

## QUALITY CONTROL PLAN CHECKLIST

**(Reference: HUD Handbook 4000.1 Quality Control, Oversight and Compliance - Effective 09/14/15)**

All approved mortgagees must adopt and implement a QC Program that fully complies with the requirements of SF Handbook 4000.1. The Mortgagee must maintain and update its QC Program as needed to ensure it is fully compliant with all applicable FHA requirements at all times.

The QC Program must cover the lifecycle of an FHA-insured Mortgage, including origination, underwriting, closing, endorsement, and servicing functions that are conducted by the Mortgagee.

The QC Program must cover all policies and procedures, whether performed by the Mortgagee or outsourced to a contractor, to ensure full compliance with FHA requirements for Loan Administration.

The QC Program must provide the Mortgagee’s management with information sufficient to adequately monitor and oversee the Mortgagee’s compliance, and measure performance as it related to the Mortgagee’s FHA mortgage activity.

	Yes / No	
1.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Independence / Qualified Staff</b> – Personnel must be properly trained &amp; qualified to conduct the QC reviews. Are independent of all Loan Administration process and have no direct loan processing, origination, or underwriting responsibilities or any chain of reporting or management directly connected to Loan Administration staff. (A2ai)</p> <p>Mortgagee must maintain a list of all training provided to staff, including a summary of the content covered. (A2bi(A))</p> <p>If mortgagee uses an outside source to perform the QC function, including its sponsor, Mortgage assumes full responsibility for contractor’s compliance with FHA requirements, must have a valid contractual agreement in place defining the roles and responsibilities of each party and Mortgagee must have a written QC Plan that fully complies with FHA requirements. (A2aii)</p> <p>Access to FHA Guidance – Mortgagee must provide all Loan Administration and QC staff with access to current FHA guidance including Handbooks, Mortgagee Letters, Frequently Asked Questions, and other guidance issued by FHA. (A2b(2)a)</p>
2.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Restricted Participation</b> – Confirm it verified through HUD systems that designated employees and/or Affiliates were permitted to participate in FHA programs. If any of the designated employees and/or Affiliates are found to be ineligible, they are restricted from participating in FHA programs. (A2bi(B)(1))</p>
a.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Employees</b> – Maintain copies of each employee’s eligibility verification print-outs. Eligibility verification must be conducted at least semiannually. (A2bi(B)(2))</p>
b.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Affiliate Quality Control Reviews</b> – Mortgagee must perform QC reviews of its Affiliates in the same manner and under the same conditions as required for the Mortgagee’s own operations. Procedures used to review and monitor a Mortgagee’s Affiliates must be included. Re-verification of Affiliate’s compliance must be done semiannual at a minimum. (A2bii)</p>

	Yes / No	
3.	<input type="checkbox"/> <input type="checkbox"/>	<b>Rejected Mortgage Applications</b> – Review a random statistical sample of rejected applications within 90 days from the end of the month in which the decision was made. Reviews must be conducted monthly and ensure that: (1) reasons given for rejection were valid, (2) each rejection has the concurrence of an officer of someone with sufficient approval authority, (3) requirements of the ECOA are met and documented in each file, and (4) no civil rights violations were committed in the rejections of the application. (A2biii(A))
4.	<input type="checkbox"/> <input type="checkbox"/>	<b>Fair Housing and Fair Lending</b> – Operations must comply with applicable state and federal fair lending laws. Verify that Fair Housing Poster and the Equal Housing Opportunity Logo are prominently displayed in the Mortgagee’s home office and any branch offices that deal with borrowers and the general public. (A2biii), (A2biii(B))
5.	<input type="checkbox"/> <input type="checkbox"/>	<b>Fair Housing or Discrimination Violations</b> – Potential fair housing violations or instances of discrimination must be reported to HUD’s office of FHEO immediately. (A2biii(C))
6.	<input type="checkbox"/> <input type="checkbox"/>	<b>Escrow Funds</b> – Funds received from borrowers were used only for the purpose which they were received, comply with Consumer Financial Protections Bureau (CFPB) escrow requirements. (A2biv)
7.	<input type="checkbox"/> <input type="checkbox"/>	<b>Mortgage Insurance Premiums</b> – Remitted to FHA within the required time period or, if not, the remittance included late charges and interest penalties. (A2bv)
8.	<input type="checkbox"/> <input type="checkbox"/>	<b>Timely and Accurate Submission for Insurance</b> – Mortgages are being submitted to FHA for insurance within the required time frames. (A2bvi)
9.	<input type="checkbox"/> <input type="checkbox"/>	<b>Advertising</b> – Review all advertisements generated by the Mortgagee or on its behalf to verify compliance with HUD/FHA advertising requirements. Mortgagee must retain copies of any Advertising device the Mortgagee produces, or that is produced on the Mortgagee’s behalf, that is related to FHA programs. (A2bvii)
10.	<input type="checkbox"/> <input type="checkbox"/>	<b>Reporting &amp; Corrective Action</b> – Must contain a process for QC staff to report Findings identified through the QC process to senior management. Initial review findings must be reported to senior management within 30 days of completion of the initial Findings report. Mortgagee’s final report must be issued within 60 days from initial review.  Senior management must review and respond to each instance of fraud, material misrepresentation, or other Material Finding. The Mortgagee’s final report must identify the corrective and curative actions being taken, the timetable for completion and any planned follow-up activities. (A2diii)
11.	<input type="checkbox"/> <input type="checkbox"/>	<b>Notification to HUD</b> - The mortgagee reports any findings of fraud or material misrepresentation to FHA immediately. All other material findings not mitigated must be reported no later than 90 days after completion of report. (A2div)
12.	<input type="checkbox"/> <input type="checkbox"/>	<b>File Retention</b> - The QC Review results, including all selection criteria, review documentation, findings, actions taken to mitigate findings must be retained for two years from the initial QC review or from the last action taken to mitigate findings, whichever is later. (A1di)
13.	<input type="checkbox"/> <input type="checkbox"/>	<b>Identify Patterns</b> - Mortgagees must review its loan performance data to identify patterns of non-compliance. Procedures used to review patterns of non-compliance must be included in QC Plan. (A2c)
14.	<input type="checkbox"/> <input type="checkbox"/>	<b>Fraud, Misrepresentation, and Other Findings</b> – Mortgagee must monitor all FHA-insured mortgages it originated, underwrites, services, or purchases, including those mortgages originated by sponsored TPO’s. (A2d)

	Yes / No	
		<b>Loan Level Quality Control Program Requirements:</b>
15.	<input type="checkbox"/> <input type="checkbox"/>	<b>Timeliness -</b>
a.	<input type="checkbox"/> <input type="checkbox"/>	<b>Pre-Closing Reviews</b> – Select sample of mortgages approved by DE underwriter and prior to closing. Must be reviewed on a monthly basis. (A3ai(A))
b.	<input type="checkbox"/> <input type="checkbox"/>	<b>Post-Closing Reviews</b> Select loans closed in the prior one-month period. Must be reviewed on a monthly basis. Mortgages must be reviewed within 60 days from end of prior month. (A3ai(B))
c.	<input type="checkbox"/> <input type="checkbox"/>	<b>Early Payment Default Reviews</b> – Select for review on a monthly basis. Must be reviewed within 60 days from end of month in which loan was selected. (A3ai(C))
d.	<input type="checkbox"/> <input type="checkbox"/>	<b>Servicing Reviews</b> - Select for review on a monthly basis. Must be reviewed within 60 days from end of month in which loan was selected. (A3ai(D))
16.	<input type="checkbox"/> <input type="checkbox"/>	<b>Frequency</b> - Mortgagees must perform reviews on a monthly basis.
17.	<input type="checkbox"/> <input type="checkbox"/>	<b>Scope and Sampling</b> – QC Plan must provide for the thorough evaluation of all Loan Administration functions the Mortgagee is responsible. Procedures exist for expanding the scope of the QC review when fraud or patterns of deficiencies are uncovered. (A3aii)
18.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Sample Size</b> –The mortgagee reviews EITHER:  1) 3,500 or fewer FHA loans per year - 10% of all loans closed; OR  2) More than 3,500 FHA loans per year – either 10% of all loans OR a random sample that provides 95% confidence level with 2% statistically valid confidence interval.</p> <p>Combination of both per-closing and post-closing reviews.</p> <p>Pre-closing reviews - 10% or less of sample size.</p> <p>Post-closing reviews – 90% of more of sample size.</p> <p>Early Payment Defaults (EPDs) – Must review all EPDs underwritten by the Mortgagee. (A3aiii)</p>
19.	<input type="checkbox"/> <input type="checkbox"/>	<b>Sample Composition Standard</b> – Provisions to select FHA-insured Mortgages for review via random, EPDs and discretionary sample selection methods. (A3aiv)
20.	<input type="checkbox"/> <input type="checkbox"/>	<b>Random Sample</b> – Each FHA-insured mortgage has an equal chance of being selected. Sample must be drawn from all FHA mortgages regardless of origination source or program type. Document how the sample size and selections were determined. (A3aiv(A))
21.	<input type="checkbox"/> <input type="checkbox"/>	<b>Early Payment Defaults</b> – All EPDs underwritten by the mortgagee, regardless of which Mortgagee services the Mortgage must be reviewed. (A3aiv(B))

	Yes / No																																																																						
22.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Loan Sample Risk Assessment</b> – Method of evaluating loans selected for QC on the basis of the severity of the violations found during QC reviews. Compare one month’s QC sample to previous QC samples in order to conduct trend analysis. (A3b)</p> <p>Document methodology used to establish the loan sample risk assessment and conduct trend analysis. Methodology must include the following risk categories:</p> <p style="padding-left: 40px;">Low Risk – No issues or minor variances were identified.</p> <p style="padding-left: 40px;">Moderate Risk – Records contained unresolved questions or missing documentation. Issues were identified pertaining to processing, documentation, or decisions made, but none were material.</p> <p style="padding-left: 40px;">Material Risk – Material findings which represent an unacceptable level of risk.</p>																																																																					
23.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Origination and Underwriting Loan File Compliance Review</b> – At a minimum, Mortgagees must include the following areas in their QC review: (A3ci)</p>																																																																					
		<table border="1"> <thead> <tr> <th data-bbox="334 768 1133 835">Requirement</th> <th data-bbox="1140 768 1334 835">Pre-Closing Review</th> <th data-bbox="1341 768 1516 835">Post-Closing Review</th> </tr> </thead> <tbody> <tr><td data-bbox="334 835 1133 873">Appraisal</td><td data-bbox="1140 835 1334 873">✓</td><td data-bbox="1341 835 1516 873">✓</td></tr> <tr><td data-bbox="334 873 1133 911">Mortgage application, eligibility, and underwriting documents</td><td data-bbox="1140 873 1334 911">✓</td><td data-bbox="1341 873 1516 911">✓</td></tr> <tr><td data-bbox="334 911 1133 949">Disclosures and legal compliance</td><td data-bbox="1140 911 1334 949">✓</td><td data-bbox="1341 911 1516 949">✓</td></tr> <tr><td data-bbox="334 949 1133 987">Mortgage origination documents</td><td data-bbox="1140 949 1334 987">✓</td><td data-bbox="1341 949 1516 987">✓</td></tr> <tr><td data-bbox="334 987 1133 1024">Handling of mortgage documents</td><td data-bbox="1140 987 1334 1024">✓</td><td data-bbox="1341 987 1516 1024">✓</td></tr> <tr><td data-bbox="334 1024 1133 1062">Borrower occupancy</td><td data-bbox="1140 1024 1334 1062"></td><td data-bbox="1341 1024 1516 1062">✓</td></tr> <tr><td data-bbox="334 1062 1133 1100">Credit reports</td><td data-bbox="1140 1062 1334 1100">✓</td><td data-bbox="1341 1062 1516 1100">✓</td></tr> <tr><td data-bbox="334 1100 1133 1138">Outstanding debt obligations</td><td data-bbox="1140 1100 1334 1138">✓</td><td data-bbox="1341 1100 1516 1138">✓</td></tr> <tr><td data-bbox="334 1138 1133 1176">Verifications of employment and deposit</td><td data-bbox="1140 1138 1334 1176">✓</td><td data-bbox="1341 1138 1516 1176">✓</td></tr> <tr><td data-bbox="334 1176 1133 1213">Self-employed Borrowers</td><td data-bbox="1140 1176 1334 1213">✓</td><td data-bbox="1341 1176 1516 1213">✓</td></tr> <tr><td data-bbox="334 1213 1133 1251">Borrower’s source of funds</td><td data-bbox="1140 1213 1334 1251">✓</td><td data-bbox="1341 1213 1516 1251">✓</td></tr> <tr><td data-bbox="334 1251 1133 1327">Underwriting accuracy and completeness, including compensating factors</td><td data-bbox="1140 1251 1334 1327">✓</td><td data-bbox="1341 1251 1516 1327">✓</td></tr> <tr><td data-bbox="334 1327 1133 1365">Property Flipping restrictions</td><td data-bbox="1140 1327 1334 1365">✓</td><td data-bbox="1341 1327 1516 1365">✓</td></tr> <tr><td data-bbox="334 1365 1133 1402">Prohibited restrictive covenants</td><td data-bbox="1140 1365 1334 1402">✓</td><td data-bbox="1341 1365 1516 1402">✓</td></tr> <tr><td data-bbox="334 1402 1133 1440">Qualified Mortgage (QM)</td><td data-bbox="1140 1402 1334 1440">✓</td><td data-bbox="1341 1402 1516 1440">✓</td></tr> <tr><td data-bbox="334 1440 1133 1478">Good Faith Estimate (GFE)</td><td data-bbox="1140 1440 1334 1478">✓</td><td data-bbox="1341 1440 1516 1478">✓</td></tr> <tr><td data-bbox="334 1478 1133 1516">Discrepancies in the loan file</td><td data-bbox="1140 1478 1334 1516">✓</td><td data-bbox="1341 1478 1516 1516">✓</td></tr> <tr><td data-bbox="334 1516 1133 1554">Condition clearance</td><td data-bbox="1140 1516 1334 1554">✓</td><td data-bbox="1341 1516 1516 1554">✓</td></tr> <tr><td data-bbox="334 1554 1133 1591">Closing procedures and documents</td><td data-bbox="1140 1554 1334 1591"></td><td data-bbox="1341 1554 1516 1591">✓</td></tr> <tr><td data-bbox="334 1591 1133 1629">Settlement Statement or other similar legal document</td><td data-bbox="1140 1591 1334 1629"></td><td data-bbox="1341 1591 1516 1629">✓</td></tr> <tr><td data-bbox="334 1629 1133 1667">Pre-endorsement review</td><td data-bbox="1140 1629 1334 1667"></td><td data-bbox="1341 1629 1516 1667">✓</td></tr> <tr><td data-bbox="334 1667 1133 1692">Timely submission for insurance</td><td data-bbox="1140 1667 1334 1692"></td><td data-bbox="1341 1667 1516 1692">✓</td></tr> </tbody> </table>	Requirement	Pre-Closing Review	Post-Closing Review	Appraisal	✓	✓	Mortgage application, eligibility, and underwriting documents	✓	✓	Disclosures and legal compliance	✓	✓	Mortgage origination documents	✓	✓	Handling of mortgage documents	✓	✓	Borrower occupancy		✓	Credit reports	✓	✓	Outstanding debt obligations	✓	✓	Verifications of employment and deposit	✓	✓	Self-employed Borrowers	✓	✓	Borrower’s source of funds	✓	✓	Underwriting accuracy and completeness, including compensating factors	✓	✓	Property Flipping restrictions	✓	✓	Prohibited restrictive covenants	✓	✓	Qualified Mortgage (QM)	✓	✓	Good Faith Estimate (GFE)	✓	✓	Discrepancies in the loan file	✓	✓	Condition clearance	✓	✓	Closing procedures and documents		✓	Settlement Statement or other similar legal document		✓	Pre-endorsement review		✓	Timely submission for insurance		✓
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24.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Credit Report</b> - A new credit report is obtained on all post-closing loans in the QC sample (using a RMCR, TRMCR, or a business credit report when appropriate). (A3cii(A))</p>																																																																					

	Yes / No	
25.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Income, Employment, Asset, and Housing Expense Information Reverification</b> – Documents contained in the loan file should be analyzed for validity and sufficiency. The following items that <b>MUST</b> be re-verified in writing or electronically if available:</p> <ul style="list-style-type: none"> <li>• Employment</li> <li>• Income</li> <li>• Assets</li> <li>• Gift funds</li> <li>• Source of funds</li> <li>• Mortgage payments or rental payments</li> </ul> <p>If the written or electronic re-verification is not returned to the mortgagee, a documented attempt must be made to conduct a telephone re-verification. All discrepancies must be evaluated to ensure that the original documents were completed before being signed, were as represented, were not handled by interested third parties and that all corrections were proper and initialed. (A3cii(B))</p>
26.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Appraisals</b> – A review of the property appraisal must be conducted on all loans chosen for QC review. The following areas <b>MUST</b> be included in the review:</p> <ul style="list-style-type: none"> <li>• Appraisal data</li> <li>• Validity of the comparables</li> <li>• Value conclusion (as required by FHA guidance)</li> <li>• Gift funds</li> <li>• Source of funds</li> </ul> <p><b>Field Reviews - MUST</b> perform targeted field review on 10% of mortgages selected for the monthly post-closing QC sample, as well as on all EPDs. Field reviews must be performed by licensed appraisers listed on FHA’s Roster of Appraisers. (A3cii(C))</p>
27.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Specialized Mortgage Programs</b> – <b>MUST</b> monitor compliance with FHA requirements specific to specialized mortgage programs (e.g., 203(k), Home Equity Conversion Mortgages (HECM), Energy Efficient Mortgages (EEF), etc.). (A3d)</p>

	Yes / No	
28.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Servicing Loan File Compliance Review</b> – All aspects of servicing operations must be reviewed, including a review of subserviced mortgages. At a minimum, the following elements must be included in the QC review to ensure they meet requirements outlined in the Servicing and Loss Mitigation and Claims and Dispositions sections of SF Handbook: (A3e)</p> <ul style="list-style-type: none"> <li>• Servicing records</li> <li>• Document retention and legibility</li> <li>• Non-discrimination policies</li> <li>• Borrower requests, complaints, and escalated cases</li> <li>• Fees</li> <li>• Transfer of servicing notification and records</li> <li>• Documentation of purchased or acquired mortgages</li> <li>• Mortgage record changes</li> <li>• Escrow account functions</li> <li>• Force-placed insurance</li> <li>• Prepayments</li> <li>• MIP</li> <li>• Early default intervention</li> <li>• Loss mitigation</li> <li>• Collection activities</li> <li>• Reporting to credit repositories</li> <li>• Home retention option priority order (waterfall)</li> <li>• Home disposition options</li> <li>• Claims for insurance benefits</li> <li>• Claims Without Conveyance of Title (CWCOT)</li> <li>• Foreclosure proceedings</li> <li>• Property preservation and conveyance</li> <li>• Deficiency judgments</li> <li>• Single Family Default Monitoring System (SFDMS) reporting</li> <li>• Adjustable Rate Mortgages (ARM)</li> <li>• Assumptions</li> <li>• Presidentially-Declared Major Disaster Areas (PDMDA)</li> <li>• Hawaiian Home Land Mortgages (Section 247 Mortgages)</li> <li>• Section 184 Indian housing loans</li> <li>• Section 222 Mortgages</li> <li>• Good Neighbor Next Door</li> <li>• Servicemembers Civil Relief Act (SCRA)</li> <li>• Section 235 Mortgages</li> <li>• Section 203(k) Mortgages</li> <li>• Servicing of HECM</li> </ul>

	Yes / No	
29.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Ineligible Participants – (A3f)</b></p> <p><b>Origination and Underwriting Reviews - <i>MUST</i></b> verify none of the participants in the mortgage transactions reviewed were debarred, suspended, under an LDP for the FHA program and jurisdiction, or otherwise ineligible to participate in an FHA transaction. This included participants in an assumption transaction. Must verify participant eligibility using the SAM Excluded Parties List, the LDP list, and the NMLS, as applicable. (A3fi)</p> <p>Participants in a mortgage transaction may include, but are not limited to, the:</p> <ul style="list-style-type: none"> <li>• Seller (excluding the seller of a Principal Residence)</li> <li>• Listing and selling real estate agent</li> <li>• Loan officer</li> <li>• Loan processor</li> <li>• Underwriter</li> <li>• Appraiser</li> <li>• 203(k) Consultant</li> </ul>
30.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Servicing Reviews - <i>MUST</i></b> verify none of the participants in the servicing transactions reviewed were debarred, suspended, under an LDP for the FHA program and jurisdiction, or otherwise ineligible to participate in an FHA transaction. This included participants in a loss mitigation transaction. Must verify participant eligibility using the SAM Excluded Parties List, the LDP list, as applicable. (A3fii)</p> <p>Participants in a servicing transaction may include, but are not limited to, the:</p> <ul style="list-style-type: none"> <li>• Borrowers</li> <li>• Underwriters</li> <li>• Real estate brokers</li> <li>• Closing agent</li> <li>• Title company</li> <li>• Employees of the Mortgagee, or Affiliates participating in HUD programs for or on behalf of the Mortgagee, who have influence or control over the evaluation, approval, or outcome of the servicing loss mitigation, or claims transaction.</li> </ul>
31.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Data Integrity</b> – Completeness and accuracy of the information obtained for each mortgage for all aspects of the Loan administration process for which the QC sample is selected. All findings must be reported internally to senior management and to FHA where appropriate. (A4a)</p>
32.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Origination and Underwriting Information</b> – Validate all data elements submitted through AUS, TOTAL Mortgage Scorecard, and FHA Connection (FHAC), and validate that documentation exists in the loan file to support all data used to underwrite the Mortgage. (A4ai)</p>
33.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Endorsement and Insurance Information</b> – Validate all data submitted through FHAC and validate that documentation exists in the loan file to support all data used to endorse and insure the Mortgage. (A4aii)</p>
34.	<input type="checkbox"/> <input type="checkbox"/>	<p><b>Servicing Information</b> – Validate mortgage information submitted through FHAC, SFDMS, or Home Equity Reverse Mortgage Information Technology (HERMIT), as applicable. (A4aiii)</p>