

# FCM Quality Control Plan Requirements

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## *Quality Control & Compliance:*

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First Community Mortgage, Inc. requires that every Business Partner approved to conduct business with FCM have a solid Quality Control & Compliance Plan or Policy in place that ensures compliance with the GSE's and secondary market investor's guidance. While the industry provides a number of resources that outline those requirements, FCM has attempted to bring some of those resources into one central location to assist the Business Partner in their research and establishment of their own effective Quality Control Plan & Policy to ensure compliance with FCM requirements as well as industry standards and agency regulations. This document is intended as a resource to guide you in your preparation and is not to be considered a checklist or step by step instructions to completing an approved / acceptable Quality Control & Compliance Plan or Policy.

Resources available include but are not limited to:

- **HUD Handbooks (specifically HUD Handbook 40601 Chapter 7)**  
([https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsg/4060.1](https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4060.1))
- **FNMA – Loan Quality** (<https://www.fanniemae.com/singlefamily/loan-quality>)
- **FHLMC – Quality Control Plan & Best Practices**  
([http://www.freddiemac.com/singlefamily/quality\\_control.html](http://www.freddiemac.com/singlefamily/quality_control.html))
- **ALLREGS / Ellie Mae – Broker Quality Control Policy Manual**  
([http://solutions.allregs.com/product/898/broker-quality-control-plan-policy-manual?\\_ga=1.207437462.445298532.1453843681](http://solutions.allregs.com/product/898/broker-quality-control-plan-policy-manual?_ga=1.207437462.445298532.1453843681) )

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## Does the QC Plan assure that?

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- The broker / mortgagee maintains compliance with HUD/FHA requirements?
- Personnel conducting the QC Reviews have no direct loan or underwriting responsibilities?
- Periodic reports that identify deficiencies are provided to Senior Management at least quarterly?
- Procedures are revised to reflect changes, staff are informed of changes in a timely manner and staff are held accountable for failure to comply or errors?
- Prompt, effective corrective measures are in place or taken by Senior Management and deficiencies are documented when identified?
- Procedures exist for expanding the scope of the QC Review when fraud patterns, red flags and /or misrepresentation deficiencies exist?

- The broker / mortgagee reviews 10% of all loans closed on a monthly basis with a random sample that provides 95% confidence level with 2% precision?
  - selection should contain all branches
  - selection / scope should cover all originators / sales and operations staff (processors, underwriters, etc.)
- Loans that go into early payment default (EPD) within the first 6 months are reviewed?
- A review of all loan programs and alternate loan documentation are conducted?
- No one employed by the broker / mortgagee is on any disbarred, suspended or subject to any regulatory action list.
- Review of at least 10% of all rejected loans are completed at least quarterly?
- Reviews are completed within 90 days of closing?
- A desk review of appraisals on all loans in the QC Sample is completed or 10% of loans receive a field review?
- A new Quality Control Credit Report from a different repository than used in origination is obtained for the Quality Control Audit?
- A written re-verification of income / assets is obtained on all loans reviewed or selected for Quality Control Audit?
- All conflicting information was resolved prior to closing or issuance of final underwriting approval?

Business Partners should also consider, if applying for NDC or Delegated Correspondent approval, they obtain an approved (LQI-UDM) Loan Quality Undisclosed Debt Monitoring procedure. This can be obtained by outsourcing the assistance of approved third party vendors via quality control audits, automated third party vendor applications that monitor credit profile and credit inquiries, or by pulling a final credit report upon issuing final underwriting approval and closing the loan (must be done within 24 hours of loan closing). Please ask your Account Executive for a list of FCM approved vendors if required.

*\*\*These are examples of items that should be addressed in your Quality Control Plan & Policy and are not to be considered a full scope of the review or full list of items needed to be in compliance with GSE and investor Quality Control requirements (LQI). In addition, First Community Mortgage does not give legal advice and this should not be viewed as legal interpretation but rather you should seek the assistance of your legal department or legal counsel / attorney with any legal questions.*

First Community Mortgage will review each Business Partners Quality Control Plan & Policy for accuracy and completeness with HUD, FNMA, FHLMC, VA, USDA and our secondary market investor's Quality Control Standards. Any item missing will be addressed with the Business Partner on an individual basis and determined if missing / deficient items can be resolved. The Business Partner also has the option to out-source the Quality Control Audit Process, in which the approved Quality Control Vendor will need to provide a full copy of their internal Quality Control Plan and Procedures for review and approval by FCM.

Any questions regarding the Business Partner Approval process in regards to the Quality Control Policy or Quality Control Plan can be directed through your designated area Account Executive or Area Sales Manager which will be communicated internally with FCM QC & Compliance Management.