



LENDERS COMPLIANCE GROUP is the first full-service, mortgage risk management firm in the United States specializing exclusively in outsourced mortgage compliance and offering a full suite of services in residential mortgage banking for banks and non-banks.

We are pioneers in outsourcing solutions for mortgage compliance!

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COMPLIANCE ADMINISTRATION

- Review appropriate consumer disclosures and forms to comply with federal, state, GSE (conventional), FHA, VA, USDA, and investor guidelines.
- Review and provide certain policies and procedures to assure compliance with federal law and state law on a 24/7 basis.
- Review and provide due diligence procedures for mortgage loan originator approvals.
- Conduct policies and procedures reviews to determine quality assurance and compliance.
- Conduct risk assessments, where needed, to detect strengths and weaknesses in the loan origination process.
- Provide checklists, charts, and forms, where needed, to comply with federal and state law.
- Periodically conduct and/or participate in Compliance Committee meetings.
- Off-site and/or periodic on-site meetings to assess regulatory guidance.
- Review compliance requirements for strategic alliances.
- Review retail, wholesale, and correspondent compliance.
- Informal representation to federal and state banking authorities.

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AUDITS AND DUE DILIGENCE REVIEWS

THE FOLLOWING AUDITS AND DUE DILIGENCE REVIEWS COMPLY WITH FEDERAL, STATE, AND INTERAGENCY GUIDELINES. OUR REVIEWS SATISFY AN EXTERNAL AUDITOR FUNCTION. EACH AUDIT AND DUE DILIGENCE MAY BE CONDUCTED THROUGHOUT THE YEAR IN ACCORDANCE WITH AN AGREED-TO COMPLIANCE CALENDAR. EACH AUDIT AND DUE DILIGENCE REVIEW PROVIDES BOTH PRELIMINARY FINDINGS AND A FINAL REPORT.

- S.A.F.E. ACT (NMLSR)
- ADVERTISING
- PORTFOLIO RISK ASSESSMENT
- LOAN ORIGINATOR COMPENSATION (REGULATION Z)
- TRAINING AND EDUCATION
- INTERIM SERVICING
- SERVICING AND SUBSERVICING
- LICENSING COMPLIANCE
- MARKETING AND TELEMARKETING
- SECONDARY MARKET
- REAL ESTATE LOANS – CLOSED-END (RESIDENTIAL)
- LOAN ANALYTICS (HUD-VA-CONVENTIONAL-RURAL)
- HMDA DATA COLLECTION AND REPORTING – PREPARATION
- CONSUMER COMPLAINTS
- FAIR LENDING
- IDENTITY THEFT PREVENTION PROGRAM – RED FLAGS

- CUSTOMER IDENTIFICATION PROGRAM (CIP)
- PRIVACY AND GRAMM-LEACH-BLILEY ACT (GLBA)
- INFORMATION SECURITY
- REGULATION O
- WEBSITE
- SHIPPING AND DELIVERY
- MORTGAGE OPERATIONS
- RECORD RETENTION
- RETAIL PLATFORM CONFIGURATION

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DUE DILIGENCE

Capable of scaling up to sizable transactional projects on behalf of investors, mortgage bankers, warehouse lines, REITs, PPIPs, portfolio lenders, servicers, and commercial banks. Services include Customized ratings for client specific product guidelines, daily updates and continual access to report findings, automated file review with statistical risk ratings, and file review online or at client's offices.

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LOAN LEVEL ANALYTICS

Whether you purchase loans from several originators or originate loans for further sale to investors, we can help you on your pre-close and post-close audits, due diligence, quality control and assurance needs.

In addition to keeping our clients informed throughout the audit process, our findings are provided in a written report and presented to executive management in a manner that facilitates quick but well informed decisions. We provide independent expertise and have the capacity to be both flexible and responsive in accordance with your due diligence needs.

Our staff consists of professionals experienced in underwriting, servicing and loan originations. All reviews are conducted to validate compliance with federal, state, and local regulations, and include a evaluations of the guidelines of Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA, and various private investors.

We can receive all your information electronically as well as through physical files. Our advanced work-flow methodologies enable a cost effective and expeditious solution to all loan analytics requirements.

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MORTGAGE FRAUD AUDIT

Mortgage fraud, loan level reviews detect mortgage fraud. Violations uncovered of federal and/or state banking regulations. Fully automated and manual methodologies and research engines produce a comprehensive report.

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CFPB SUPERVISION AND EXAMINATION

Preparation for the CFPB Examination includes the CFPB's own procedures.

Comprehensive audit and due diligence review in accordance with the CFPB's bank and nonbank Supervision and Examination Manual, a basic tool in the CFPB's supervision program.

Examination Preparation

- Part I - Supervision and Examination Process
- Part II - Examinations Procedures
 - Unfair, Deceptive or Abusive Acts or Practices (UDAAP)
 - Equal Credit Opportunity Act (ECOA)
 - Home Mortgage Disclosure Act (HMDA)
 - Truth in Lending Act (TILA)
 - Real Estate Settlement Procedures Act (RESPA)
 - Homeowners Protection Act (HPA)
 - Consumer Leasing Act (CLA)
 - Fair Credit Reporting Act (FCRA)
 - Fair Debt Collection Practices Act (FDCPA)
 - Electronic Fund Transfer Act (EFTA)
 - Truth in Savings Act (TISA)
 - Privacy of Consumer Financial Information (GLBA)
 - Mortgage Servicing Examination Procedures
- Part III – Examination Process Templates
 - Templates**
 - Entity Profile
 - Risk Assessment
 - Supervision Plan
 - Examination Scope Summary
 - Examination Report

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ANTI-MONEY LAUNDERING – NONBANK RMLOs

We review, monitor, audit, test, and provide policies, procedures, and forms, in accordance with the “Anti-Money Laundering Program and Suspicious Activity Report Filing Requirements for Residential Mortgage Lenders and Originators,” Financial Crimes Enforcement Network,

Department of the Treasury, 31 CFR Parts 1010 and 1029, Final Rule, Federal Register, Vol. 77, No. 30, 2/14/2012.

Risk Factors

- Anticipated account activity subject to Anti-Money Laundering (AML).
- Types of products and services offered by the RMLO.
- Locations and markets served by the RMLO.
- Purpose of the account.

Risk Mitigation

- Identifying RMLO relationships.
- Assessing the potential risks posed by the RMLO relationships.
- Conducting ongoing due diligence on the RMLO relationships when necessary.
- Ensuring RMLO relationships are appropriately considered within the required monitoring and reporting systems.
- Registration with FinCEN and compliance requirements.
- Procedures for the RMLO to file a SAR if it becomes aware that a customer is operating in violation of Bank Secrecy Act (BSA) compliance requirements.
- Review the RMLO's due diligence beyond the minimum due diligence obligations dictated by the level of risk posed by the individual RMLO customer.

Risk Assessment

- Purpose of the account.
- Locations and markets served by the RMLO.
- Anticipated account activity (type and volume).
- Types of products and services offered by the RMLO.

Independent Testing

- Apply the RMLO's policies, procedures, forms.
- Determine level of implementation of the Customer Information Protection (CIP) program.
- Confirm FinCEN registration, if required.
- Confirm compliance with state, federal and GSE requirements, if applicable.
- Confirm agent status, if applicable.
- Conduct a basic BSA/AML risk assessment to determine the level of risk associated with the account and whether further due diligence is necessary.
- Review the BSA/AML program.
- Review results of the RMLO's independent testing of its AML Program.
- Review written procedures for AML Program.
- Conduct off-site and, where applicable, on-site visits.
- Review list of agents, including locations, within or outside the United States, which will be receiving services directly or indirectly through the RMLO account.
- Review written agent management and termination practices.
- Review written employee screening practices.

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MORTGAGE DEFAULTS

We collaborate with a lender to bring down high defaults and claims experience with the goal of implementing procedures to avoid these problems in the future. Our "task force" approach provides a complete review and action analysis, from the point of initiation of procedures to secondary market transactions and follow-up with servicers or investors. Our audit and due diligence includes loan analytics, reviews of policies and procedures, evaluation of operations

and systems. Our engagement team provides subject matter experts in all applicable areas of regulatory compliance regarding mortgage defaults and loan performance.

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LICENSING

We offer full service, whether single state, multiple states, or HUD-FHA approval. Our licensing group is trained to handle all licensing involved in initial licensure, renewals, mergers, acquisitions, address and principal ownership changes. For those lenders or brokers who find it difficult to maintain their licensing, we offer a licensing management program that keeps all loan officer and company licenses up to date. We coordinate the process of qualifying to do business in each state, obtaining name or assumed name approval, appointing Resident Agents, and obtaining the necessary Surety Bonds for licensing.

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LEGAL REVIEWS AND REMEDIES

Our in-house legal counsel administers a nationwide network of attorneys who are experienced and knowledgeable in all areas of loss mitigation. We select attorneys who respond to an institution's particular need, coordinating and monitoring the legal work they provide to our clients. Our administrative involvement includes corrective action reviews that pinpoint institutional procedures which may contribute to loss mitigation issues and regulatory violations.

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DISASTER RECOVERY PLAN

Comprehensive review of existing disaster recovery architecture: reviews that highlight an institution's regulatory strengths and weaknesses. Documented solution that assures compliance with the regulations, rules, and laws governing the safeguarding of personal information contained in both paper and electronic records.

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QUALITY CONTROL AUDITS

Performed onsite or remotely, LCG meets the needs of loan quality control review through a comprehensive approach. LCG's scope is consistent with agency servicer/seller standards. Detailed reports are provided with reviews addressing federal and state compliance requirements.

Our staff of conventional and FHA-DE & VA-LAPP underwriters and reviewers specialize in fast turnaround on recurring QC or special projects.

QC Service Options

- Pre-Funding File Review
- Pre-Funding Investigative Services
- Delinquent Loans & EPDs
- Fraud Detection
- Post Funding QC
- Discretionary Compliance

Post-Funding reports provide clients with state-of-the-art graphs, executive summaries, and a full range of trend reports.

QUALITY CONTROL PLANS

Our quality control plan is the most comprehensive available in the mortgage industry. Continually updated, it consists of all required audit requirements mandated by FHA, VA, the GSEs, and most investors.

- QUALITY ASSURANCE GUIDELINES
- AUDIT REQUIREMENTS: FHA | VA | GSEs | Rural
- SYSTEM INTEGRITY
- SELECTION PROCEDURES
- AUDITING PROCEDURES
- REPORTS AND FINDINGS
- NOTIFICATION TO HUD
- MAINTENANCE
- NUMEROUS REGULATORY ADDENDA
- ADDENDUM: FANNIE MAE LOAN QUALITY INITIATIVE

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ORIGINATION PLATFORM DEVELOPMENT

Guidance in building retail, wholesale and correspondent platforms, including all regulatory support to established new departments and divisions within the existing company structure. Through our guidance, both management and compliance personnel can be assured that they comply with the regulations, rules, and laws governing the origination of mortgage loan products.

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CORE COMPLIANCE MATRIX® AND CORE COMPLIANCE RATING®

Our **CORE Compliance Matrix® (CCM)**, a proprietary review procedure, provides an independent evaluation of the regulatory compliance areas relevant to mortgage banking. We designed and pioneered this prominent review, which is conducted by a professional Compliance Consultant in coordination with appropriate compliance personnel and

management.

The CCM generates an actual risk rating, a quantitative result that is called the **CORE Compliance Rating® (CCR)**. The CCR reflects the risk management performance of certain aspects of the loan origination platform.

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LOAN LEVEL ANALYTICS AND AUDITS

The following reviews are performed at the loan level:

- New Loan Quality Assurance: Screen all new loans to include independent verification of borrower, collateral, compliance, fraud and related origination data, and risk score each loan with regard to future performance.
- Quality Analysis: Loan-level exception reporting with accumulation by exception type, lender, broker, correspondent, loan type, geographies and trend analysis.
- Loss Mitigation Data Analytics/Triage: Automated collection of current borrower and collateral data, (i.e., income, employment, credit, collateral, fraud, etc.), via web-services and scoring each loan with regard to recovery potential.
- Risk-Scored Modification Calculation: Calculation of a monthly payment amount that will result in a high likelihood of success, based on new data. Adjustment of term, interest rate and principal, to generate the new monthly payment within specified limits.
- Government Program Eligibility: Automated comparison of modified loan terms to available government modification and refinance programs; eligibility determination and calculation of qualifying payment and new loan terms.
- Loan by Loan Reactive or Bulk Loan Proactive Process: Individual loans may be submitted by the borrower through the website/IVR, or the Service Agent can submit with real-time response, or processing of pools of loans with proactive outreach to borrowers.
- Calculation of Other Available Resolution Alternatives: Calculation of short sale value, forbearance agreement, note sale to investor, and net foreclosure recovery value.

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PREFUNDING FANNIE MAE LQI

Our suite of prefunding risk evaluation complies with all requirements of the Fannie Mae Loan Quality Initiative (LQI). Fannie Mae requires that a lender's Quality Control (QC) plan must include a prefunding mortgage audit process.

These audits are expected to provide information that should prevent closing mortgage loans with significant defects such as misrepresentation, inaccurate data, or inadequate documentation.

- Same Day Response coordinated with lenders process flow
- Findings Report, per loan file, with full set of analyses
- Secure Digital Upload/Download or Direct Link to LOS

Verification, Validation, and Audit Investigation

- Automated Underwriting System (AUS) Review
- Borrower Identity Verification
- Verification of Employment
- Validation of Social Security or Tax Identification Numbers
- DU "Potential Red Flag" Messages
- Validation of Qualified Parties to the Transaction
- Qualifying Ratios
- Borrower Credit - Undisclosed Liabilities
- Appraisal Validation
- Property Unit Number Validation
- Calculation of the LTV Ratio
- Manual Underwriting of DU Refer with Caution/IV

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LOAN ORIGINATOR COMPENSATION – AUDIT AND EXAMINATION

Independent review of loan originator compensation using the State Nondepository Examiner Guidelines for Regulation Z - Loan Originator Compensation Rule instituted by the Multi-State Mortgage Committee (MMC), a ten-state representative body created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR). These are the examiner guidelines that are used as a tool for consistent implementation of the Federal Reserve Board's final rules for closed-end credit under Regulation Z.

SCOPE

1. Full Scope: Pre-exam completion of Modules 2 and 3 followed by completion of Module 1 through documentation review, onsite transaction testing, and interviews of institution staff or other parties.
 2. Limited Scope: Completion of Module 1, excluding transaction testing and interviews, based on the institution's responses to Modules 2 and 3.
 3. Limited Scope with offsite testing: Combine the Limited Scope approach with an offsite sampling of transaction documents and/or telephone interviews of institution staff or other parties.
- Module 1 consists of questions intended to guide the examiner for specific review.

- Much of the checklist can be completed from a thorough, off-site review of the institution's responses to Modules 2 and 3.
- Other sections require transaction-level interviews of institution staff and others.

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BUSINESS DEVELOPMENT

Our professionals have the unique expertise to developing business plans and financial models for mortgage loan originators. We provide all required documentation and regulatory compliance guidance to establish retail, wholesale and correspondent origination platforms.

- Procedures and Documentation: Retail, Wholesale, Correspondent Platforms
- Procedures and Documentation: New Departments and Divisions
- Regulatory compliance guidance to effectively scale up or down
- Business Plans designed to respond to market and regulatory requirements
- Financial Models to attract new capital, warehouse lenders, and investors
- Competitive intelligence gathering and analysis
- Internal efficacy evaluation to determine structural growth support
- Business process analysis to reveal gaps, risk, and liabilities
- Business process development to properly integrate new processes
- Feasibility Studies to predict effects of growth or change in market conditions
- Forecasting Models to exploit industry trends
- Sales and Marketing to clarify company brand and attract new customers
- Corporate strategy updates and on-going review of progress and new goals

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INFORMATION SECURITY PLAN

Pursuant to federal guidelines, all aspects of maintaining a secure environment at the Company as it relates to the protection of Personal Information. The purpose is to establish administrative, technical and physical safeguards for Personal Information that are appropriate to: (a) the size, scope and type of business of the Company; (b) the resources available to the Company; (c) the amount of Personal Information stored by the Company; and (d) the need to ensure that the Company's Personal Information is secure and maintained in confidence. A primary goal of this Policy is to cause everyone with access to Personal Information to continually assess the security and confidentiality of information at the Company and apply reasonable safeguards to protect that information from unauthorized access.

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FORENSIC MORTGAGE AUDIT®

Creating awareness and preventing mortgage fraud one transaction at a time. Our industry is in need of new processes in training; lack of new processes in training leads to old mistakes. In

this unprecedented age of mortgage fraud, Lenders Compliance Group provides support services to create awareness, prevention, and detection.

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POLICIES AND PROCEDURES

Our Policy and Procedures are comprehensive in scope and conform to all federal, state, Agency, and HUD/VA requirements. We also offer unique manuals that provide self-assessments to be used as part of an on-going compliance program.

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IDENTITY THEFT PREVENTION PROGRAM

RED FLAGS RULE AND ADDRESS DISCREPANCIES

Our Identity Theft Prevention Program is the most comprehensive policy and procedure manual available. It is a 36-page, fully enumerated, indexed, and tabulated document! PLUS, the Program includes dynamic forms that permit us to customize your Identity Theft Prevention Program. Off-site, due diligence review is included.

TABULATED SECTIONS

- POLICIES AND PROCEDURES: 36-pages, enumerated and indexed
- APPENDICES: 2 appendices for Red Flags and Alien Identification
- FORMS: 16 forms used to implement the Program
- FLOW CHARTS: for individuals and businesses
- INCIDENTS REPORT
- OVERRIDES
- UPDATES
- REVISION HISTORY
- APPROVALS

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REGULATORY COMPLIANCE - RESEARCH

- State and Federal Banking Statutes
- State and Federal Banking Agency Materials and Decisions
- Office of Financial Institution Adjudication Decisions
- Relevant Banking Case Law Dockets
- Mortgage Banking News and Issues
- Latest Updates for Mortgage Banking
- Banking Forms
- HUD Mortgagee Letters
- GSE Lender and Service Letters
- Federal Finance & Banking – News Releases
- Issuances of all Federal Regulatory Agencies

PRODUCTS & PUBLICATIONS

- Advisory Bulletins
- Mortgage Compliance Updates
- Compliance ALERTs
- Regulatory Compliance Risk Assessments
- Loan Level Analytics
- FAQs Outline – Loan Originator Compensation
- Charts: Nationwide Licensing – Loan Officers & Financial Institutions
- Charts: Prepayment Penalties; Loan Product Disclosure Requirements
- Quality Control Plans: Conventional, FHA, VA, USDA

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