

## SPONSORED ORIGINATOR GENERAL REQUIREMENTS & QUALITY CONTROL PLAN

The purpose of this document is to ensure that \_\_\_\_\_  
Company Name  
 maintains compliance with HUD/FHA requirements and Provident Bank Mortgage requirements for Sponsored Originators.

### REQUIREMENTS

#### GENERAL STANDARDS:

- Must maintain and Employer Tax Identification (EIN) number.
- Will have acceptable delinquency vs. national average ratio through Neighborhood Watch.
- Satisfactory volume level and quarterly pull through ratios with PBM.

#### LOCATION:

- The office is located in a commercial building and PBM has the current address.
  - The office is properly and clearly identified for any walk-in customers; has adequate office space and equipment; is in a location conducive to mortgage lending; and is separated from any other entity by walls or partitions (entrances and reception areas may be shared);

#### OPERATIONS AND PERSONNEL:

- Sponsored Originator shall not have any officer, partner, director, principal manager, employee or 1099 contractor who is currently suspended under a limited denial of participation (LDP); under indictment for or has been convicted of and offense that reflects adversely upon the sponsored originators integrity, competence or fitness to meet responsibilities of a sponsored originator; will not engage in business practices that do not conform to generally accepted practices of prudent origination or that demonstrate irresponsibility; have been convicted of or who has pled guilty to a felony related to participation in the real estate or mortgage loan industry; or is in violation of provisions of the SAFE Mortgage Licensing Act of 2008 or any provision of State law.
- Operations are conducted in a professional, business-like environment;
- The office is sufficiently staffed with trained personnel;
- All personnel have access to relevant statutes, regulations, HUD issuances and Handbooks, either in hard copy or electronically;
  - A library, either electronic or physical, complete with manuals, handbooks, regulations and mortgagee letters will be maintained and updated in the processing office.
  - Procedures are revised to reflect changes in HUD requirements and personnel are informed of the changes.

Sponsored Originator will be at all times in compliance with the provisions of the Real Estate Settlement Procedures Act (RESPA), including the distribution to mortgagors of the Special Information Booklet, Good Faith Estimates and disclosure of business relationships with a particular provider of services.

## QUALITY CONTROL REVIEW PROCESS

PBM requires sponsored originators conduct a monthly quality control review process, within their own office, that will be completed by an employee of the sponsored originator who is independent of the loan processing/sales responsibilities or outsourced to a non interested third party. The loans in this review will be based on the sample selection requirements below.

## SAMPLE SELECTION

- A. 10% of all FHA closed loans must be randomly selected for audit and 10% of all declined FHA loans will be randomly selected for audit. These loans will be pulled from the previous months closing and decline production.
- B. High risk loans will be targeted for quality control review. These include:
  - 2-4 unit properties;
  - New construction or rehab loans;
  - Properties transferred within the past year;
  - Substantial seller concessions;
  - Non-occupying co-mortgagors or multiple mortgagors;
  - Housing expenses increasing by 1.5 times or more;
  - Large or multiple earnest money deposits (money orders);
  - Large increase in bank account balance;
  - Sale of personal property for funds to close;
  - Gifts or loans of funds to close.
- C. The work of each loan processor, loan officer, real estate company or builder that does significant business with the sponsored originator must also be reviewed.

## QUALIFYING DOCUMENT REVERIFICATION

All documentation provided to obtain loan approval must be re verified either verbally or in writing. This includes all documentation submitted with full and with alternate documentation. If in writing a photo copy of the document will be sent to the employer, depository, landlord, etc, with a cover letter requesting confirmation of the accuracy of the document.

Determination will be made that loan document requiring signatures were signed by the mortgagor.

Determination will also be made whether the information in the preliminary loan application, final application and all credit documents is consistent or reconciled.

Applications will be monitored to ensure that sufficient questions are asked of each applicant to be certain that a complete picture of the applicant's ability to repay the loan is presented. This includes sufficient information regarding the income, source of funds and intended use of the property.

Included in the monitoring will be an interview with applicant to determine they understood the process and their obligations to avoid misrepresentations and falsifications. The identity of the loan applicants will also be verified.

Employees of the sponsored originator will also be monitored by the sponsored originator management to ensure they are knowledgeable of the origination process and are able to adequately convey the applicant's responsibilities in obtaining a FHA – insured mortgage.

#### DOCUMENTATION REQUIRED FOR QC OF CLOSED LOANS

1. New credit reports (three bureau merged in-file credit reports) will be included with each audit unless the loan was a streamline refinance. The new credit report is to be ordered from a source other than the credit report used for underwriting.

The new credit report is to be compared to the initial report. Special attention should be paid to any accounts on the audit report which should have been included on the initial report of derogatory information on the report which should have been on the initial report.

When discrepancies are found, the original reporting agency should be contacted for explanation.

An additional area of concern is new accounts originated by the borrower after the original credit report was completed, but prior to the loan closing and were not disclosed. In these cases determination should be made on the effect the new debt would have on qualifying. In cases where the new debt would negatively affect the borrower's ability to qualify for the mortgage loan, borrowers are to be contacted for an explanation for lack of disclosing the debt.

2. Re verification of employment and income will depend on the documentation obtained during processing.
  - a. Written verifications of employment, paystubs and W-2's are to be verbally or in writing re verified with the employer.
  - b. Executed IRS form 4506T must be obtained and used to verify the accuracy of the tax returns and/or W-2's.

- 3. Source of funds such as verification of deposit, depository statements, stock or security statements, HUD-1's for proceeds from sale of a previous residence and gift funds will be re verified either verbally or in writing. Determination will be made that the loan file contains pertinent documentation of the mortgagor's source of funds for the required investment, the acceptability of that source and that any obligation to repay the funds was properly documented.

Discrepancies in re verifications of sources of funds must be investigated and resolved.

- 4. Handwritten applications or initial applications, if originally generated by computer, are to be sent to the borrowers with a cover letter for re verification of accuracy. Determination will also be made if the initial application includes each outstanding debt and asset.
- 5. Determination will be made that the mortgagor was not utilized as a "straw buyer" and that the property has not been transferred at the time of closing or soon after.

This plan is in addition to the quality control reviews performed by the Sponsoring Lender - Provident Bank Mortgage.

An on site office review will be completed by Provident Bank Mortgage at least one time yearly for offices identified as higher risk or as deemed appropriate. Higher risk factors include, but not limited to, high early default rates, new key personnel, sudden increases in volume or past problems.

By executing this document I acknowledge that \_\_\_\_\_,  
Company Name  
 sponsored originator by Provident Bank Mortgage, will adhere to the above Quality Control Plan.

\_\_\_\_\_  
 Officer/Broker/Owner Sponsored Originator

\_\_\_\_\_  
 Date