

# Ask Tommy: Your QC Expert



**By Tommy A. Duncan**

*Tommy, I am trying to reduce my costs and I need to find inexpensive compliance resources. What do you recommend?*

There are a lot of compliance resources out there, but the majority of the good ones have a fee associated with their usage. Even though I have access to quality control (QC) resources, I still find that I continue to search the Internet to see what is published publically. Many states do not publish their changes as quickly as I would like. On the other hand, there are some very information-driven states that are very good at frequently updating their compliance changes online.

Now that Federal Housing Administration (FHA) has the largest volume in years, and it will need to be more proactive in getting updates and changes pushed to the end users of its products. These updates are published in what the U.S. Department of Housing and Urban Development (HUD) calls Mortgagee Letters. HUD clips are a great free source of information for brokers who needs to search FHA compliance issues.

I recommend the following free QC references:

**HUD Handbook 4060.1 Mortgagee Approval Handbook:** This handbook helps with how to get started with FHA and the basic requirements in the QC plan.

**The HUD Handbook 4155.1 Mortgage Credit Analysis for Mortgage Insurance on One-to-Four Chapter 2 and 3:** This handbook helps you with what a Direct Endorser (DE) underwriter expects to see in your loan and what it take to get a FHA loan application approved.

**The HUD Handbook 4000.2 Mortgage Handbook, Application Through Insurance Chapters 2, 3, and 5:** This handbook helps you with FHA property appraisal and valuations, mortgage credit analysis and borrower approval, and loan closing with appropriate fees and charges.

Keep in mind there may be multiple revisions to the handbook, and when you look for the information in HUD Clips or on the Web, you know the most current revision because some Internet posting may not have the most recent revision. When HUD makes a change to its regulations, HUD will publish a Mortgagee Letter ML. Mortgagee Letters is the method HUD uses to update it's handbooks. To determine the most current information in the HUD Handbook, always review the transmittal page of the handbook. The transmittal page will provide you with the most current revision and which Mortgagee Letters are in effect and which Mortgagee Letters are cancelled.

If you are looking for check lists for a pre-funding QC screening, I recommend Freddie Mac's Quality Control Resources and Fraud Prevention Discover Gold Through Quality publication. Of course the entire manual is excellent for a QC and fraud prevention program, but for a checklist, consider using Chapter 2, the Mortgage Screening checklist which provides a list of inconsistencies or "red flags" you may find in a mortgage file.

All of these resources are inconclusive for resolving the ongoing QC program in your shop and there are many other fine QC products available, both for a fee and others that are free. As a mortgage professional, you will have to balance the right QC resources for your needs today and be prepared to be flexible and evolve your QC resources as the industry changes and your operation increases with different products and decreases in other areas. Work with your QC vendor to see where modifications to your QC plan and procedures are needed.

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