

CHAPTER 3. QUALITY ASSURANCE PROGRAM

The [Company Name] Quality Control and Assurance Plan should be consulted in its entirety for implementation and operational requirements. The following summary relates only to servicing and is provided here as a convenient reference.

3.1 Temporary Guidance – COVID-19 Impact

Due to the impact of COVID-19 (coronavirus), Fannie Mae and Freddie Mac have temporarily expanded quality control requirements.

Reverifications

Any income, employment, or asset reverifications that are typically mailed may be completed verbally or electronically. If verbal or electronic verification cannot be required, [Company Name] can temporarily waive the requirement. All loans for which reverification cannot be completed must be tracked and [Company Name] must conduct a special discretionary sample and perform reverifications upon expiration of this temporary guidance. Post-closing QC reverifications if the employment, income and/or assets have been fully validated using the DU validation service.

Appraisal Field Reviews

Typically, [Company Name] must obtain field reviews on 10% of its random sample; however, during the COVID-19 impact period, [Company Name] may use Collateral Underwriter or other third-party tools for this sample. If the reviewer reaches a different opinion regarding the property value, then if possible, [Company Name] must obtain a field review. A desk review by [Company Name]'s QC staff is still required on the remaining 90% sample.

Termination of Mortgage Insurance

If a borrower requests termination of conventional mortgage insurance based on either the original or current value of the property, [Company Name] must verify that the mortgage loan is current when termination is requested. If the borrower had a financial hardship related to COVID-19, [Company Name] must not consider any payment that is 30 or more days past due in the late 12 months, or 60 or more days past due in the last 24 months. COVID-19 financial hardship may be evidenced through acceptance of a COVID-19 related forbearance plan, repayment plan, or payment deferral.

3.2 Servicing System Quality Assurance (QA) Program

Servicing Department - Systems Administration is responsible for the following:

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CHAPTER 4. REGULATORY COMPLIANCE

This chapter of the [Company Name] Servicing Guide provides a summary of relevant regulatory compliance policies. The full [Company Name] compliance management system and compliance policies are not reflected below.

Readers are cautioned to rely on the contents of this chapter as a reference or brief summary only.

Procedural implementation must be validated by referring to the full [Company Name] Regulatory Compliance Manual and compliance management system in its entirety.

4.1 Anti-Money Laundering

The Financial Crimes Enforcement Network (FinCEN) has issued final regulations requiring non-bank residential mortgage lenders and originators to establish anti-money laundering (AML) programs and file suspicious activity reports (SARs), just as FinCEN required of other types of financial institutions.

These AML programs must assist the mortgage lenders and originators in detecting suspicious activity and require the filing of Suspicious Activity Reports. Non-bank residential mortgage lenders or originators must have an AML program in place to comply. The AML program must, at a minimum, do the following:

- Incorporate policies, procedures and internal controls to prevent money laundering and terrorist financing
- Designate a compliance officer
- Provide for ongoing training of appropriate staff
- Require independent testing to monitor the program

The AML program and manual must be made available to FinCEN upon request. Any failure to comply with FinCEN's AML program requirement may result in civil and/or criminal penalties.

These requirements also apply to servicers.

4.2 E-SIGN

Electronic Signatures in Global and National Commerce Act - E-Sign (15 USC 7001), CHAPTER 96: ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE (01/03/07)
FHA ML 2014-03: Electronic Signatures (01/30/14)

CHAPTER 5. VENDOR MANAGEMENT

In addition to those related requirements established within the [Company Name] Vendor Management Policy, [Company Name] shall maintain adequate oversight of vendor activities and adequate quality control over those products and services provided through vendor arrangements to minimize exposure to potential significant financial loss, reputation damage, and supervisory action.

5.1 Documentation

[Company Name] will properly document its oversight program. Proper documentation will facilitate the monitoring and management of the risks associated with vendor relationships. Proper documentation typically includes the following:

- A list of significant vendors or other vendors, i.e., those for which management spends substantial amounts of money, or those deemed critical to the operation
- Valid, current, and complete contracts
- Business plans for new lines of business or products that identify management's planning process, decision making, and due diligence in selecting a vendor
- Regular risk management and performance reports received from the vendor (for example, audit reports, security reviews, reports indicating compliance with service-level agreements, periodic reports for consumer complaint tracking and resolution)
- Regular reports to the board, or delegated committee, of the results of the ongoing oversight activities

[Company Name] must maintain documents and records on all aspects of the vendor relationship.

5.2 Significant Relationships

The board of directors and senior management of [Company Name] will provide appropriate oversight and risk management of significant vendor relationships. A vendor relationship should be considered significant when [Company Name]'s relationship with the vendor is a new relationship or involves implementing new activities, or if the following is true:

- The vendor relationship has a material effect on the revenues or expenses of [Company Name]
- Vendor performs critical functions
- Vendor stores, accesses, transmits or performs transactions on sensitive customer information