

Ask Tommy: Your QC Expert

**Surprise!
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By Tommy A. Duncan

HUD just called you and they are planning a desk review of your office and they will arrive in 10 days. Are you ready?

HUD is on the prowl and it indiscriminately finds a broker to visit. It usually begins with a phone call. The call is an introduction of the intention of the representative from the Quality Assurance Division at HUD. HUD will follow up immediately with a letter via email or mail with the purpose and agenda of the visit. The letter provides you with guidance on how to make the visit smooth and uneventful in order to facilitate the review process, and avoid delays that could extend the duration of the review. You may be required to ship an entire list of mortgage files prior to the arrival of the HUD representative. For the HUD representative to effectively and expeditiously complete a review of your organization, it is important to have a complete mortgage file that includes all required documents from origination to loan closing. "This means all the disclosures too".

Some of the items of interest of a visiting HUD representative are:

- Quality Control Plan (Make sure it is current and is being followed)
- Quality Control Review and reports to management for the last 12 months (Just having a QC report is not enough. Follow through with the report and bring closure on any findings)
- Recent rate/pricing sheet. If loan correspondent, provide sponsor(s) rate sheet.
- List of current employees, their positions, and dates of hire. If an officer or supervisor, list area of supervision/responsibility
- All employees who resigned or were terminated within the last 24 months, positions, and date of resignation/termination.
- List of any officer of your company who served as officer in or are affiliated with other real estate related corporations and explain the relationship
- Mortgage file for any FHA loan for which there has been a repurchase request within the last 12 months
- The mortgage file for any loan wherein you have received a repurchase request from the investor regardless of whether you have repurchased the loan, any mortgage files wherein you may have requested that one of your correspondents repurchase the loan, and any loan file wherein your QC efforts have identified major discrepancies.
- Copies of any contracts with outside sources from functions not performed by the lender (e.g. processing functions, quality control reviews, etc.)

I have received calls after the letter from HUD is received and there is a short suspense and with a rush to complete a QC review in some situation a years worth of reviews. In some situations the broker is disparate to have something to show that QC is being performed. The best way to prevent this type of stress and anxiety is to have your QC performed monthly or quarterly. What an impression a broker can make if the QC report and QC Manager Reports could be forwarded along with the mortgage files that were requested from HUD prior to their visit? Who knows... they may cancel their visit.

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