

Table of Contents

Table of Contents	i
Introduction	1
Section 1 - Application Quality Control	2
Complete Application Process	2
Notice of Incomplete Application	2
Complete Application Checklist Form	3
Loan Application Process Flow	4
Computer Applications	5
Loan Application Packages and Forms	6
The Completely Documented Loan Application	7
Section 2 – Loan Officer File Set Up	8
Standard File Order	8
Section 3 - Production (Pre-Funding) Quality Control Review Elements	10
Quality Control Review	10
Production Review Elements – Checklist System	10
Validation of Borrower’s Social Security Number	10
SAFESCAN	10
Section 4 - Basic Underwriting Submission Process	10
Pre-Underwriting Review Checklist	12
Verbal Verification of Employment	16
Section 5 - Fraud Prevention – Red Flag Process	17
Fraud “Red Flags” Checklist	18
Origination Fraud Watch	21
Loan Characteristics	21
Red Flag Resources We Utilize	22
Anti-Money Laundering (AML) and Suspicious Activity Reports (SAR)	23
AML and Mortgage Lending – No Currency Transactions	23
BSA/AML, OFAC and Designated SAR Reporting Personnel	24
BSA/AML Primary Manager	24
OFAC Manager	24
Reporting Individuals with Access to FinCen	24
USA PATRIOT Act Compliance – Customer Identification	25
Minimum Information Required	25
Disbarred Participants and Watch Lists	25
Review of Procedures	26
Third Party Transactions and Vendors	26
Employee Training Program	26
AML Red Flags	27
Transactional and Account Activity Red Flags Checklist	27
Health Care Professionals and Fraud	29
Money Laundering in Residential Real Estate	31
Self-Employment and Money Laundering	32
Self-Employment Money Laundering Red Flags	32

General Red Flags	33
Red Flag Business Types	34
Cash Intensive Businesses	34
SAR Reporting.....	35
SAR Reporting Workflow	35
Thresholds for Reporting Findings.....	36
SAR Completion Process	37
Manual SAR Filing	37
Management Notification of SAR Filings.....	38
SAR Record Retention and Supporting Documentation.....	38
Prohibition of SAR Disclosure	38
Section 6 - Financial and Compliance Audit	39
Review of Rejected Loans	39
Reviewing Borrower Fees.....	41
State Audit Compliance Preparation Checklist	43
Records Retention Guidelines	43
Section 7 - Employee Resources and Training	45
Resources	45
Training.....	46
Pre-Employment Screening	47
Section 8 - Lock In Policy	48
Allowable Lock Periods	48
Exceptions to Lock-in Policies.....	48
Lock-In of Pre- Qualifications	48

Introduction

In order to comply with State and Federal Regulations, as well as attempting to anticipate our lenders' requirements, Company Name performs many basic quality control measures. As a non-funding broker our wholesalers and investors double-checks our work at the time of registration, submission, underwriting, pre-funding and post-funding. We do not wish to duplicate those efforts, so focus our plan on the elements that we control.

Section 1 - Application Quality Control

To insure that our applicants provide all of the documentation that our underwriters, lenders and investors require, we have compiled a checklist of items that we request from each borrower. We use this checklist to request information prior to application, but also to review the standard documentation received to evaluate whether there is missing information.

Complete Application Process

The loan originator reviews all borrower documentation at the time the borrower submits it. The Complete Application Checklist form is used for this purpose.

Notice of Incomplete Application

Information that is missing at the time of application must be recorded, and a copy provided to the borrower, in order to comply with the Equal Credit Opportunity Act. There are numerous formats for this. The Complete Application Checklist has been provided for this use.

Complete Application Checklist Form

Company Name	
COMPLETE APPLICATION CHECKLIST	
Date:	
The following information is needed to complete your loan application. Your cooperation in providing these items quickly will expedite the processing of your loan.	
Personal and Financial Information	
Complete Address/Contact Information for:	
	Landlord:
	Phone:
	Current Lender
	Phone:
	Current Lender
	Phone:
	Other
Financial Documentation	
	Most Recent Paystubs Covering 30 Day Period
	W-2 Forms For 20__ , 20__
	Federal Tax Form 1040 (with all Schedules Attached) for 20__ , 20__ (Please note: If you are a commissioned sales person, have any bonus income, rental income, or income from other sources, these forms are required even if you do not consider yourself self-employed) Please sign these forms in original prior to submitting them to us.
	Federal Corporate Tax Returns Form 1120 or 1120S (with all Schedules attached) for 20__ , 20__ or applicable 2 year fiscal years. Please sign in original before submitting to us.
	Year to Date Income and Expense Statement (Profit & Loss) and Balance Sheet. Must be signed by preparer.
	3 Most Recent Months Bank Statements - all pages. Please include Savings, Checking, Investment, Stock, Mutual Fund, 401(k), IRA and Keogh Accounts.
Ancillary Documentation	
	Copy of Green Card (Alien Registration)
	Copy of Social Security Card
	Divorce Decree/Separation Agreement
	Transcripts/Diploma
	Proof of Loans Paid Off in Last 3 Months
	Copies of Note(s) Held
	Proof of Social Security, Pension, or Disability Income. Please provide copies of award letters and checks.
	Child Support - 12 Months Cancelled Checks
	Trust Agreement - Copy of Trust, Documentation verifying underlying value.
Real Estate Information	
	Copy of Sales Contract - Subject Property
	Copy of Sales Contract - Current Home
	Copy of Deed/Deed of Trust - Subject Property (Refinance)
	Settlement Statement for any Property Sold in last 12 months
	12 Month Payment History for Current Mortgage(s)
	Current Leases for all Rental Property. Expired leases must be accompanied by signed extensions.
	Pre-Sale Questionnaire Completed by Management Company (Condo-Townhouse PUD)
	Condominium Documents as requested on Closing Requirement Checklist attached.
Letters of Explanation	
	Gift(s), with Donor Verification. Form & Instructions attached
	Credit Problems/Inquiries - Credit Report Adverse Summary attached
	Reason for Refinance
	Gap in Employment/Job History
	Increase in Account Balance/Large Deposits
Other Information	
	Check in the amount of \$
	5 Days Prior to closing - all documents required on Closing Requirement Checklist
Signed Disclosures	
	Occupancy Agreement
	ECOA/Privacy Act/Fair Lending/Credit Report/Appraisal Copy
	ARM Disclosure, Good Faith Estimate
	Non-Traditional Loan Disclosure, Tangible Net Benefit Disclosure

All required information outstanding at the time the customer submits an application must be noted on the Complete Application Checklist.

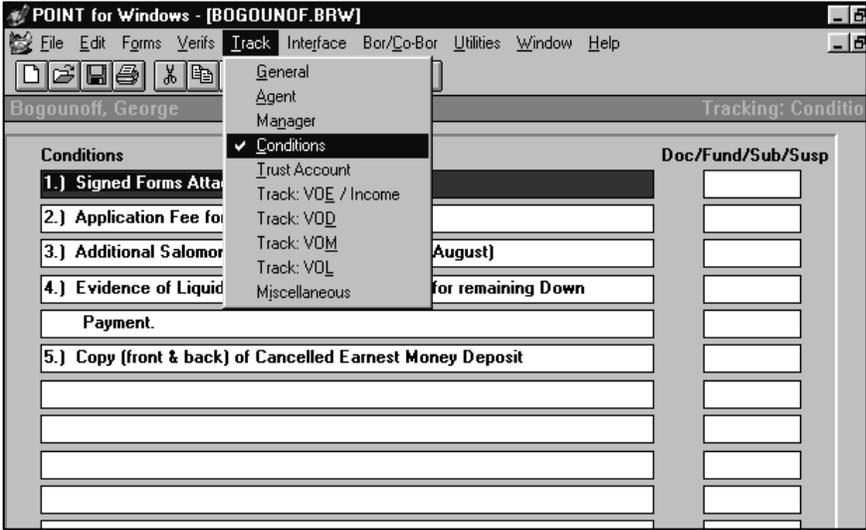
*Complete Application Checklist (Notice of Incomplete Application)
Used in Complete Application Process
Revised 2/25/2009*

Figure 1 - The Complete Application Checklist is to be given to the applicant at the time the initial application is submitted and at each additional request for information.

Loan Application Process Flow

Step	Responsible Party	Description and Timing
Set Appointment	Loan Officer	Preferably in Realtor's Office. Invite Realtor to attend. Never schedule appointments for someone's residence. No copier.
Prepare Applicant	Loan Officer	Preferable not to set appointment until applicant can complete pre-application checklist. At a minimum obtain income and assets documentation.
Obtain Property Documentation	Realtor/Builder	Provide Sales Contract, Copy of Listing and Earnest Money Deposit Check. If Refinance, obtain deed, survey, insurance
Completely fill out application form	Loan Officer	Collect all available documentation. Complete items needed worksheet and all appropriate disclosures. Concur on what items remain to be provided.
Set up File	Loan Officer	Within 24 hours – File is set up in prescribed order and turned in for review-processing
Management - Quality Review	Sr. Loan Officer/Manager	Within 24 hours – File is reviewed to assure adherence to guidelines and quality of application
File Set Up	Set Up/Processing or Loan Officer	Within 72 hours – Send Truth-in-Lending Disclosure.
Follow up	Loan Officer	By 5 p.m. of the day following application – report to Realtor on the results of the application

Computer Applications



Applications taken over the computer must still be noted for items missing at the time of application. In the case of SOFTWARE, under the heading of "Tracking", pull down the menu and select conditions. Here you enter all of the items needed to complete the application.

Doing this allows the information missing to be viewed by future users and processors, and allows the documentation to be printed from the system.

Section 3 - Production (Pre-Funding) Quality Control Review Elements

Quality Control Review

In order to ensure that complete files are being delivered to the underwriter without substantial omissions, and to ensure that we meet the requirements of pre-closing/pre-funding quality control requirements of investors and agencies, Company Name has a complete origination to closing quality control review system.

Production Review Elements – Checklist System

Origination review verifies that applications are taken in compliance with underwriting guidelines and Federal laws. Processing review verifies that all exhibits have been assembled in reviewed prior to submission to underwriting. Pre-Closing reviews ensure that final checks re-verify that items have been completed a maximum of 10 days prior to the closing date. These are parts of the “production process” quality control review. We update these checklists with changes in industry guidelines and feedback from issues in underwriting, closing, delivery and in the post-closing audit process. The checklists are reviewed in detail on each transaction and deficiencies are addressed in the file or the file is suspended for completion.

These checklists have been compiled with rigorous detail to agency requirements. We provide samples of these documents in line with this document, but the most current form is always in use in our offices.

Validation of Borrower’s Social Security Number

We utilize various borrower identity verification services as part of our pre-funding fraud prevention program. The government’s Social Security Number Verification Service has prohibited the use of the SSNVS for identity verification purposes for lenders in the processing or verification of applications. This constricts our ability to quickly verify this data in our fraud prevention process. To alleviate this we may use validation services:

SAFESCAN

This has limited utility in that it only verifies that this is a valid social security number, state and date of issue, and whether the holder is deceased. We utilize this as part of a red-flag process. If there are substantial red-flags on the file, we will request a direct validation of the number utilizing form SSA-89.

If the SSN verification is successfully performed as part of the pre-funding audit, it does not have to be re-verified in the post-closing audit. If it is not, we will request verification as part of the post funding review.

Section 4 - Basic Underwriting Submission Process

Pre-Underwriting Submission Checklist

PROPERTY	
<input type="checkbox"/>	Is property complete?
<input type="checkbox"/>	Final Inspection Ordered?
<input type="checkbox"/>	Recertification of value (over 4 months?)
<input type="checkbox"/>	Are repairs required?
<input type="checkbox"/>	Private road maintenance agreement?
<input type="checkbox"/>	Flood insurance?
<input type="checkbox"/>	Well/septic?
<input type="checkbox"/>	FHA/VA project approval
<input type="checkbox"/>	FNMA/FHLMC warranty for condo/pud
<input type="checkbox"/>	Condo/HOA/PUD questionnaire or association management letter
<input type="checkbox"/>	Certificate of Insurance - Condo/PUD
<input type="checkbox"/>	Investment property - completed operating income statement and rent comparable schedule (FNMA/FHLMC)
<input type="checkbox"/>	Make sure with realtor/builder no changes Final Sales Price made
<input type="checkbox"/>	Sales Contract and all addenda to sales contract - signed
<input type="checkbox"/>	Contract - check seller paid items; closing costs, points, allowances conform to program guidelines
<input type="checkbox"/>	Contract - all contingencies satisfied and removed
<input type="checkbox"/>	Relocation Agreement – Terms Highlighted
DISCLOSURES	
<input type="checkbox"/>	Initial GFE and TIL within 3 days of loan application
<input type="checkbox"/>	Redisclosed TIL/GFE and Financing Agreement if initial amount, type of financing changed
<input type="checkbox"/>	ECOA Disclosure
<input type="checkbox"/>	Transfer of Servicing disclosure
<input type="checkbox"/>	Borrower certification and authorization
<input type="checkbox"/>	Broker Agreement, Financing Agreement
<input type="checkbox"/>	Blanket Disclosure - Occupancy statement
<input type="checkbox"/>	ARM/Balloon/Prepayment Penalty and Program disclosures
Refinance	
<input type="checkbox"/>	IS LTV acceptable
<input type="checkbox"/>	Cash Out Purpose
<input type="checkbox"/>	Is loan amount, dollar amount of cash out allowed
<input type="checkbox"/>	Is seasoning met
<input type="checkbox"/>	Tangible Net benefit Calculation - Purpose of Refinance statement
<input type="checkbox"/>	Appraisal not needed for FHA Streamline VA Fasttrack (unless financing closing costs above original loan amount)
<input type="checkbox"/>	Deed/Title matches borrowers
FHAVA LOAN SUBMISSIONS	
<input type="checkbox"/>	FHA/VA addendum to URLA
<input type="checkbox"/>	Copy of case number assignment from VA/FHA (comp. printout)
<input type="checkbox"/>	Condo/pud approved by FHA/VA
<input type="checkbox"/>	FHA refinance worksheet maximum loan amount calculation
<input type="checkbox"/>	FHA MCRV Conversion
<input type="checkbox"/>	Photo identification (FHA only)
<input type="checkbox"/>	FHA underwriter's certification
<input type="checkbox"/>	HUD interest rate and discount point disclosure
<input type="checkbox"/>	HUD Assumption disclosure
<input type="checkbox"/>	FHA Fact Sheet Lead Paint Notice
<input type="checkbox"/>	FHA ARM disclosure terms
<input type="checkbox"/>	FHA case binders as required by FHA
<input type="checkbox"/>	Conditional commitment/vc sheets-FHA
<input type="checkbox"/>	FHA-new construction - need builder certification
<input type="checkbox"/>	LAPP notification to veteran, signed by authorized LAPP individual and Veteran
<input type="checkbox"/>	Complete mcrv with evidence all conditions met
<input type="checkbox"/>	MCRV option sheet
<input type="checkbox"/>	VA debt questionnaire (not the indebtedness letter)
<input type="checkbox"/>	VA interest rate reduction worksheet
<input type="checkbox"/>	Closing cost/prepaid worksheet (is there a lender credit?)
<input type="checkbox"/>	VA indebtedness letter
<input type="checkbox"/>	VA award letter dated within past year if applicable
<input type="checkbox"/>	Original Certificate of Eligibility (COE)
<input type="checkbox"/>	LH# on COE matches payoff statement/Deed Note
<input type="checkbox"/>	Veteran to take title, 1003 as on COE
<input type="checkbox"/>	VA arm disclosure if applicable
<input type="checkbox"/>	VA interest rate and discount point notice
<input type="checkbox"/>	VA federal collection notice
<input type="checkbox"/>	VA loan assumption Notice
<input type="checkbox"/>	VA credit counseling notice
<input type="checkbox"/>	VA occupancy notice if active duty
<input type="checkbox"/>	Veteran Purchaser multiple use of entitlement disclosure
<input type="checkbox"/>	Acknowledgement of increase in VA funding fee

All recent increases in the bank accounts, as verified on a bank statement or VOD, must be explained. Sources of closings funds such as gifts, sale of assets, and stock liquidation must be verified with a "paper trail". The source of the funds (gift letter and copy of check) and the receipt of funds (copy of deposit slip and verified new balance) must be documented.

APPRAISAL

Ordered by a party to the transaction (seller, buyer, broker, etc.)
Comps are not verified as recorded or submitted by potentially biased party (seller, real estate broker)
Tenant shown to be contact on owner-occupied property
Income approach not used on tenant-occupied SFR
Appraiser uses FNMA number as sole credential (discontinued program)
Market approach substantially exceeds replacement cost approach
"For Sale" sign on the photos of the subject (in refinance loans)
HUD-1 or grant deed on original purchase is less than two years old (for refinance loans)

TITLE REPORT

Income tax or similar liens against borrower on refinances
Delinquent property taxes
Notice of default recorded
Seller not on title (double escrow)
Modification agreement on existing loan (s)
Seller owned property for a short time with cash-out on the sale
Buyer has preexisting financial interest in property

ESCROW INSTRUCTIONS

Cash paid outside of escrow to seller
Down payment paid into escrow upon opening
Reference to another (double) escrow.
Related parties involved in the transaction
Unusual credits with no economic substance (see HUD-1 settlement statement)
Right of assignment (who is the actual borrower?)
Power of attorney used (why can't borrower execute document?)
Business entity acting as the seller may be controlled or related to borrower
Change of sales price to "fit" the appraisal
No amendments to escrow
"Fill in the blank" escrow instructions
Purchase not subject to inspection
Unusual amendments to the original transaction
Demands paid off to undisclosed third parties (potential obligation)
No real estate commission (possibly related parties)
Actual settlement charges exceed "Good Faith Estimate" by 10%

USA PATRIOT Act Compliance – Customer Identification

The USA PATRIOT Act requirements are incorporated into our AML/BSA compliance policies and procedures. As part of our day-to-day business we comply with the PATRIOT Act by insuring that we positively identify each of our customers when they initiate an application with us.

Minimum Information Required

At a minimum, Company Name obtains the following identifying information from each customer before opening the account:

- Name
- Date of birth for individuals
- Address
- Identification number

We utilize normally acceptable standards for reviewing photographic documentation that we expect all customers to provide:

- an unexpired government-issued form of identification – including evidence of a customer's nationality or residence and bear a photograph such as a driver's license or passport.

If the loan process reveals fraud red flags associated with the customer, we may request additional identification verification

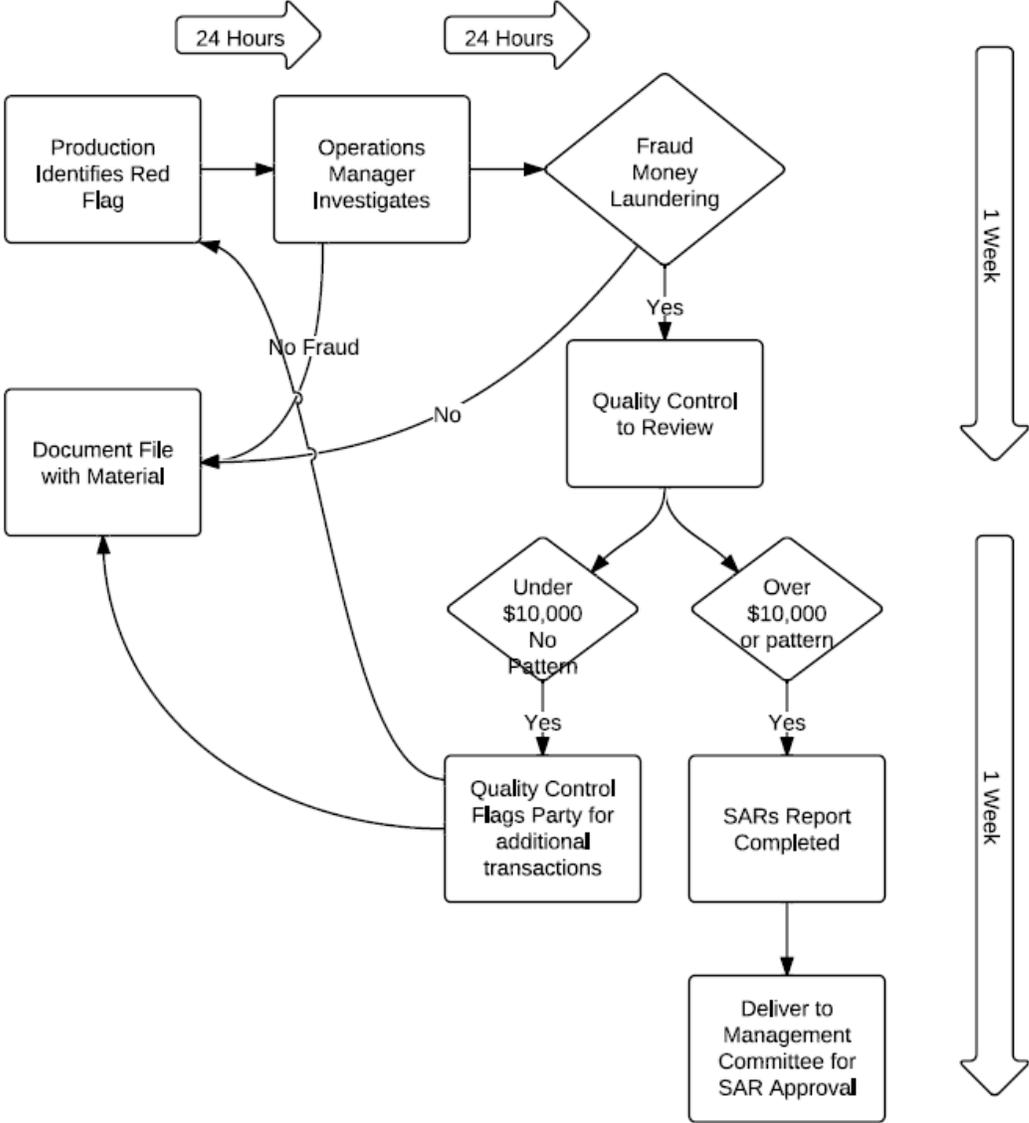
Disbarred Participants and Watch Lists

In addition to standard verification, if circumstances warrant, we also compare our customers against government watch lists, such as LDP, OFAC and others, as part of our production quality control plan.

	HMO for supplying the goods.
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SAR Reporting

SAR Reporting Workflow



- 1 declined loan file
- 1 closed/withdrawn prospect file

The purpose of this review is to ascertain whether the correct procedures for closing, reconciling and withdrawing loan files is being followed. Any deficiencies are reported to management for process correction.