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# Wholesale Quality Control and Broker Monitoring Policy Manual

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## Chapter 1 Introduction

[Sample Client] is committed to the highest standards of federal consumer compliance and has established this policy to conform with the requirements for third party origination published by Fannie Mae, Freddie Mac, and the U.S. Department of Housing and Urban Development (HUD). This policy outlines the requirements for wholesale quality control by the agencies and establishes a fundamental process for the selection, approval, and monitoring of brokers or third-party originators (TPOs).

The oversight established by [Sample Client] may include steps and procedures completed internally in an area outside of loan production or outsourced to a qualified services provider. Outsourced services may be partial and encompass specific steps, such as background checks and broker investigation.

[Sample Client] will revise this plan regularly to ensure that the risk monitoring procedures meet the firm's size, structure, and the business-to-business relationships formulated to accommodate various loan funding options.

### 1.1 Goals and Objectives

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The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout [Sample Client]'s operations. These requirements are intended to prevent [Sample Client], its employees, and third-party vendors from violating federal regulations related to mortgage lending and consumer compliance with respect to the monitoring of [Sample Client]'s wholesale business channel.

### 1.2 Required Review

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[Sample Client] requires this policy be reviewed no less than annually. The review will include the compliance of this policy with current law, regulation or directive, the procedural implementation of this policy within the then current scope of [Sample Client]'s wholesale business lines and operations, internal or external audit results received during the previous year, and then current industry trends or regulatory guidance.

### 1.3 Applicability

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The purpose of this policy is to implement consumer protection mechanisms as required by the United States statutes and related federal regulations administered by the Consumer Financial Protection

## Chapter 4 Fannie Mae Requirements

[Sample Client] must comply with Fannie Mae's requirements for third party originated loans. Fannie Mae considers a third party originated loan as any mortgage that is completely or partially originated, processed, underwritten, packaged, funded, or closed by an entity other than [Sample Client]. This definition of third party originated loans excludes loans that are originated and/or funded by [Sample Client]'s parent, affiliate, or subsidiary *unless* the parent, affiliate, or subsidiary uses the services of a mortgage broker or loan correspondent to perform some or all of the loan origination functions.

### 4.1 Fannie Mae Requirements for TPO Approval and Monitoring

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[Sample Client] must comply with Fannie Mae's requirements for outsourcing mortgage processing and third-party originations as described in Chapter A3-3-01 of Fannie Mae's Selling Guide. Before entering into an agreement with any TPO, [Sample Client] must ascertain that the third-party originator is capable of producing quality mortgages. [Sample Client] must ensure that any mortgages originated and processed by third parties that it sells to Fannie Mae meet Fannie Mae's eligibility criteria and are originated in a sound manner. Special Feature Codes are required at delivery for third-party mortgage loans, and lenders are fully liable to Fannie Mae under the terms of their contractual obligations for any functions that are outsourced to third parties. [Sample Client] will conduct regular monthly reviews of the loan performance of mortgages originated by TPOs as part of its complete quality control process.

### 4.2 Approval Process

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[Sample Client] will comply with Fannie Mae's specific requirements to have written procedures for the approval of third-party originators. At a minimum, those procedures must include a review of the following TPO documentation:

- Most recent financial statements
- Current licenses
- Resumes of principal officers and underwriting personnel
- TPO quality control procedures to determine if the TPO and its originations comply with [Sample Client]'s standards for quality
- Results of background checks for principal officers including review of items such as credit reports, mortgage fraud database reports, investor exclusionary lists, or business references

## Chapter 7 Third Party Originator Approval

[Sample Client] funds loans that are originated by Third Party Originators (TPOs). Loans funded may be table-funded loans or correspondent transactions, depending upon the specific loan program and/or agreement with the TPO. [Sample Client] approves licensed mortgage brokers and lenders, community banks, and credit unions prior to establishing a working relationship. All TPOs must meet the current statutory license and educational requirements. All members of senior management and operational supervisors are trained to follow the procedures for approval and monitoring of brokers and correspondents.

### 7.1 Third Party Originator Experience Requirements

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Each TPO, whether experienced or newly formed, must submit a formal application to [Sample Client]. All TPOs undergo an approval and investigative process.

[Sample Client] will approve an experienced TPO based on criteria related to mortgage lending business practices. This includes years of experience, the type of lending activity, and the nature of the TPO's real estate transactions and products.

For newly formed companies, [Sample Client] will diligently investigate the principals and their former professional references. Depending upon the nature and scope of the principals' backgrounds, [Sample Client] may require training on loan processing procedures and residential lending practices as a condition of its approval and/or require that an individual with industry experience be hired as a full-time staff member of the firm in a supervisory capacity. As part of its vendor management program, [Sample Client] may contract with an investigation company or utilize its quality control service provider to conduct ongoing monitoring and investigative functions, including the consistent following of all TPOs' delinquency ratings on HUD Neighborhood Watch.

### 7.2 Broker or Correspondent Application Procedure

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[Sample Client] provides its TPO application package directly to candidates through its website and/or by request. After receiving a completed application package, [Sample Client]'s wholesale division will retain the original copies. [Sample Client]'s application package requires, at a minimum, the following documents:

- TPO application
- Previous year audited financial statements and YTD financial statement
- References