



SECTION:
Compliance

DATE:
January 15, 2014

SUBJECT:
Wholesale Broker Quality Control Plan

REVISION/DATE:

INTRODUCTION

Please note that this procedure is an internal document of the Company. This procedure does not create rights or obligations to any of the current or future customers; it is an internal document adopted pursuant to applicable law(s). In accordance with applicable laws and regulations, this procedure may be modified, restated, and/or amended at any time at the discretion of the Company.

OVERVIEW

The purpose of this document is to ensure that the Company maintains compliance with CFPB, HUD/FHA, VA, FNMA and FHLMC requirements and OCMBC, Inc. requirements as a OCMBC Third-Party Originator (TPO).

GENERAL REQUIREMENTS

The Company will maintain the following:

- ✓ Must maintain a valid Employer Tax Identification (EIN) number.
- ✓ Must maintain a valid NMLS license and number.
- ✓ Satisfactory volume level and quarterly pull through ratios with OCMBC, Inc.

A DIVISION OF OCMBC, INC.

The office is located in a physical location with a valid and verifiable address.

- Address and/or P.O. Box address.
- Home office is acceptable – must have full access during regular business hours.
- Change of address: OCMBC, Inc must be notified within three (3) business days and any change of address.

OPERATIONS

Third Party 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, any offense that reflects adversely upon the Third-Party Originator's integrity, competence or fitness to meet responsibilities of a Third-Party 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, CFPB & HUD issuances and Handbooks, either in hard copy or electronically;



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- ✓ A library, either electronic or physical, complete with manuals, handbooks, regulations and mortgage letters will be maintained and updated in the processing office;
- ✓ Procedures are revised to reflect changes in CFPB & Agencies' requirements and personnel are informed of the changes;
- ✓ Third-Party 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.(i.e. in-house escrow or affiliated with an escrow company, etc.)

QUALITY CONTROL REVIEW PROCESS

OCMBC, Inc requires Third-Party Originators to conduct a monthly quality control review process, within their own office, that will be completed by an employee of the Third-Party 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:

- A. Ten (10%) percent of all closed loans must be randomly selected for audit and Ten (10%) of all declined loans will be randomly selected for audit. These loans will be pulled from the previous months closing and declined 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 Third-Party Originator must also be reviewed for compliance.

QUALIFYING DOCUMENT RE-VERIFICATION

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.



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- ✓ 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 Third Party Originator will also be monitored by the Third Party Originator management to ensure they are knowledgeable of the origination process and are able to adequately convey the applicant's responsibilities.

QUALITY ASSURANCE OF CLOSED LOANS

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.

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.

A. CREDIT

1. New credit reports (three bureau merged in-file credit reports) will be included with each audit unless the loan was an FHA streamline refinance.
2. 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.
3. When discrepancies are found, the original reporting agency should be contacted for explanation.
4. 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 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 and OCMBC, Inc is to be notified of the findings.

B. EMPLOYMENT AND INCOME

1. Re-verification of employment and income will depend on the documentation obtained during processing:



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2. Written verifications of employment, paystubs and W-2's are to be verbally or in writing re-verified with the employer.
3. Executed IRS form 4506T must be obtained and used to verify the accuracy of the tax returns and/or W-2's.

C. ASSETS

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 the 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.

QUALITY ASSURANCE AND AFFILIATE CERTIFICATION

The Qualified Mortgage, (QM), regulation states that certain fees paid to a broker must be included in the QM points and fees test. In order to ensure that OCMBC, Inc loans qualify for QM, OCMBC must identify affiliated entities of brokers with whom it does business with.

OCMBC does not provide legal advice as to whether an entity is an affiliate of a broker. However, to help you accurately identify your affiliates, we have included information from the Truth-in –Lending (TILA) below.

TILA defines “affiliate” as any company that controls, is controlled by, or is under common control with another company, as (control is defined) in the Bank Holding Company Act.

Any company (person) has control over any Company if:

- The company (person) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25% or more of any class of voting securities of the bank or company;
- The company (person) controls in any manner the election of a majority of the directors or trustees of the bank or company; or
- The Board determines, after notice and opportunity for hearing, that the company (person) directly or indirectly exercises a controlling influence over the management or policies of the bank or company.

State law and regulatory and court interpretations of affiliation and control may vary. Generally, if entities have 25% or more common ownership or subsidiary relationship or if one entity or person otherwise exercises a controlling influence of the management or policies of the other entity, the entities will be deemed to be affiliates. A family relationship is not a conclusive indication of control or affiliate status. However, courts and regulators often find that entities are affiliates if controlling owners of entities have a close family relationship for example, a wife owns majority interest in a title company



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and her husband owns a majority interest in a mortgage broker.

Based on the information provided above, please identify any of your affiliates that provide settlement services.

Affiliate Name

Service Provided

CONCLUSION

This plan is in addition to the quality control reviews performed by OCMBC, Inc. An on-site office review will be completed by OCMBC 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, inadequate pull-through ratios, and sudden increases in volume or past problems.

By executing this document I acknowledge that the Company, a Third-Party Originator sponsored by OCMBC, Inc. will adhere to the Quality Control Plan above.

_____ NMLSR _____ Date _____
Officer/Broker/Owner Third Party Originator