

Ask Tommy: Your QC Expert



By Tommy A. Duncan, CMT

What are you seeing as it pertains to quality control (QC) personnel experience?

I've seen a number of resumes from quality control (QC) professional who state they are underwriters and have performed QC in pass positions. During the interview process, I am amazed of how little they know. When interviewing QC professionals, make sure there is a clear, articulate communication from the QC professional of their definition of QC, underwriting, fraud detection and due diligence. Because the mortgage industry uses many of the QC terms loosely and very little doctrinal terms are established by the industry as it pertains to QC, there may be some misunderstanding in expectations of them when looking for a QC professional.

There appears to be a trend of underwriters who started underwriting Fannie Mae or Freddie Mac loans in 2002 and 2003. We have found underwriters who started their underwriting career during this time appear to be the ones who require the most training and supervision. Because of loose underwriting standards, these underwriters appear to be the most gullible and need a host of fraud detection tools to help them find fraud for their success. Those underwriters who started underwriting under the Federal Housing Administration (FHA) with a Direct Endorsement (DE), appear to be the stronger underwriters, and therefore, makes them the better QC professional.

Because FHA loan volumes were such a smaller percentage during the sub-prime boom, the DE underwriters are almost an endangered species. Now that FHA has such a larger percentage of loans, it is difficult to find QC professionals who can jump over to government QC without a lot of training and supervision before they are fully ready to handle the tough FHA files that may wind up in default or indemnified for repurchase.

Due to the large demand for FHA and Veterans Affairs (VA) products, the probability of fraud and problematic loans will appear with government loans. This is critical to the mortgagee who may take on the responsibility of sponsorship of loan correspondents because finding the right QC professional to rebut the U.S. Department of Housing & Urban Development (HUD) on repurchases or making a repurchase claim to the loan correspondent. Regardless if the company is dealing with a claim or making a claim, having the appropriate QC staff is important to work these claims.

Those QC professional who have limited conventional underwriting and due diligence experience may find it difficult to compete with those underwriters who have government experience. However, those QC personnel who worked fraud may be a better fit because they can spot fraud much quicker than those QC professionals who are accustomed to using checklist. We feel if a QC professional is using the QC checklist they don't know how to underwrite and find fraud. And many QC professionals who interview with us ask us which QC checklist we use. I reply, "Do you know which chapters of the 4060.1 pertain to the QC plan, and which chapter of the 4155.1 pertains to credit analysis and which chapters of the Seller's Guide cover quality assurance?" I usually don't get a response because the QC professional does not know the answer about the basic manuals used for QC. I cannot help but wonder what type QC program did these companies really have? This may speak why the company they worked for no longer exists or they are no longer with the company.

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