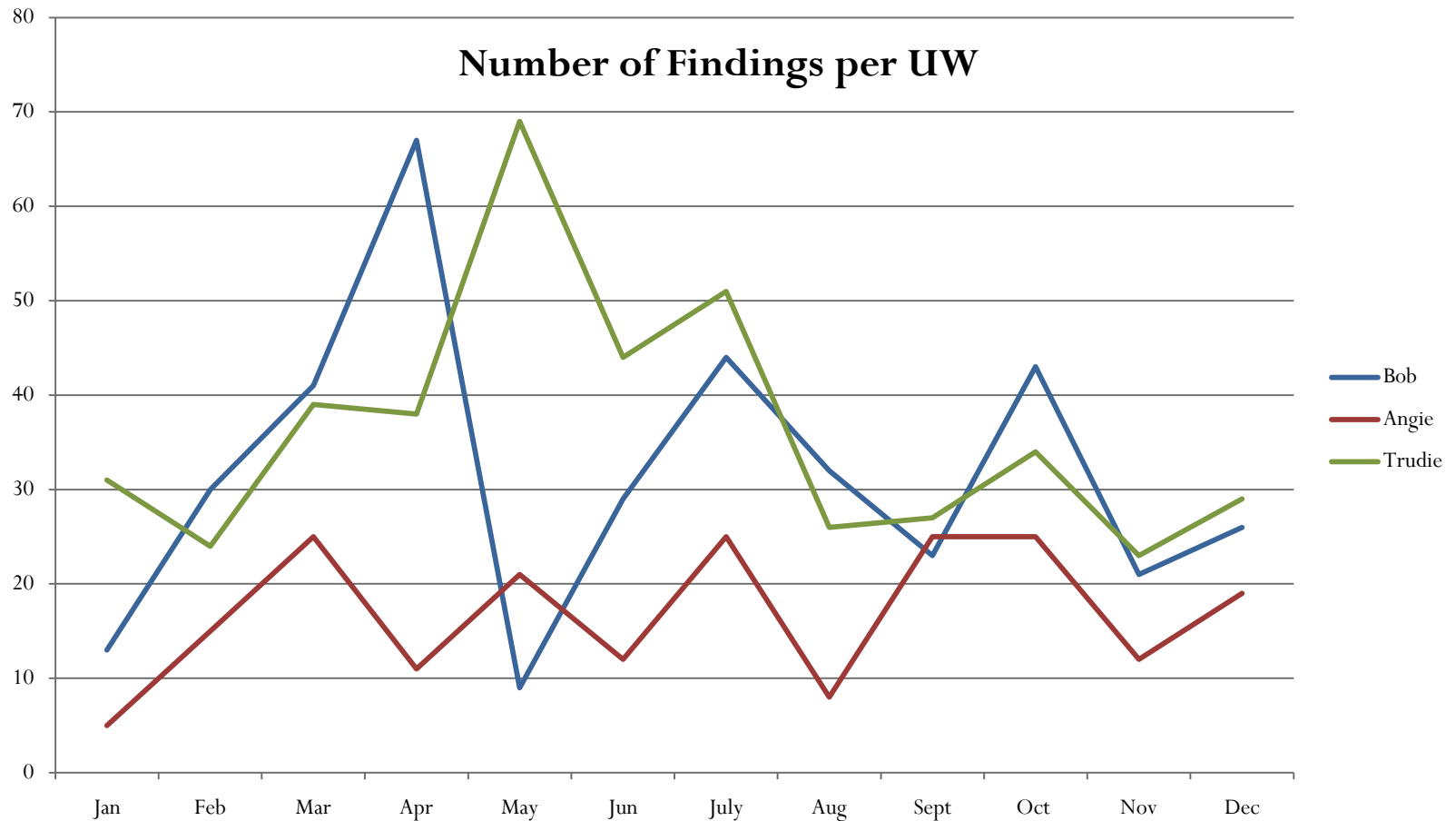


Trend Tracking Charts

UNDERWRITER LOAN SCORE TRENDING

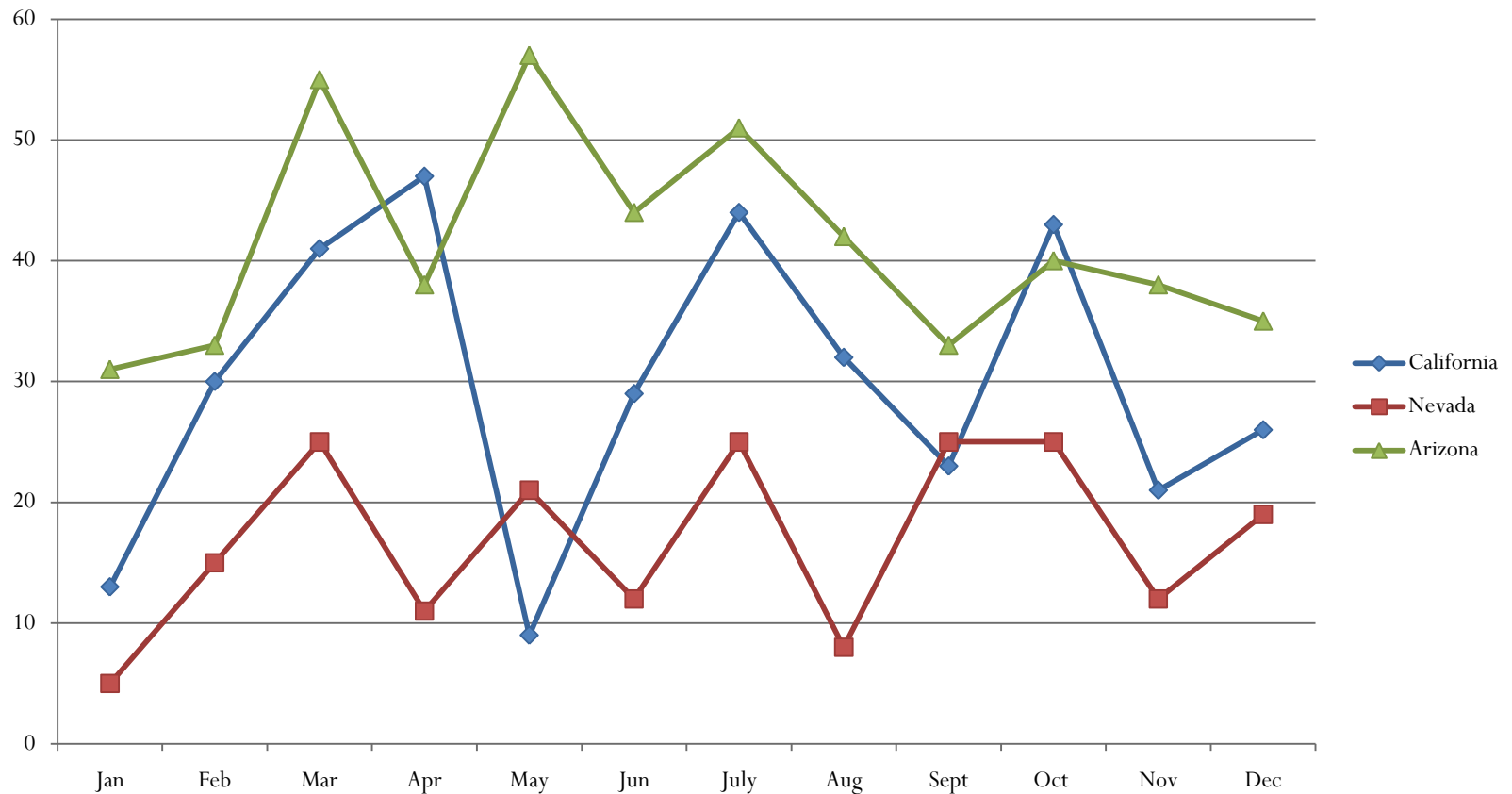


Underwriter by Number of Findings



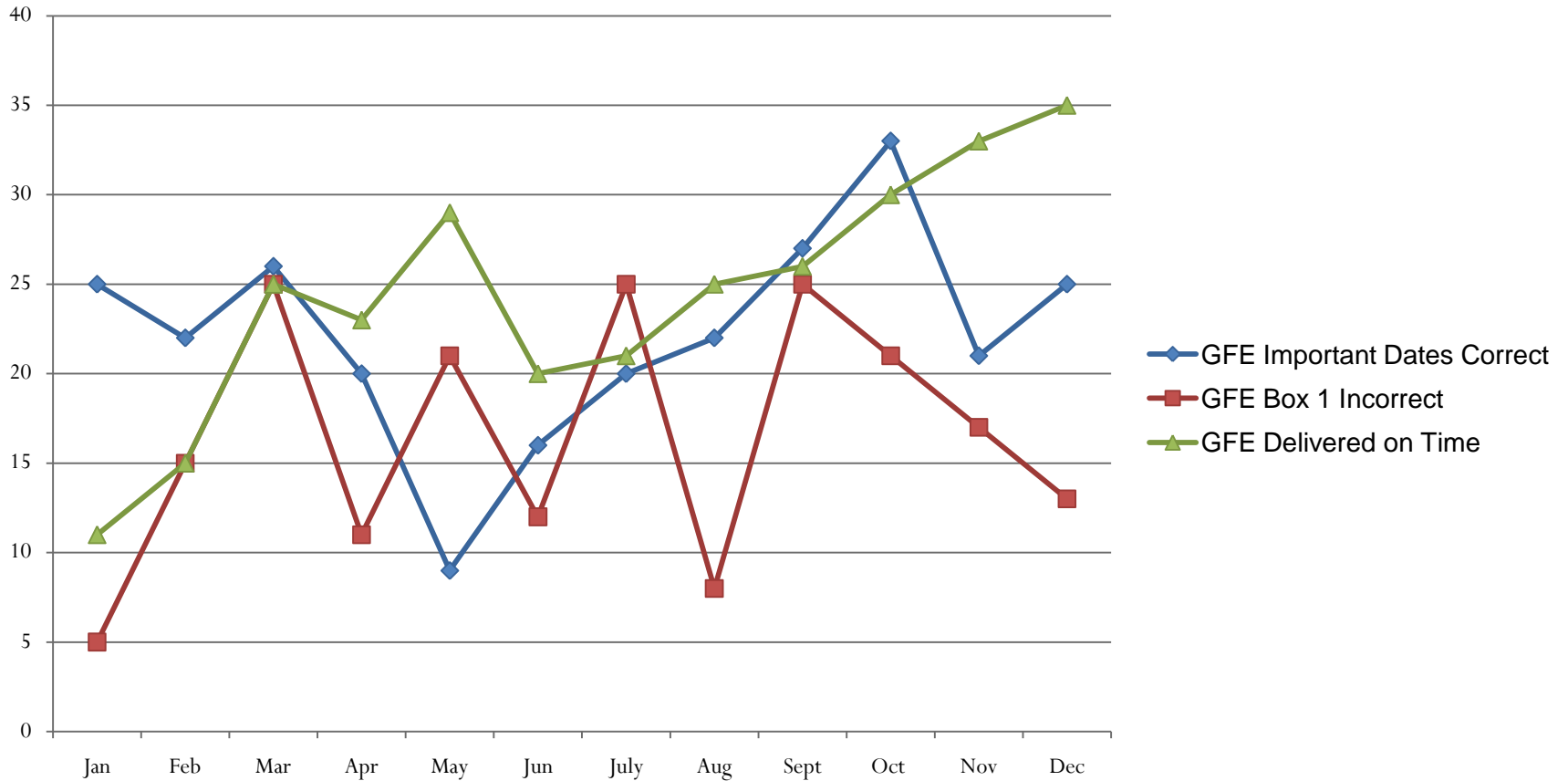
Number of Findings per Branch

Number of Findings per Branch



Trending by Findings

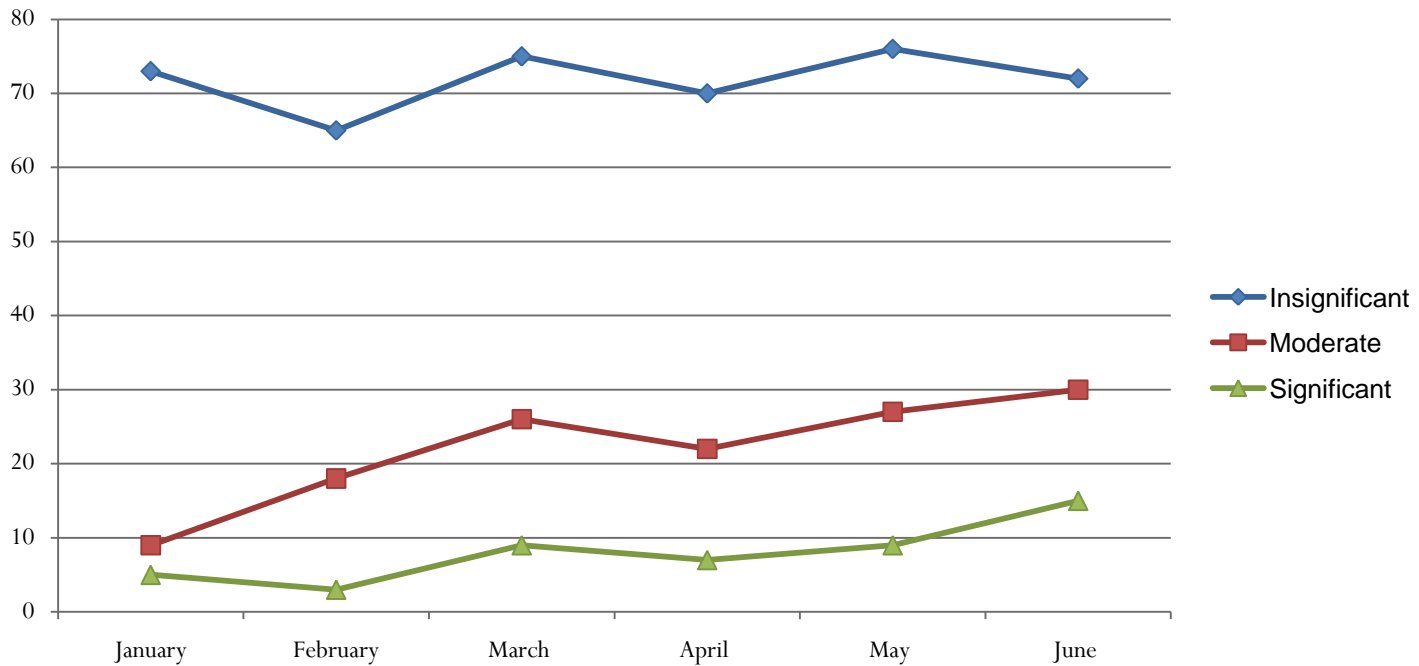
Number of GFE Findings



Trending by Severity of Findings

Findings by Significance									
Month	September 2010			Oct 2010			Nov 2010		
Fiding Level	Insignificant	Moderate	Significant	Insignificant	Moderate	Significant	Insignificant	Moderate	Significant
# of Findings	73	9	5	65	18	3	75	26	9

of Findings by Severity



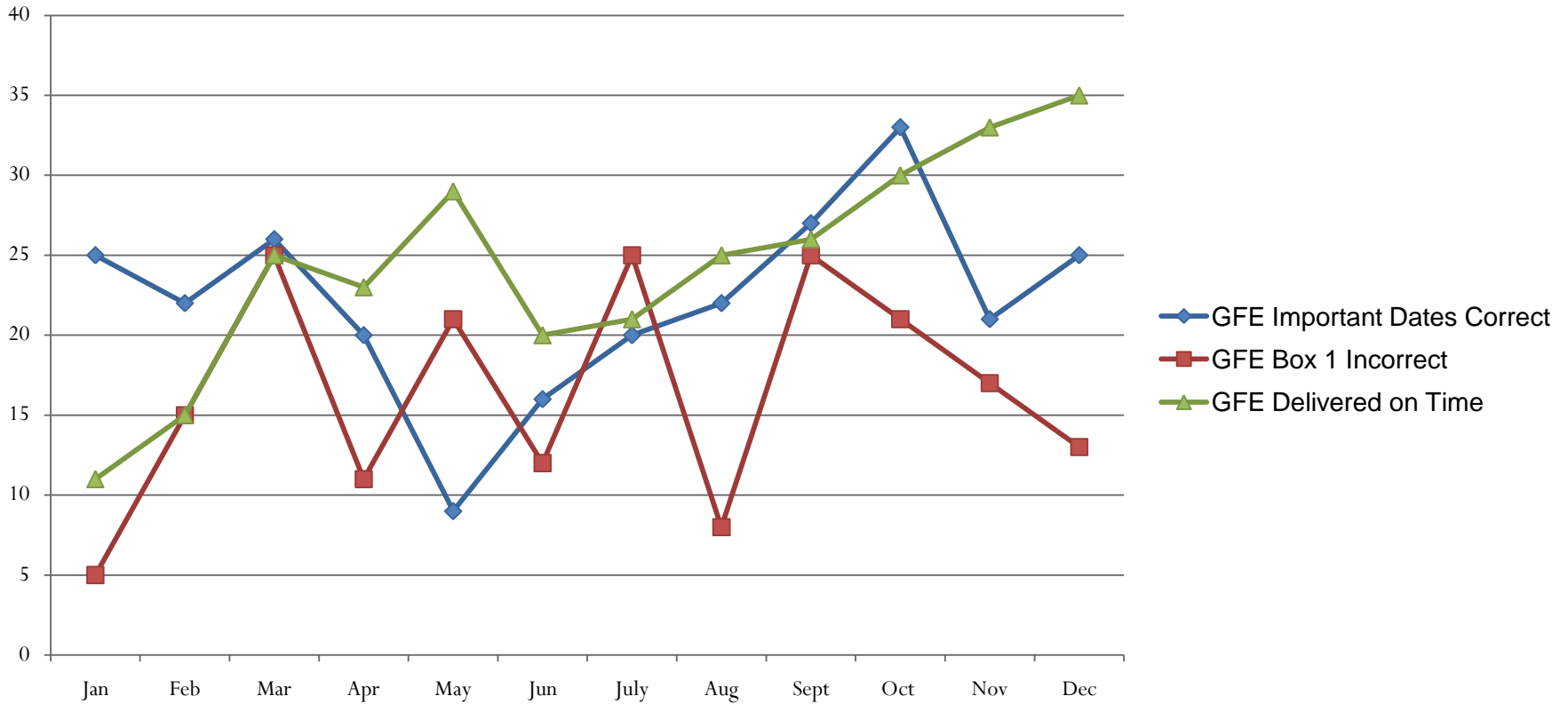
Breaking Down the Data

XYZ Company Breakdown on GFE Compliance



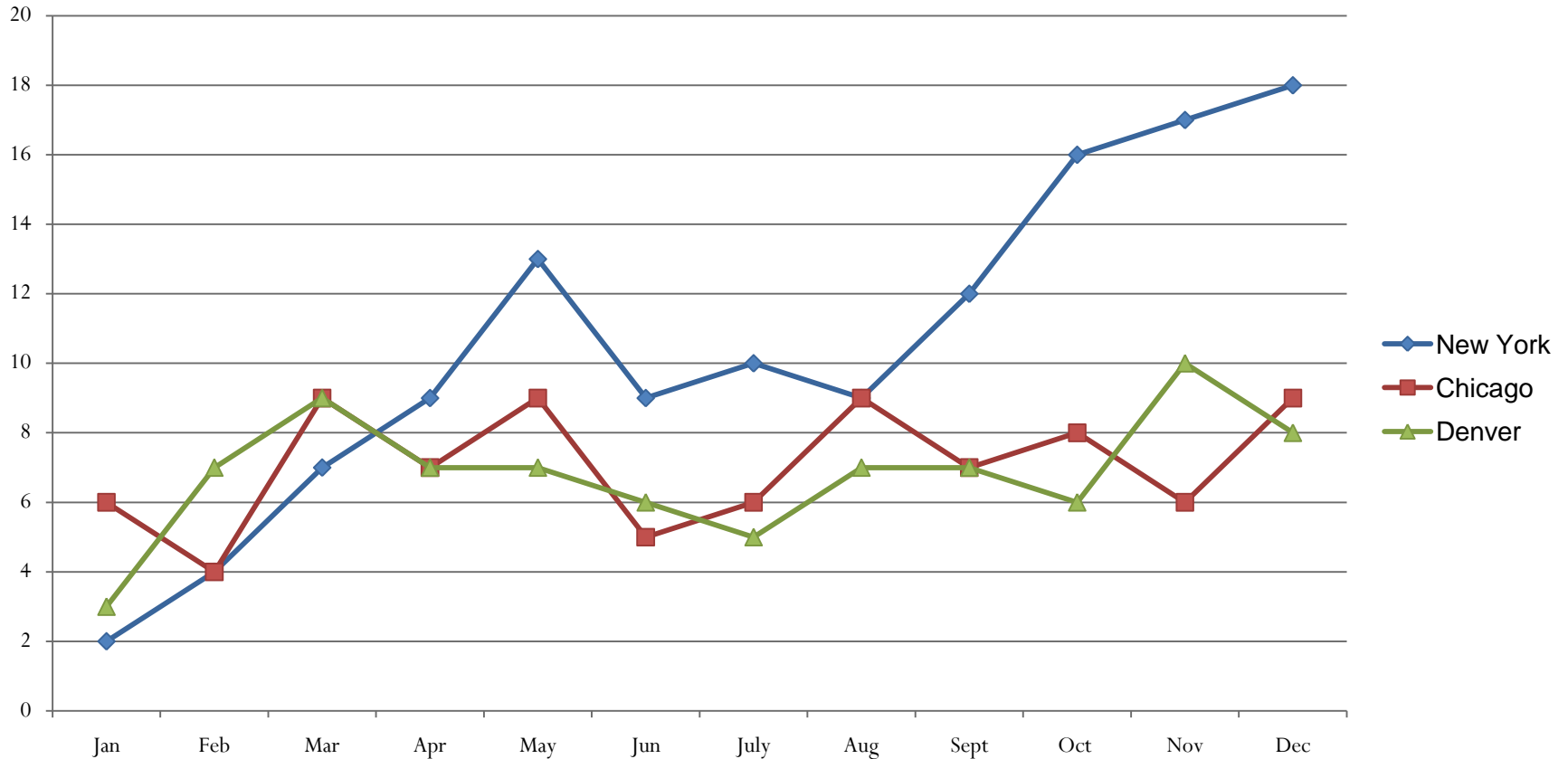
XYZ Company GFE Findings

Number of GFE Findings



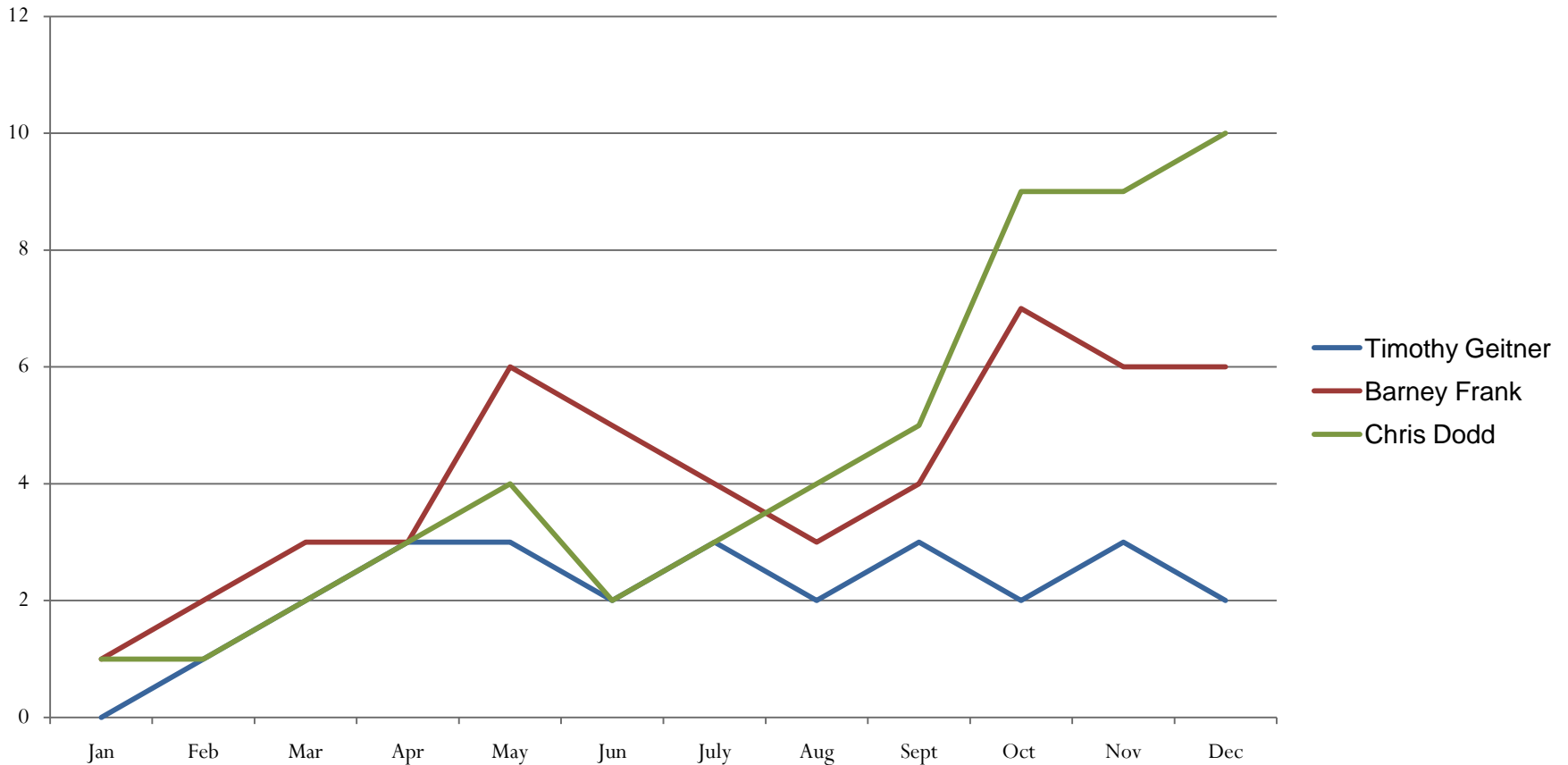
XYZ Company GFE Findings by Branch

GFE Delivered On Time By Branch



XYZ Company GFE Finding By New York Loan Originator

GFE Delivered on Time By Loan Originator



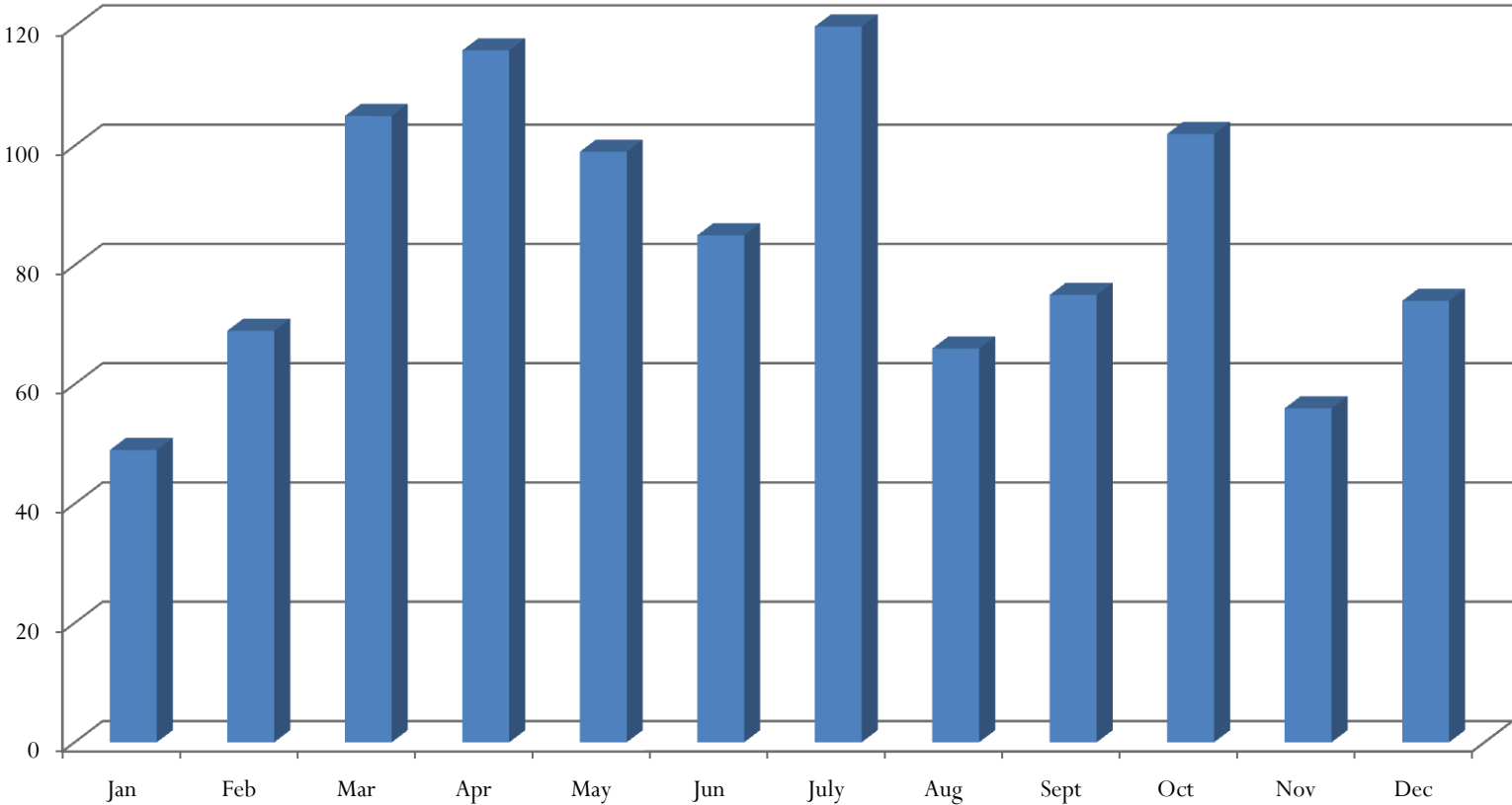
Breaking Down the Data

ABC Company



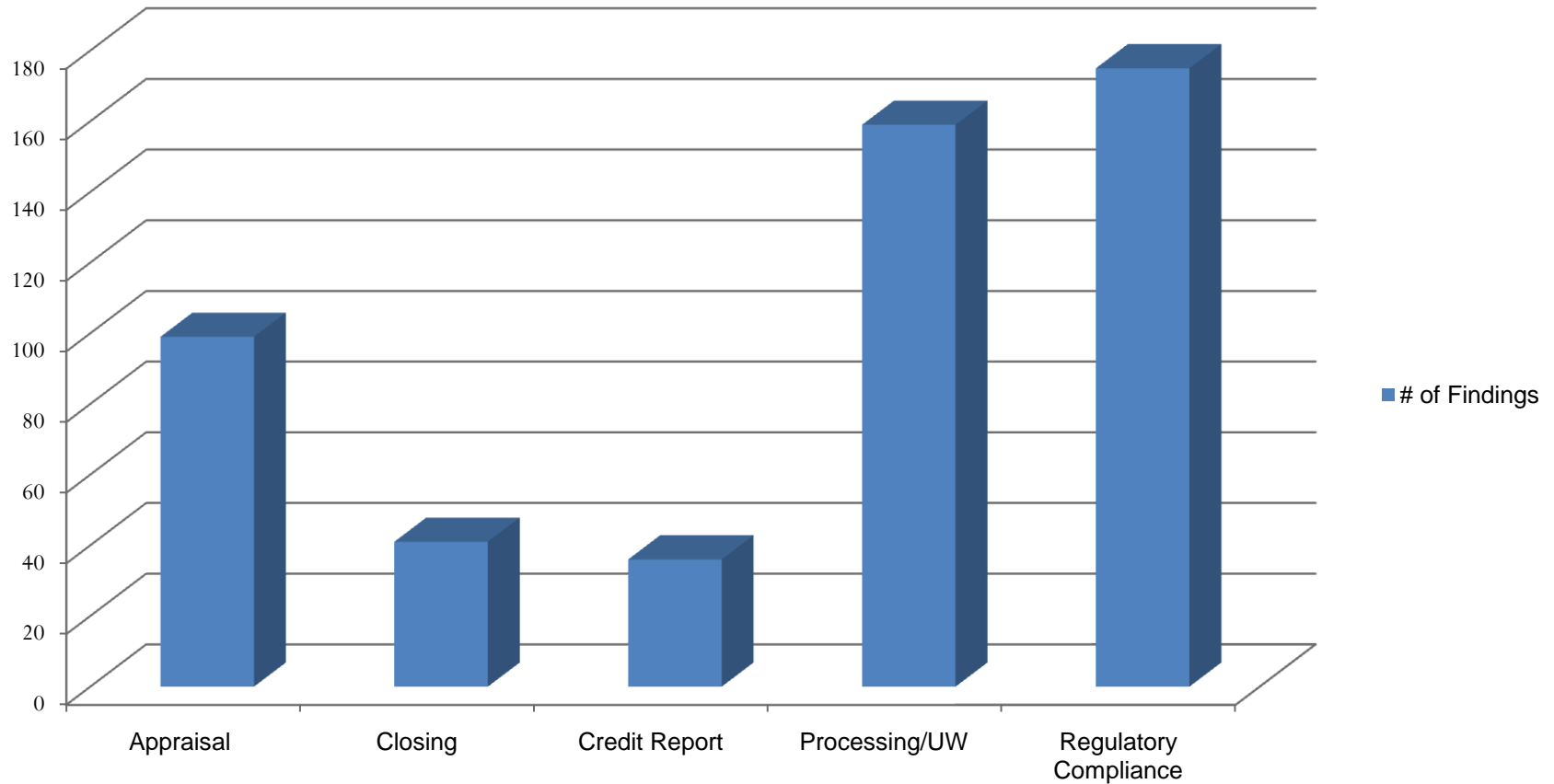
Company by Number of Findings

Number of Findings



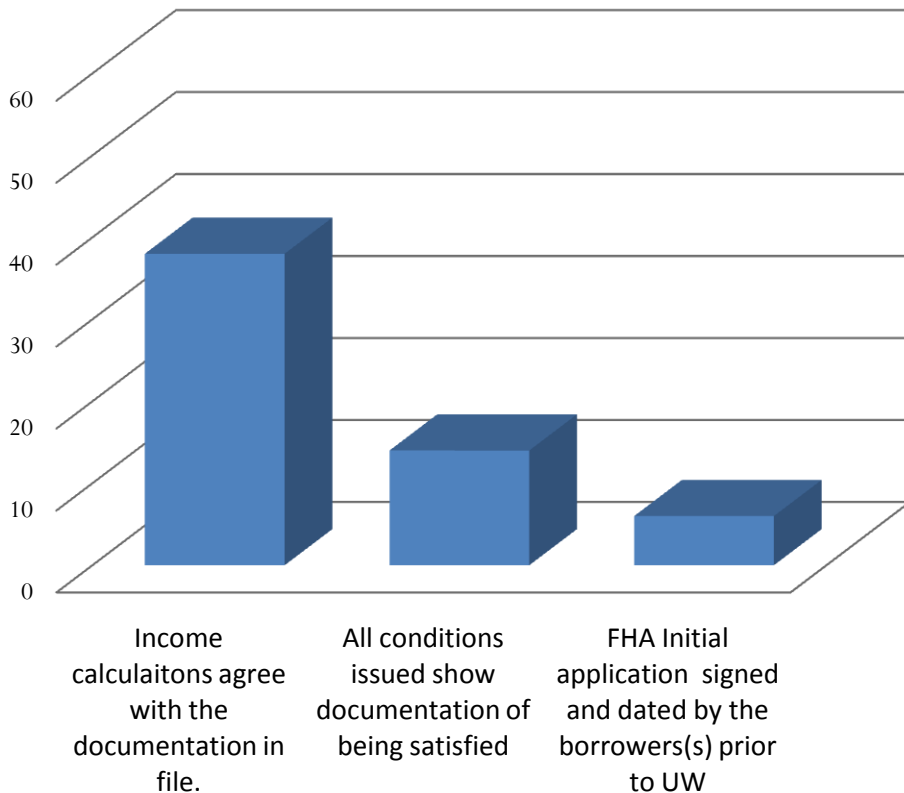
Company Findings by Category

ABC Company Findings by Category

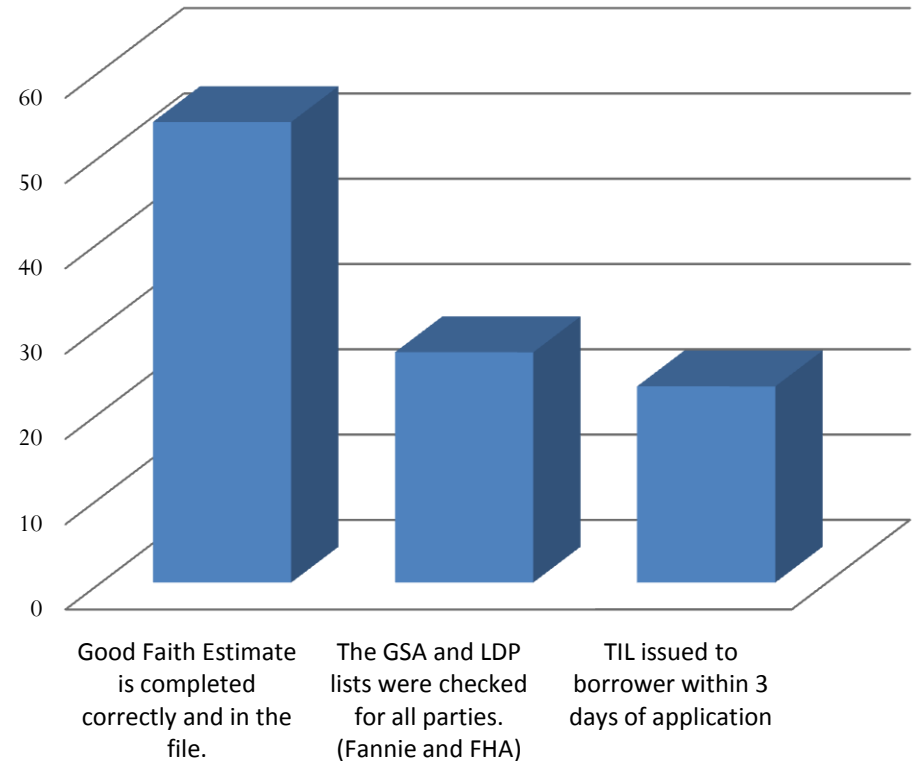


Company Findings by Category

ABC Company Processing/UW Findings

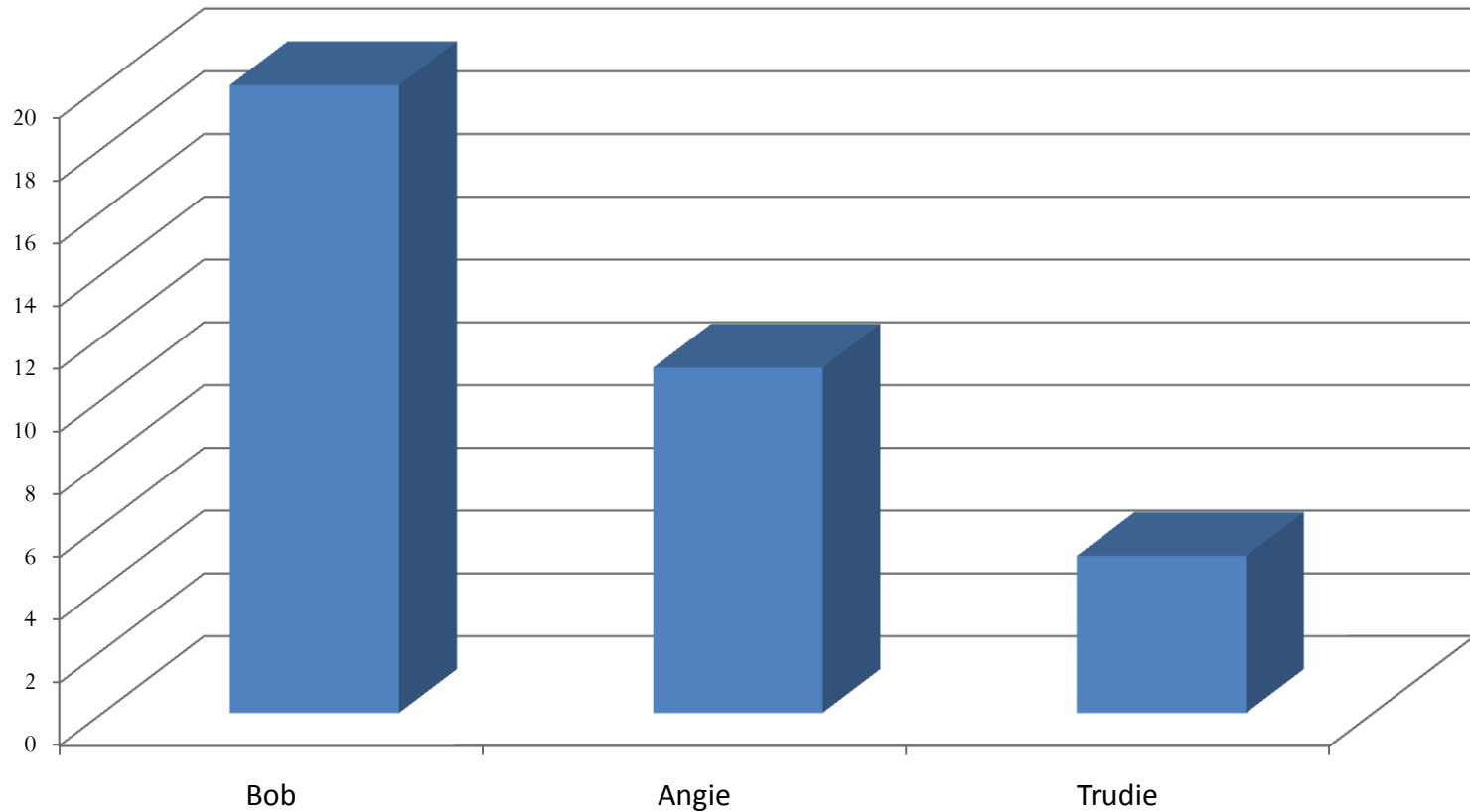


ABC Company Regulatory Compliance Findings

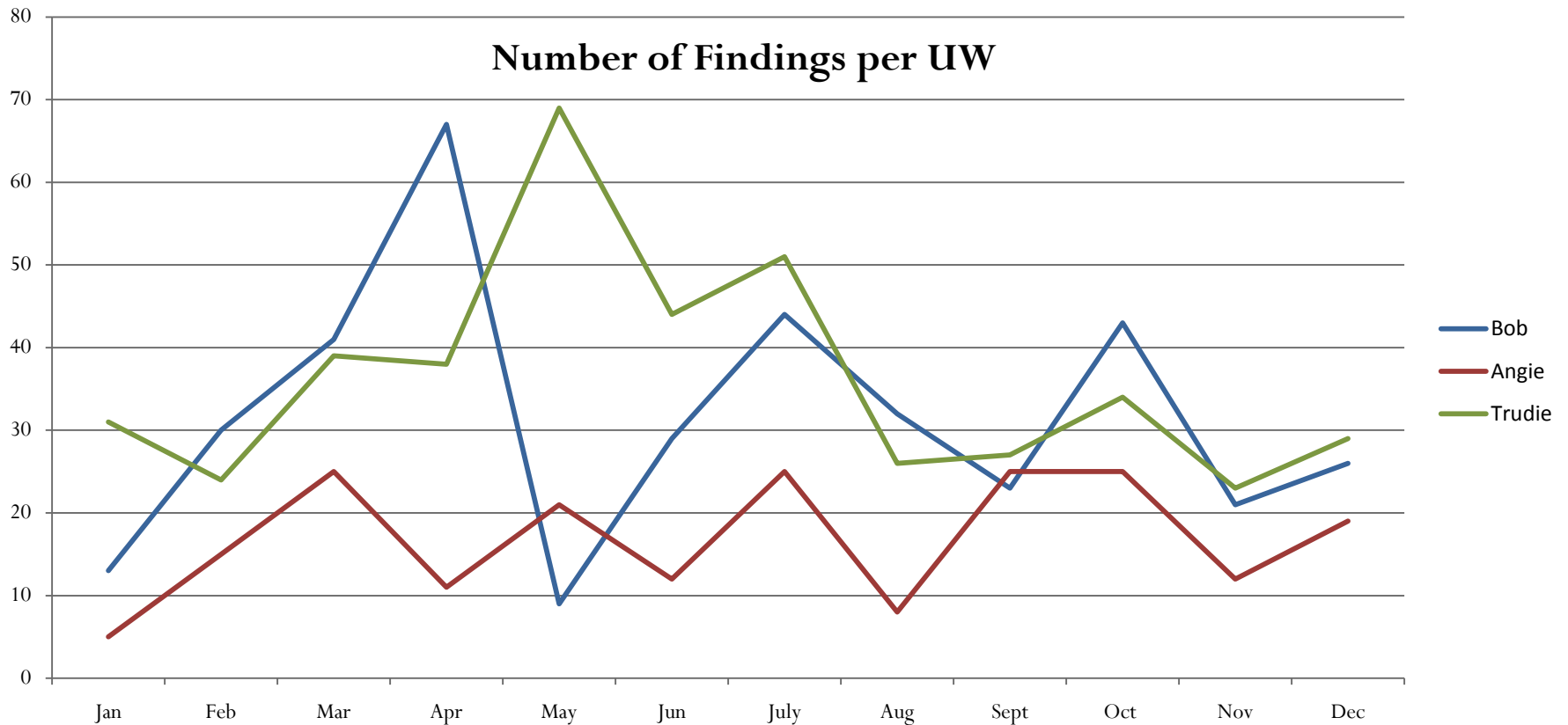


Company Findings by Category

of Incorrect Income Calculation Findings



Don't be too quick to point fingers!



- Make sure you are reading the data correctly.
 - May need to use average findings per loan.
- Detect the real problems
 - Policy
 - Process
 - System
 - Person



Report Types

- Company trend
- Findings response report
- Business segment reports
 - LO
 - UW
 - Branch
 - TPO
- Actual findings issued vs. findings goal
- New products
- Top recent issues
- Defect severity
- Assessment of service providers
- Assessment of TPO
- Incidences of fraud and misrepresentations
- Reduction in violation payouts
- Compensation based on QC
- EPD's



Results from conducting Trend Tracking

- Increase efficiency
 - Training
 - System breakdowns
 - Removing bad employees
 - Replacing vendors
- Hold employees accountable
- Meet goals
- Compensate on a quality basis instead of volume basis
- Lower company risk
- Foresee problems by removing or increasing guidelines on defaulting products
- Identify trends with defaulting loans



Again...Don't forget the Action Plan

- Trend tacking reports virtually mean nothing if you don't put a plan together to correct negative trends found.
- Put a time frame of when you want to see issues corrected.
- You took the time to find these results. Don't stop there. Put a plan in place to correct the problems found.



Quality Control as a Profit Center?

- Pre-Funding
 - Track all violation cures corrected
- Post-Closing
 - Reduction in GFE violations cured
 - Reduction in warehouse line time
 - Increase in number of times warehouse line can be flipped
 - Reduction in repurchase requests



Reporting Considerations

- There is no **one** correct way for reports to be done.
- Every business is different and will want to see different reports.
- Consider who will be viewing the reports and what they will need.
- Consider how often you need to pull reports.



Closing Points

- Invest in a QC system that will store all your data.
- Reinforce the criticality of quality control as a fundamental every day business process.
- Emphasize the need for Senior Management ownership.
- Assist in translating loan review activities into actionable items.



Contact Information

- We will be answering a few of your questions in just a moment. Questions not addressed at this time will be emailed directly to you, as well as answered in our next newsletter. You are also welcome to contact us at any time:

Mortgage Compliance Advisors, LLC

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- Agency Approval
- LO Compensation Policies
- Etc.

Questions & Answers

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Thank You!

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