



[LENDERS COMPLIANCE GROUP](#) and its affiliates, [BROKERS COMPLIANCE GROUP](#) and [SERVICERS COMPLIANCE GROUP](#), [VENDORS COMPLIANCE GROUP](#), are the country's first full-service, mortgage risk management firms in the United States devoted to offering a full suite of services in residential mortgage banking, respectively, to banks and nonbanks, independent mortgage professionals, and mortgage servicers.

We also offer state-of-the-art mortgage quality control auditing and loan analytics through [LCG QUALITY CONTROL](#). These are national firms, specializing exclusively in legal and regulatory mortgage compliance guidance and mortgage banking services.

We provide complete or partial outsourcing of risk management with respect to the regulatory compliance function and its requirements. We are the first risk management firm in the country devoted exclusively to mortgage compliance that also provides a full complement of products and services in all areas of mortgage banking.

Our professionals have an average of 25 years in the residential mortgage origination industry, consisting of compliance executives, legal counsel, and former regulators who have created and implemented successful compliance programs. We are actively engaged in monitoring ever-changing laws and regulations that affect the industry.

Typically, our clients are Mortgage Bankers, Mortgage Brokers, Wholesale Lenders, Correspondent Lenders, Warehouse Banks, HUD/DE Mortgagees, FHA Loan Correspondents, Servicers, Credit Unions, State and Federally regulated Banks, and their mortgage Financial Institution subsidiaries.

For many clients, we provide a complete regulatory compliance program that includes risk assessments, as well as program development, implementation, and administration. For other clients, we supplement internal resources to find, address and provide Best Practices solutions to specific regulatory compliance issues. In either case, we serve as an objective and independent evaluator of current and proposed mortgage compliance procedures, to spot potential problems, and, when necessary, to suggest alternatives.

Our range of services includes federal and state mortgage compliance; legal reviews and remedies; HUD-FHA, VA, USDA, CFPB, federal prudential regulators and state pre-examination preparation and post-examination implementation; Fannie, Freddie, Ginnie applications and due diligence; representation to the GSEs, federal and state regulators, HUD and the VA; mortgage quality control; forensic loan audits; mortgage servicing compliance; loss mitigation compliance; business development; information technology and security; anti-money laundering audits; identity theft prevention and Red Flags compliance; statutory licensing; policies and procedures guidance; HMDA/CRA reviews; and even strategies to increase sales through RESPA-compatible ABAs.

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## **AGENCIES AND GINNIE APPLICATIONS**

Our professionals have the unique expertise to provide comprehensive compilation of an application to become a Fannie Mae, Freddie Mac Seller/Servicer or Ginnie Mae Issuer. Our due diligence procedures include:

- Review eligibility requirements to submit application to become a Fannie Mae Seller/Servicer or Freddie Mac Seller/Servicer or Ginnie Mae Issuer.
- Compile, review, and complete Fannie Mae, Freddie Mac, and Ginnie Mae application documentation in accordance with GSE's and Ginnie Mae guidelines.
- Implementation of specific due diligence tasks that need to be completed for submitting the application.
- Completion of checklists and questionnaires in each due diligence area required to complete the Fannie Mae, Freddie Mac and Ginnie Mae application.
- Review implementation of GSE's and Ginnie Mae's terms and conditions required to be implemented, in accordance with the application processing.
- Assist in identifying and forging relationships with certain parties, such as Servicers, Document Custodians, and compliance support entities for Fannie Mae, Freddie Mac Seller/Servicer or Ginnie Mae Issuer eligibility.
- Policies and Procedures – Secondary Marketing and Servicing, as required by the GSE's and Ginnie Mae.
- Quality Control Plan – Underwriting, Originating, Secondary Marketing, and Servicing, as required by the GSE's and Ginnie Mae.
- Training employees involved in Fannie Mae, Freddie Mac Seller/Servicer or Ginnie Mae Issuer loan originations.
- Monitor process implementation, including assistance with periodic reporting and updating requirements to maintain active status as a Fannie Mae, Freddie Mac Seller/Servicer or Ginnie Mae Issuer.

## **ANTI-MONEY LAUNDERING PROGRAM**

We review, monitor, audit, test, and provide policies, procedures, and forms, in accordance with the Anti-Money Laundering Program (AML) and Suspicious Activity Report (SAR) filing requirements for Residential Mortgage Lenders and Originators (RMLOs).

### **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 REMLO's due diligence beyond the minimum due diligence obligations dictated by the level of risk posed by the individual RMLO customer

### **Risk Assessment**

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- 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 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

#### **ANTI-MONEY LAUNDERING TEST**

- Audit responses to Prior Year Consulting and Regulatory Examination Reports, if applicable
- Issue and Review Document Request
- Conduct Anti-Money Laundering (AML) Risk Assessment
- Review:
  - AML Compliance Program Oversight
  - Customer Identification Program Oversight
  - Suspicious Activity Reporting (SAR) Policies and Procedures
  - Suspicious Activity Monitoring Systems
  - Transaction Testing, consisting of a five (5) samples of filed Suspicious Activity Reports (SARs) in order to determine completeness, competency, and accuracy
  - Information Sharing Practices under Section 314(a) and 314(b) of the USA PATRIOT Act (if applicable)
  - Reporting of Cash Payments Over \$10,000 (FinCEN Form 8300), if applicable
  - Report of Foreign Bank and Financial Accounts (IRS Form TD F 90-22.1), if applicable
  - Report of International Transportation of Currency or Monetary Instruments (FinCEN Form 105), if applicable
- Entrance and Exit Interviews
- Issue an Audit Report containing Executive Summary, Findings, and Recommendations

#### **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.

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- 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.

#### Due Diligence Reviews

- ADVERTISING, TELEMARKETING, SOCIAL MEDIA
- ANTI-MONEY LAUNDERING PROGRAM (AML) AND SAR COMPLIANCE
- AUDITS FOR ALL DEPARTMENTS AND FUNCTIONS
- COMPLIANCE MANAGEMENT SYSTEM
- CONSUMER COMPLAINTS
- CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) – EXAM READINESS
- CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) – EXAM SUPPORT
- CUSTOMER IDENTIFICATION PROGRAM (CIP)
- CYBERSECURITY RISK ASSESSMENT
- EQUAL CREDIT OPPORTUNITY ACT
- EXAMINATION SUPPORT: HUD, VA, FEDERAL, STATE
- FAIR LENDING REVIEWS
- FANNIE MAE INTERNAL AUDIT
- FREDDIE MAC INTERNAL AUDIT
- GINNIE MAE INTERNAL AUDIT
- HMDA DATA COLLECTION & REPORTING
- HUMAN RESOURCES COMPLIANCE
- IDENTITY THEFT PREVENTION PROGRAM – RED FLAGS
- INFORMATION SECURITY AND DISASTER RECOVERY
- INFORMATION AND FINANCIAL TECHNOLOGY
- INTERNAL AUDITS (FANNIE, FREDDIE, GINNIE, CUSTOM)
- LICENSING AND REGISTRATION COMPLIANCE
- LOAN ANALYTICS (FORENSIC, PORTFOLIO, SECURITIZATION)
- LOAN ANALYTICS (HUD, VA, CONVENTIONAL, USDA)
- LOAN ORIGINATOR COMPENSATION (TILA) MORTGAGE OPERATIONS
- LOAN FLOW PROCESS FROM POINT-OF-SALE TO SECURITIZATION
- MARKETING COMPLIANCE
- MERGER AND ACQUISITIONS
- MERSCORP® DUE DILIGENCE REVIEWS
- MORTGAGE SERVICING AND SUBSERVICING
- NATIONWIDE MULTISTATE LICENSING SYSTEM & REGISTRY (NMLS)
- OPERATIONS: CLOSING AND SHIPPING
- OPERATIONS: DISCLOSURE AND PROCESSING
- OPERATIONS: UNDERWRITING AND CREDIT POLICIES
- ORIGINATION PLATFORM CONFIGURATION & DEVELOPMENT
- POINT OF SALE: PROCESS AND DISCLOSURES
- PORTFOLIO RISK ASSESSMENT
- PRIVACY AND GRAMM-LEACH-BLILEY ACT
- QUALITY ASSURANCE PROCESS: ADVERSE ACTION, REPURCHASE, EPD REVIEWS

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- QUALITY ASSURANCE PROCESS: FRAUD, LICENSING, RECORD RETENTION
- QUALITY CONTROL DEPARTMENTS AND FUNCTIONS
- QUALITY CONTROL: PLANS & PROCEDURES
- RATE LOCK AND SALES RATE LOCKS
- REAL ESTATE LOANS – CLOSED-END (RESIDENTIAL)
- REAL ESTATE LOANS – REVERSE MORTGAGES
- REAL ESTATE SETTLEMENT PROCEDURES ACT
- RECORD RETENTION
- REGULATION O: LOANS TO FINANCIAL INSTITUTION EXECUTIVES, DIRECTORS, PRINCIPALS
- RETAIL MORTGAGE LENDER PLATFORM COMPLIANCE
- REVERSE MORTGAGE PLATFORM COMPLIANCE
- RISK APPETITE STATEMENTS
- SAFE ACT COMPLIANCE (SAFE)
- SALES COACHING
- SECONDARY MARKETING AND CAPITAL MARKETS
- SECURITIZATION PROCEDURES FOR MBS AND CMO
- SHIPPING AND DELIVERY
- SOCIAL MEDIA COMPLIANCE
- TRAINING AND EDUCATION
- WEBSITE COMPLIANCE
- WHOLESALE MORTGAGE LENDER PLATFORM COMPLIANCE
- VENDOR MANAGEMENT COMPLIANCE

### **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 Financial Institution brand and attract new customers
- Corporate strategy updates and on-going review of progress and new goals

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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 Supervision and Examination Manual.

### 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

## CMS TUNE-UP!™ - COMPLIANCE MANAGEMENT SYSTEM

The following is the scope of services, conducted off-site, that Lenders Compliance Group provides:

- Entrance and Exit Interviews
  - Conduct with Financial Institution's officials, compliance personnel, and support staff, to:
    - (1) discuss the Financial Institution's lender relationships profile,
    - (2) specify procedures to be followed by the Financial institution for engagement, and
    - (3) answer any questions regarding the auditor's evaluation process.
- Issue Document Request(s)
- Conduct CMS Tune-up!™ that evaluates:
  - Board of Directors and Management Oversight
  - Compliance Program
    - Policies and Procedures
    - Training
    - Monitoring and Corrective Action
  - Consumer Complaint Response
  - Compliance Audit
- Issue Preliminary Report, containing:
  - Executive Summary
  - CMS TUNE-UP!™ Summary

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- Findings, with Risk Ratings and Recommendations for:
  - Board of Directors and Management Oversight
  - Compliance Program
    - Policies and Procedures
    - Training
    - Monitoring and Corrective Action
  - Consumer Complaint Response
  - Compliance Audit
  - Final Report

#### **COMPLIANCE LIBRARY**

- Review existing compliance library regarding the requisite regulatory frameworks for loan originators, mortgage servicers, and related entities
- Build active, digital, searchable library using Financial Institution's intranet resources to ensure conformance with federal and state mortgage loan origination and/or mortgage servicing laws
- Maintain active, digital, searchable library using Financial Institution's intranet resources to ensure conformance with mortgage loan origination and/or mortgage servicing laws
- Periodically update active, digital, searchable library using Financial Institution's intranet resources to provide information regarding newest trends in the industry relating to insurance, regulatory findings, and commonly found mistakes

#### **COMPLIANCE MANAGEMENT SYSTEM REVIEWS**

- Review and produce findings with respect to the following areas subject to Compliance Management System oversight:
  - Policies and procedures;
  - Training;
  - Monitoring; and
  - Corrective action.
- Evaluate the efficacy of the following areas subject to CMS implementation:
  - Board of Directors and Management Oversight
  - Compliance Program
  - Consumer Complaint Management Program
- Review and produce findings with respect to the complaint management program, to include the establishment of:
  - Channels through which the Financial Institution can receive consumer complaints and inquiries.
  - Proper and timely resolution of all complaints;
  - Recordation, categorization, and analysis of complaints and inquiries; and
  - Reviews for possible violations of Federal consumer financial laws.

#### **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 regulations, rules, and laws governing the safeguarding of personal information contained in both paper and electronic records.

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## **FAIR LENDING REVIEWS**

### **Project Launch Meeting**

The first step is to hold a project launch meeting. The agenda for this meeting will include introducing the participants in the project from LCG and the financial institution, discussing the project objectives, milestones, and schedule. In addition, during this meeting, LCG will request certain policies and data files.

### **Fair Lending Analysis – The Options**

- There are two methods for conducting statistical analysis of lending activity to identify and measure Fair Lending risk: (1) Disparity Testing and (2) Regression Analysis. However, at a certain LAR entry and loan volume, regression analysis will be more appropriate for identifying risk and more cost-effective than disparity testing. Therefore, we may recommend regression analysis.
- LCG’s first step in this engagement will be to request data about lending activity during the relevant years. The data request will include HMDA data and a wide range of additional fields of data that come from the financial institution’s loan origination system (LOS) for every application and loan included in the LARs.

### **Comparative File Reviews**

It is possible that the analyses will indicate no Fair Lending risk, but it is more likely the analysis will identify Fair Lending risk in one or more parts of an extended period, with one or more protected classes or prohibited basis groups. Where there is risk, LCG will recommend comparative file reviews (CFRs) and potentially other actions.

### **Report**

Upon completing both the regression analyses and the CFR phases of the analysis, LCG will provide a written report that provides and explains the results found in the analysis. LCG will also make recommendations for next steps.

## **FORENSIC MORTGAGE AUDIT®**

Creating awareness and preventing mortgage fraud one transaction at a time.

- Deep Dive File Review
- Investigative Research
- Loan Process Analytics
- Fraud Detection Audits

## **HR TUNE-UP!™ – HUMAN RESOURCES**

- Entrance and Exit Interviews
  - Conducted with Financial Institution officials, HR Executive, HR personnel:
    - discuss general HR processes and assigned responsibility;
    - specify procedures to be followed by Financial Institution for Engagement;
    - answer any questions regarding the auditor’s evaluation process.
- Document Request
  - Information and Documentation subject to review
- Conduct HR Tune-Up!<sup>™</sup>
  - Hiring/Onboarding
  - FLSA
  - Policies and Handbook
  - Leaves of Absence
  - Discrimination/Harassment/Ethics
- Issue Preliminary Report

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- Executive Summary
- HR Tune-Up!™
  - Findings: strengths and weaknesses
  - Corrective Action(s) recommendations
- Final Report

## **HMDA/CRA SCRUBS**

### **Step by Step Methodology**

1. We will obtain the HMDA-Loan Application Register (LAR) from the financial institution. We will also obtain information about the investors or other parties to which the Financial Institution sells its loans, and we will obtain information needed to calculate reportable rate spreads. We sometimes also seek policy or other information about the data collection process at the client lender to deepen our understanding of how it compiles its LAR.
2. Through discussion with the financial institution, we will secure access to the file documents.
3. We will review all of these data, information, and the organization of systems or documents, and we will develop an operating plan. We will manage the project through our HMDA scrub database, which we adapt to each project.
4. When our systems and plan are ready, we will orient and train the reviewer team members. This involves alerting them to any new aspects of our client’s system or file documents, as well as any other special issues about the particular project, and assigning segments of the LAR to each team member.
5. The team members do their work by pulling LAR-entry data from the file documents.
6. We will use the database to compare what our reviewers find to LAR entries.
  - a. Where the information in the documents matches the LAR entry, and it otherwise appears to be correct, we will conclude that the LAR entry is correct.
  - b. If the information in the files does not match the LAR entry, the database recognizes the discrepancy and, as described below, we will ultimately re-review the record.
7. We will produce an “exceptions report” from the database that shows all of the discrepancies we identify.
8. We re-review each discrepancy to verify its status as an exception, and we communicate with the financial institution about these exceptions.
  - a. Communication can involve simple reporting or, when we identify patterns, telephone communication about the exceptions. The goal is to determine why the exception occurred and to devise a plan for addressing it thoroughly.
  - b. When the problem can be readily addressed, we will simply work through it.
9. Throughout the scrubbing effort, we will provide regular progress reports, and the frequency is determined by the size of the scrub. In this case, we will provide progress reports approximately every week.
10. Upon completing the scrub, we (a) run the standard LAR checks (Validity, Quality, and Semantic) to validate the scrub results, and (b) issue a comprehensive report

## **IDENTITY THEFT PREVENTION PROGRAM**

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

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- 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
- Incident Reports
- Overrides
- Updates
- Revision History
- Approvals

### **INFORMATION SECURITY PLAN AND RISK ASSESSMENT**

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

### **LICENSING (STATE AND FEDERAL)**

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 Financial Institution 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.

#### Clientele

- New Financial Institution
- Home Office and Branches
- Individual License Applications for Brokers, Lenders, Servicers, and Debt Collectors
- Renewals for Financial Institutions, Branches, Individuals

### **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.

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- 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.

## **LOAN LEVEL ANALYTICS**

### **Portfolio Review**

- 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.

## **LOAN ORIGATION SYSTEMS**

Guidance in building retail, wholesale and correspondent platforms, including all regulatory support to established new departments and divisions within the existing Financial Institution 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. Loan Origination Systems installed include Encompass, MortgageFlex, Calyx, custom.

## **LOAN ORIGINATOR COMPENSATION**

Independent review of loan originator compensation using 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).

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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.

### **MERSCORP® GENERAL MEMBER ANNUAL REVIEW**

#### **Due Diligence Scope**

- Member has in place procedures designed to provide reasonable assurance that it has submitted to MERSCORP data for all MERS® System required and conditional reporting fields.
- Member has conducted system-to-system reconciliations for all MERS® System required and conditional reporting fields at the required frequency.
- Required and conditional fields entered on the MERS® System on behalf of Member match those values in Member's internal system, and discrepancies and remediation activities necessary to align the two systems are tracked and monitored on aging reports until cleared.
- Member has in place procedures designed to provide reasonable assurance that it has conducted daily capture of all reject/warning reports associated with registrations, transfers, and status updates on open-item aging reports.
- Member has in place procedures that are designed to provide reasonable assurance of compliance with the MERSCORP rules and procedures applicable to the MERS® Signing Officers.
- Member has monitored its performance against Member's Quality Assurance Plan and has reviewed the plan at least annually for effectiveness and has revised the plan as necessary.
- Member has drafted and implemented a MERSCORP Quality Assurance Plan (Plan) that is compliant with MERSCORP requirements and, if not, this due diligence review shall include corrective action guidance or the drafting of a new Plan.
- Complete the 2017 Annual Report of Quality Assurance Standards Compliance Form, provided by MERSCORP Holdings, Inc., which affirms that LCG, acting in the capacity of the Internal/External third-party review organization, has monitored the Financial Institution's performance against the Quality Assurance Plan and reviewed the Plan for effectiveness.

### **MORTGAGE CALL REPORTS**

#### **Mortgage Call Report (MCR) Preparation and Filing**

- The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) requires all state mortgage licensees to submit a report of financial condition and loan activity to NMLS. The Mortgage Call Report (MCR) functionality in NMLS allows a Financial Institution to submit the required filings through the system.
- We track, prepare and file MCRs on behalf of the financial institution either on a one-time basis, continually, or on-going with our licensing support.

## **MORTGAGE COMPLIANCE (FLAT MONTHLY FEE)**

### **Mortgage Banking and Mortgage Servicing Hands-on Engagements**

- Review existing compliance administration procedures and provide guidance to ensure conformance with federal and state residential mortgage loan origination and/or servicing laws
  - ✓ On-going 24/7 compliance support
- Review consumer disclosures and forms to ensure compliance with federal, state, and portfolio guidelines for mortgage banking and/or mortgage servicing
  - ✓ On-going 24/7 compliance support
- Draft new policies and procedures, where needed, for mortgage acts and practices, in order to ensure compliance with federal and state banking and consumer lending law relating to mortgage banking and/or mortgage servicing
  - ✓ On-going 24/7 compliance support
- Review existing mortgage origination policies and procedures, and, if needed, revise or replace them, in order to ensure compliance with applicable banking law and mortgage banking and mortgage servicing requirements
  - ✓ On-going 24/7 compliance support

### **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.

### **PLATFORM DEVELOPMENT**

- Part 1: Complete preliminary Regulatory Review that determines regulatory compliance considerations and related risks to establish loan origination channel.
- Part 2: Program Guide that outlines the requirements of a channel.
- Part 3: Compliance support and guidance to develop and assist in implementation of the channel.

#### Areas of Interest (AOI)

- ✓ Determine regulatory and risk features for loan origination channel
- ✓ Closing requirements pursuant to Federal regulatory compliance guidelines, FHA guidelines, and GSE Agency Guidelines (as applicable)
- ✓ Outline operational structure to originate loans through the channel
- ✓ Set forth service provider and third-party vendor requirements
- ✓ Set forth eligibility and loan originator application mandates for channel members
- ✓ Determine mortgage quality control standards for pre-funding and post-closing channel loan originations
- ✓ Determine that policies, procedures, controls, monitoring processes, and management reporting are developed or expanded as necessary across all functional areas to minimize the inherent risks in the Channel to the extent possible

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- ✓ Review existing compliance administration policies, procedures, controls, monitoring processes, and management reporting, to provide guidance to ensure conformance with Federal and state-specific loan origination laws and to minimize channel risks.
- ✓ Outline requirements for monitoring, measuring, and reporting on compliance with respect to sales practices, productivity metrics, and appropriate management report formats.

### **POLICIES AND PROCEDURES**

Our Policy and Procedures are comprehensive in scope and conform to all federal, state, Agency requirements. We also offer unique manuals that provide self-assessments to be used as part of an on-going compliance program. All policy documents are customized to the client's business model.

### **PREFUNDING REVIEWS**

- Our suite of prefunding risk evaluation complies with all Fannie Mae requirements. 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

### **QUALITY CONTROL AUDITS**

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 auditors specialize in fast turnaround on recurring QC or special projects.

#### QC Service Options

- ✓ Post-Closing File Audits
- ✓ Pre-Funding Reviews
- ✓ Delinquent Loans & EPDs

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- ✓ Targeted Audits
- ✓ Custom Audits
- ✓ Fraud Detection Reviews
- ✓ 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. It is available at no additional fee to our mortgage quality control clients. Continually updated, it consists of all required audit requirements mandated by FHA, VA, the GSEs, and most investors. (Note: Quality Control Plans are available only to our Quality Control Clients.)

- QUALITY ASSURANCE GUIDELINES
- AUDIT REQUIREMENTS: FHA | VA | GSEs | USDA
- SYSTEM INTEGRITY AND DATA SECURITY
- SELECTION PROCEDURES
- PRE-FUNDING REQUIREMENTS
- AUDITING PROCEDURES: INTERNAL & EXTERNAL
- REPORTS AND FINDINGS
- NOTIFICATIONS TO HUD, BUSINESS UNITS, GSEs
- MAINTENANCE AND OBLIGATIONS
- NUMEROUS REGULATORY ADDENDA
- ADDENDUM: FANNIE MAE LOAN QUALITY INITIATIVE
- THIRD PARTY AUDITOR COMPLIANCE
- MONITORING OF IMPLEMENTATION

### **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

### **RISK APPETITE STATEMENTS**

#### **Objective**

Specify the maximum acceptable performance variable and exposure to losses with a qualitative and quantitative statement which targets the appropriate boundaries when executing on the Financial Institution’s business model. The statement should be useful and relatively simple in structure, focused in its design and very easily communicated so that it resonates with the appropriate stakeholders.

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## Analysis

Evaluate related and interactive risks inherent in the Financial Institution's risk management processes, reporting, reporting:

- Explanation of all issues
- Related risks inherent – regulatory, reputational, borrower harm, legal, strategic, financial
- Any analytics necessary to support the risk decisions
- Risk Exception Formula and Documentation
- Risk Acceptance Formula and Documentation
- Effects of risk exceptions (viz., affecting the consumer and the Financial Institution)

## SALES COACHING

More than ever, sales teams are struggling with unqualified leads, missed sales goals, and lost opportunities. Increasingly, Financial Institution and sales leaders are turning to coaching as a solution. Sales coaching is one of the most powerful, impactful ways to increase revenue and boost individual or group performance. Our sales coaching works one-on-one or in small groups, with firms and individuals, in a highly focused manner, to help them increase effectiveness, revenues, and sales.

### Purpose and Goals

- We work with loan officers to define goals and strategies that tap into their purpose and lead to maximized sales energy, focus, and engagement.
  - Defining the right goals and strategies is crucial for success. If loan officers feel a strong enough desire to accomplish their goals, purpose will drive them forward to reach their full potential.
- We help loan officers to develop habits that will allow them to reach their goals, get the most from their time, and encourage them to maintain current, written, and performance-based action plans.
  - Developing and changing habits sometimes feels like it requires superhuman effort. Yet, this is one reason we meet frequently and regularly with loan officers. The more loan officers know their behavior is being observed, the more likely they will be to stay on task.
- We provide guidance by asking loan officers exploratory questions and allowing them to find their own answers, but also offering our sales knowledge and experience to ensure success!
  - Sales coaching is nothing like sales training, because we offer direct, immediate, timely support that is acceptable and, in some situations, definitely necessary.
- We assess loan officers' needs for skill, knowledge, and even attribute development, thereby encouraging "ownership" of their own potential.
  - When loan officers understand their capabilities and potential, developmental gaps often become obvious. Importantly, we recommend sales development plans.
- We motivate loan officers by genuinely understanding the underlying motivators, ensuring that action is taken to optimize their expectations.
  - Some sales coaches insist that a quota and compensation plan are enough to motivate loan officers, but that is not our philosophy. We have proven that people are motivated by many factors - and not always money! Our skill is knowing how to blend those factors into career-building success.
- We don't cut corners when it comes to compliance, because we have found that the most effective way to develop a loan officer's sales is to ensure that compliance is central to career development!
  - We provide the compliance knowledge and expertise to ensure that all sales coaching accords with accepted sale practices in the mortgage loan origination space.

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## SECURITIZATION AND MORTGAGE FRAUD AUDITS

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.

### SERVICE PROVIDER - DUE DILIGENCE

- In accordance with a lender's pre-set standards and requirements, our staff of trained auditors reviews the service provider's information and documentation to ensure accuracy and verification.
- We provide a due diligence review, which is meant to comply with the guidelines set for by the CFPB and prudential regulators.
- The review process is not a mere compilation of data. It meets or exceeds the due diligence requirements promulgated by the state and federal governmental agencies.
  - Financial Institutions
    - Banks
    - Nonbanks
  - Due Diligence Reviews
    - General Closing Agents
    - Third-Party Vendors
    - Service Providers
  - Quick Processing
    - ✓ Hands-On
    - ✓ Document Analyses
      - Policies and Procedures
      - Financial Statements
      - Licenses
    - ✓ Deep Dive
    - ✓ Civil/Criminal Checks
    - ✓ Summary Report
    - ✓ Risk Rating
    - ✓ Secure Extranet

### SERVICER QUALITY ASSURANCE

- Our Quality Assurance Review is an independent audit and due diligence procedure that concentrates on various functional aspects of the servicer or subservicer. Furthermore, we can customize the review to conform to specific compliance needs.
- Quality Assurance Reviews include, but may not be limited to:
  - ✓ STRUCTURAL REVIEW  
Ascertains that the servicer or subservicer has legal authority to operate in the client's market, is a servicer or subservicer in good standing, and has adequate corporate structure and capacity to enter into a servicer or subservicer agreement.
  - ✓ FINANCIAL REVIEW  
Determines the servicer's or subservicer's financial stability, financial controls, and capacity to enter into and continue a servicer or subservicer agreement.
  - ✓ OPERATIONAL REVIEW  
Verifies the servicer's or subservicer's operational compliance with investors' requirements, loan performance metrics, and demonstrates the capability to provide

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quality service to both mortgagors and investors.

✓ DEFAULT MANAGEMENT

Evaluates default procedures and loss mitigation strategies, including default valuations, REO asset management and disposition, REO title, foreclosure title, short sales, and default workflow.

✓ TECHNOLOGY

Assesses origination workflow platform and integrity analyses of the loan origination system, technology licensing, appraisal reporting, collateral valuations, title insurance, insured and non-insured title reports, closing and escrow accounts, interim servicing, user interface, and normative report functions.

### **SERVICING COMPLIANCE**

- We provide guidance, audits, due diligence reviews, and examination preparation, for transactional matters involving residential mortgage servicing.
- We also assist clients with proactive and remedial efforts to enhance servicing compliance policies, procedures, practices and internal controls, including risk assessments and preparation and review of policies and procedures.

#### COMPREHENSIVE REVIEWS

- Compliance with CFPB requirements
- Default management and foreclosure alternative
- Compliance with HAMP and other federal or state loan modification programs
- Compliance with state default requirements including foreclosure law
- Compliance with bankruptcy rules
- Compliance with state and federal fair debt collection requirements
- Compliance with state and federal privacy requirements
- Compliance with FHA loss mitigation and other default requirements
- Compliance with Fannie Mae, Freddie Mac and private label securities investor requirements
- Review of collection and default correspondence and scripts
- Default fees, services and default arrangements such as lender-placed insurance requirements, field services and valuations
- Advice regarding non-default servicing operations, including billing statements, payment application, customer service, servicing fees, escrows, payoffs and releases
- Advice and assistance in obtaining required state licenses to engage in mortgage servicing operations or to hold MSRs
- Purchase and sale of mortgage servicing and negotiation of subservicing and special servicing arrangements
- State licensing requirements, including impact of SAFE Act loan originator licensing on mortgage servicers

We provide guidance on the operational impacts servicers face integrating compliance with each new statutory provision, federal or state, into their servicing operations.

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### **THIRD PARTY ORIGINATOR APPROVALS**

Auditors review the application and publicly available data to give lenders a richer, multi-faceted and detailed view of their TPOs. All data is made available in a report.

- Third Party Originator Application – Completeness Review
- Lender Specifications: customized to lender requirements
- Document Repository Online (24/7/365)
- Auditors Review: status of all supporting documents
- Analysis: Supporting documents (where required)
- Minimal Software Configuration
- Connectivity: both Extranet and Auditor Contact
- Approval Parameters: TPO's main office and branches
- License Tracking and NMLS Analysis
- Legal Review (where required)
- Civil Background Checks \*
- Criminal Background Checks \*
- Credit Monitoring: derogatory details \*
- Business Report (where required) \*
- Negative Items Report
- Record Retention: historical and legacy documents
- Auditor Contact: directly with Financial Institution or directly with TPOs
- Updates for Lender Personnel or TPO Personnel
- Preliminary and Missing Items Report
- Final Report
- Fraud Alerts
- Ongoing Compliance Surveillance
- MARI/MIDEX Inquiries \*
- Written and Verbal Connectivity (i.e., emails, telephone calls)

Our analytics offer lenders the ability to understand, validate, and verify their TPO relationships in order to comply with federal and state regulatory compliance guidelines.

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\* Pass-Through Fee

### **TRAINING (STATUTORY & BEST PRACTICES)**

- We deliver our training through webinars, online, or live classroom engagements on regulations that impact mortgage compliance implementation. We offer a comprehensive suite of educational programs and services that give professionals nationwide the tools they need excel in the mortgage industry. We can also customize training to suite your needs!
- Our programs help ensure mortgage professionals have the knowledge and capabilities necessary to understand and recognize current business trends and changing industry regulations.

#### **Delivery**

- PowerPoint, Webinar, Lecture Outlines, Attendance, and FAQs
- Conducted by Subject Matter Experts
- One Hour Modules
- Any Size Group

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- On-Site or Off-Site

#### Topics Include

- Ability to Repay/Qualified Mortgage Rule – A Guide
- Advertising and Marketing (RESPA, TILA, FTC)
- Anti-Money Laundering Program (statutorily required)
- Appraisal Compliance
- Borrower's Right to Privacy in a Mortgage Transaction
- CFPB Exam Preparation
- Collecting Government Monitoring Information (HMDA)
- Compliance Management System
- Consumer Complaints and Resolution
- Consumer Financial Protection Bureau: Structure and Scope
- Do Not Call Implementation Act
- Dodd-Frank Act: Structure and Scope
- Electronic Funds Transfer Act
- Equal Credit Opportunity Act
- Essentials of Mortgage Loan Origination- Federal and State Regulations
- Ethical Dilemmas and the Fight against Mortgage Fraud
- Ethics and Fair Lending — HOEPA and Predatory Lending
- Ethics and Fair Lending — Mortgage Fraud and Consumer Protection
- Ethics and Fair Lending (ECOA)
- Examination Preparation (Federally Regulated)
- Examination Preparation (State)
- Fair Credit Reporting Act (FCRA) & Fair and Accurate Credit Transactions Act (FACTA)
- Fair Debt Collection Practices Act – Overview
- Federal Foreclosure Laws and Regulations
- FHA Fundamentals
- Flood Disaster Protection Act
- Fundamentals of Originating and Processing Conventional Loans
- Fundamentals of Originating and Processing FHA Loan
- Government Monitoring Information and Collection (GMI)
- Home Mortgage Disclosure Act - Data Collection and Reporting (HMDA)
- Home Ownership and Equity Protection Act (HOEPA)
- Identity Theft Prevention Program and Red Flag Rule (statutorily required)
- Interest Only and Negative Amortization Mortgages
- Introduction to Mortgage Loan Fundamentals
- Key Components of Credit Reports
- Loan Origination Systems – Overview
- Loan Originator Compensation (TILA)
- Management Guidelines pursuant to the CFPB
- Managing Daily In-House Compliance
- Mortgage Acts and Practices
- Mortgage Loan Fundamentals — Basic Loan Products
- Mortgage Loan Fundamentals — Full Document Loans
- Mortgage Loan Fundamentals — Limited and No-Income Verification Loans
- Mortgage Loan Originating under the New CFPB 2014 Rules
- Mortgage Loan Servicing: New Regulations for Consumer Protection
- Nontraditional Adjustable Rate Mortgages
- Nontraditional Fixed Rate Mortgages
- Policies and Procedures for Investors
- Policies and Procedures for Lenders (Mortgage Bankers)
- Policies and Procedures for Mini-Correspondents
- Policies and Procedures for Mortgage Brokers
- Policies and Procedures for Mortgage Servicers
- Policies and Procedures for Vendors
- Privacy and Gramm-Leach-Bliley
- Protecting Consumers through the Fair Credit Reporting Act
- Quality Control Requirements
- Real Estate Settlement Procedures Act (RESPA) and the Good Faith Estimate

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- Reporting Requirements under the Home Mortgage Disclosure Act – for MLOs
- Reporting Requirements under the Home Mortgage Disclosure Act – for Staff
- RESPA/TILA Disclosure Integration
- Reverse Mortgages – A Guide
- Right of Rescission (TILA)
- Secure and Fair Enforcement for Mortgage Licensing Act (Safe Act)
- Servicing Standards and Guidelines
- Social Media Compliance
- Subprime Mortgages
- Telemarketing Sales Rule
- Third Party Providers and Vendor Management
- TILA-RESPA Integration Disclosure (TRID)
- Truth-in-Lending Act (TILA) and the TILA Disclosure
- Understanding the Property Appraisal Process
- Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
- Vendor Management Compliance

### **VENDOR MANAGEMENT COMPLIANCE**

Bulletins issued by the Consumer Financial Protection Bureau (CFPB), Office of the Controller of the Currency (OCC), and National Credit Union Administration (NCUA) raise the bar on effective Third-Party Management.

#### **Vendor Due Diligence**

- Closing Agents
- Third Party Vendors
- All Risk Categories

#### **Report Findings**

Contain analytics and risk ratings! We provide a comprehensive due diligence to financial institutions in conformance with CFPB guidelines and the following six criteria:

- Review arrangements, agreements, or contracts exist with vendors and third parties related to mortgage products or servicing.
- Determine changes have been made or need to be made to the above arrangements, agreements, or contracts to ensure that service providers comply with new regulations and all legal obligations.
- Audit complaints reviewed regarding vendor activity for compliance and process concerns.
- Evaluate training procedures received and reviewed for third parties related to regulatory requirements.
- Determine training provided by any third-party service providers.
- Assess sample of contracts with any third parties related to mortgage activities.

### **WEBSITE COMPLIANCE REVIEWS**

#### **Subject to Review**

- Links: verify all links and ensure they are appropriate
- Policy and Procedure: ensure the policy and procedure documents meet existing regulations and industry Best Practices
- Online feedback: review that emails and instant messages and other forms of communications are working as intended
- Laws and Regulations: determine that the organization complies with applicable federal and state regulations

#### **Review Structure**

- Review written policy and procedures

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- Review layout, links and information on website
- Review compliance with all relevant laws and regulations
- Review all relevant customer tools including response items such as email and instant messaging to ensure staff is monitoring the system correctly
- Preliminary Report – evaluations and remediation steps
- Review report with internal staff
- Review organization’s rebuttals and new information
- Final Report – all findings, evaluations, and remediation steps