



## **National Loan Auditors, LLC**

[www.NLaudit.com](http://www.NLaudit.com)

**877-670-8822**

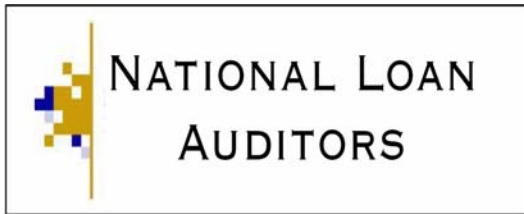
The company was founded in 2000 to provide quality control, risk assessment consulting, and fraud prevention to the mortgage and banking industry. Through the years we have expanded our services based on the needs and demands of our clients. We have assembled a team of industry professionals with varied and in-depth knowledge and experience in all areas ranging from mortgage operations, banking operations, software integration, and training solutions.

We strive to provide our clients with unequalled customer service, cost effective business solutions, and qualified, experienced, professional consultants. National Loan Auditors, LLC offers you viable and cost effective alternative to permanent compliance staffing. We are committed to personal service and customer satisfaction. Our goal is to build a long lasting relationship with each client.

National Loan Auditors, LLC reviews each selected file to ensure conformance to investor/regulatory requirements, sound underwriting and closing decisions were made. Specific areas of review include:

- Ensure loan was properly underwritten and sound judgment used
- Credit documents and calculations are reviewed to ensure the borrowers have demonstrated the ability and willingness to repay the debt.
- Appraisals are reviewed to ensure that the subject property represent adequate collateral for the mortgage.
- Red Flag reviews are conducted on all loans to identify if there are any inconsistencies that may be indicative of fraud or misrepresentation.
- Closing documentation is reviewed to ensure conformance with guidelines.
- Disclosure documents are review to ensure compliance.
- Anti-Predatory Lending (HOEPA Section 32) state and federal compliance.

National Loan Auditors  
"Saving Dreams, One Home at a Time"  
1646 North California, Blvd. Suite 210., Walnut Creek, CA 94596



**NLA**, at the conclusion of the review will generate reports and forward to client. The reports are as follows:

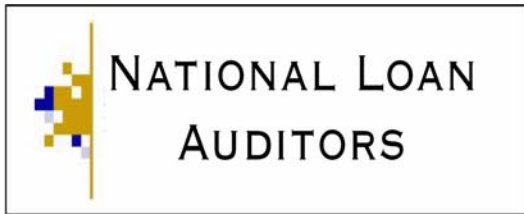
- Loan Rating Detail
- Individual Loan Summary, and Results Detail
- Detailed Exception Report
- Exception Analysis by Area of Responsibility
- Loan Rating by Originator
- Loan Rating by Underwriter
- Loan Rating by Loan Type
- Loan Rating by Loan Purpose
- Specialized reports can be prepared at the clients' request.

**NLA** prepares a QC file for each loan audited. The QC folder will identify the client and the specific audit and loan number and the borrower's name. The QC file contains the following:

- Copies of all forms and loan documents supporting the exceptions
- Merged in-file credit report if required
- RMCR if required
- Field review appraisal if required
- All returned reverification information

**NLA** provides post funding and pre funding quality control reviews and audits through an outsourcing agreement. Reviews are provided for FNMA, FHLMC, FHLB, FHA, Conventional, Sub prime, and VA Loans. This allows the mortgagee and loan correspondents to devote their full attention to increasing production.

**NLA** utilizes the latest technological resources along with a staff of experienced underwriters to provide a thorough audit of your files. Each file is dealt with the highest level of confidentiality and reviews are completed in an expedient manner.



## **NLA Services**

**File Selection**

**Re-verification**

**Appraisal Review**

**Debt Ratio and Closing Analysis**

**Loan Documentation**

**Fraud Detection**

**30 Day Turn Around**

NLA produces management reports with easy to read risk assessments, trend analysis, and personnel reports. The report also provides a detailed analysis of each loan review. The reports can be grouped by branch office, underwriter, processor, broker or correspondent.



## **Closed Loan Audit Procedures**

### **Loan Selection;**

A random 10% or a 2% sample that will provide a 95% confidence level will be chosen from closed loans on monthly basis. If fewer than 10 loans are closed monthly, a 90 day sample will be selected. If fewer than 10 loans are closed annually one loan from the year will be selected.

Random selection shall assure all loan officers, processors, underwriters, and appraisers are subjected to review

A minimum of 10% of total loans rejected will be reviewed, concentrating on three particular areas. First, the reasons given for rejection must be reviewed and determined to be valid. Second, NLA must ensure that a senior staff person or officer of the company or a committee chaired by a senior staff person or officer concurred with the rejection. NLA will also ensure that the requirements of the Equal Credit Opportunity Act are met and documented in each file. Where possible discrimination is noted, the mortgagee is expected to take immediate corrective action.

### **Document Review and Verification**

**Credit Report.** A new credit report will be obtained for each borrower whose loan is included in a Quality Control review, unless the loan was a streamline refinance or was processed using an approved automated underwriting system exempted from this requirement. A credit report obtained for a Quality Control review may be a Residential Mortgage Credit Report, a three repository merged in-file report or, when appropriate, a business credit report. The report must comply with the credit report standards described in the appropriate sellers guide. A full Residential Mortgage Credit Report must be obtained from a different credit source on cases in which the in-file report reveals discrepancies with the original credit report.

### **Verifications;**

All verifications, gift letters, other credit related documents, and the original loan are re-verified.

Re-verification requests will be sent with a cover letter from NLA to the address shown on the verification to certify that the figures, signatures and information were correct and the signatory had the authority to sign the verification as of the original verification date.



## NATIONAL LOAN AUDITORS

**Credit Document Reverification.** Documents contained in the loan file will be checked for sufficiency and subjected to written reverification. Examples of items that will be reverified include, but are not limited to, the mortgagor's employment or other income, deposits, gift letters, alternate credit sources, and other sources of funds. Sources of funds will be acceptable as well as verified. Other items that may be reverified include mortgage or rent payments. If the written reverification is not returned, a documented attempt will be made to conduct a telephone reverification. If the original information was obtained electronically or involved alternative documents, a written reverification will still be attempted. Any discrepancies will be explored to ensure that the original documents (except blanket verification releases) were completed before being signed, were as represented, were not handled by interested third parties and that all corrections were proper and initialed. All conflicting information in the original documentation will be checked to insure it was resolved before the complete file was submitted to the underwriter.

**Appraisals.** A desk review of the property appraisal will be performed on all loans chosen for a Quality Control review except streamline refinances and Real Estate Owned (REO) sales. The desk review will include a review of the appraisal data, the validity of the comparables, the value conclusion, any changes made by the underwriter and the overall quality of the appraisal.

NLA will contract field appraisal reviews on 10% of the loans selected during the sampling process outlined previously in paragraph. Field reviews will be performed by licensed appraisers. NLA will select loans for field reviews based on factors such as the following:

- Discrepancies found during desk reviews
- Large adjustments to value
- Comparable sales more than six months old
- Excessive distances from comparables to the subject property
- Repetitive sales activity for the subject property
- Investor-sold properties
- Identity of interest between buyer and seller
- Seller identity differs from owner of record
- Vacant properties
- Value increased 20% or more within 12 months of a previous sale

In addition, a field review will be completed on loans selected if serious deficiencies or patterns are uncovered,



## NATIONAL LOAN AUDITORS

**Occupancy Reverification.** In cases where the occupancy of the subject property is suspect, NLA will attempt to determine whether the mortgagor is occupying the property. If it is found that the mortgagor is not occupying a property mortgaged as owner-occupied, NLA will report this, in writing. NLA will also advise further review of other similar loans for occupancy.

**Underwriting Decisions.** Each loan selected for a quality control review will be reviewed for compliance with FNMA, FMHLC, FHLB, VA, HUD and any applicable sub prime underwriting requirements, sufficiency of documentation and the soundness of underwriting judgments.

**Condition Clearance and Closing.** Each loan selected for a quality control review will be reviewed to determine whether:

- Conditions which were required to be satisfied prior to closing were in fact met prior to closing;
- The seller was the owner of record, or was exempt from the owner of record requirement in accordance with FNMA, FMHLC, FHLB, VA, and HUD regulations;
- The loan was closed and funds disbursed in accordance with the mortgagee's underwriting and subsequent closing instructions; and
- The closing and legal documents are accurate and complete.

### **File Review**

#### **Document Review;**

Determine whether the information in the preliminary loan application, final application and all credit documents is consistent or reconciled.

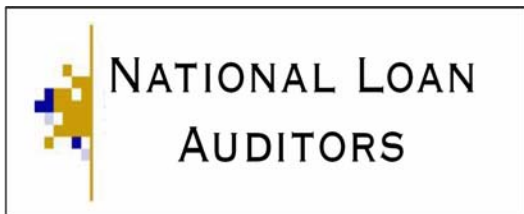
Determine whether the appraised value was established using reasonable comparables, reasonable adjustments, and in expectation of repairs required to meet minimum safety and soundness requirements. Determine whether a field review was performed if the value of the property increased 20% or more within 12 months of a previous sale.

Determine whether loan documents requiring signature (other than blanket verification releases) were signed by the mortgagor or employee(s) of the mortgagee only after completion; and that all corrections were initialed by the mortgagor or employee(s) of the mortgagee.

Determine whether verifications of employment, verifications of deposit or credit reports are suspect due to handling by any interested third party or the mortgagor.

Determine whether the loan file contains a financial statement, tax returns and the appropriate type of credit report if the mortgagor is self-employed.

Determine whether more than one credit report was ordered and whether all credit reports were submitted with the loan package to the underwriter.



Determine whether 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 (if any) to repay the funds is included on Form HUD-92900 (MCAW). This is especially important in cases where the source was other than the applicant's accounts at a financial institution.

Determine whether all conflicting information or discrepancies in the application file were resolved and properly documented in writing prior to submission of the loan for underwriting.

Determine whether there are sufficient and documented compensating factors if the debt ratios exceed loan program limits.

Determine the accuracy and completeness of underwriting conclusions and mortgagee documentation.

**Document Review; (cont)**

Determine whether all conditions were cleared prior to closing.

Determine whether the HUD-1 Settlement Statement (HUD-1) was accurately prepared and properly certified. Assure that only allowable fees and charges were paid by the mortgagor. The HUD-1 should be compared with other relevant loan documents to determine whether the mortgagor made the required minimum investment

Determine whether the loan file contains all required loan processing, underwriting and legal documents.

(FHA) Determine whether the loan was submitted for insurance within 60 days of closing or included a payment history showing the loan was current when it was submitted for mortgage insurance.

Determine whether the seller acquired the property at the time of or soon before closing, indicating a possible property "flip."

If possible, determine whether the mortgagor transferred the property at the time of closing or soon after closing, indicating the possible use of a "strawbuyer" in the transaction.

Determine whether all items requiring documentation have been properly evidenced and retained in the file.

(FHA) Determine that no one is employed for HUD origination, processing, underwriting or servicing who is debarred, suspended, subject to a Limited Denial of Participation (LDP) or otherwise restricted from participation in HUD/FHA programs. HUD recommends a periodic check of the employee list, at least semi-annually.



## NATIONAL LOAN AUDITORS

Determine whether relevant loan documents were signed in blank by the mortgagor or employee(s) of the mortgagee; and that all corrections were initialed by the mortgagor or employee(s) of the mortgagee.

Determine whether the loan is subject to any HOEPA laws and all appropriate high cost lending disclosures were made.

### **Document Review; (cont)**

Determine whether verifications of employment, verifications of deposit and the credit report were handled by any interested third party or the mortgagor.

Determine if more than one credit report was ordered; determine whether all credit reports were submitted with the loan package to underwriting.

Determine whether the preliminary loan application lists each outstanding liability and each asset of the mortgagor that was used to qualify for the mortgage.

(FHA) Determine whether any outstanding judgments shown on the credit report were shown on the Form HUD 92900 with an accompanying explanation and documentation. Explanations are not acceptable where there is a delinquency or judgment involving debt to the Federal Government.

Determine whether the loan file contains pertinent documentation if the mortgagor's source of funds for the required minimum investment was other than deposits in a savings institution and whether the source of funds was verified.

Determine if gift letters state the relationship of donor to mortgagor, are free of any obligation to repay the gift, and that gift funds were deposited into the mortgagor's account.

Determine whether there was written reverification of the mortgagor's employment, deposits, gift letter or other source of funds and a new credit report reordered.

(FHA) Determine whether all conflicting information or discrepancies were resolved and properly documented in writing prior to submission of the loan to HUD-FHA for mortgage insurance endorsement.



## NATIONAL LOAN AUDITORS

### **Document Review; (cont)**

This involves comparison of the preliminary loan application and original verifications of employment, verifications of deposit, final loan application Form HUD 92900 and all reverification documents.

Determine whether a field review of the appraisal was performed.

Determine the accuracy and completeness of underwriting conclusions and mortgagee documentation.

### **Documents reviewed include but are not limited to:**

Initial 1003  
Good Faith Estimate  
Truth in Lending  
Verification of Employment  
Verification of Deposits  
Verification of Mortgages  
Gift Letters  
Tax Returns  
Bank Statements  
W-2's  
Paystubs  
Credit Reports  
Letters of Explanation  
Appraisal  
1008  
Purchase Agreement  
Loan Approval & Conditions  
Title Commitment  
Survey  
Final Application  
Borrower Identification  
FHA & VA Insurance Certificates  
Agency Disclosures  
Warranty Deed  
Recorded Deed of Trust  
PMI Insurance  
Note  
Deed of Trust  
HUD 1



## NATIONAL LOAN AUDITORS

Compliance Agreement  
Loan Pay-offs  
Assignments  
Note/DOT Riders  
Title Policy  
Insurance Policy  
Real Estate Tax

### **Pre-Funding Loan Audit Procedures**

#### **Loan Selection;**

Prior to submission to underwriting all loans will undergo a 24 hour evaluation.

#### **Document Review and Verification**

**Credit Report.** A complete and thorough review of the credit report and a comparison of the credit report to the loan application.

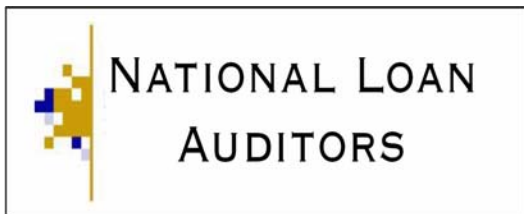
#### **Verifications;**

All verifications, gift letters, other credit related documents, and the original loan will be re-verified.

Re-verification requests will be done via the telephone. Incomplete or unsuccessful re-verification will be noted.

**Credit Document Re-verification.** Documents contained in the loan file will be checked for sufficiency and subjected re-verification. Examples of items that will be re-verified include, but are not limited to, the mortgagor's employment or other income, deposits, gift letters, alternate credit sources, and other sources of funds. Sources of funds must be acceptable as well as verified. Other items that may be re-verified include mortgage or rent payments. Any discrepancies will be explored to ensure that the original documents (except blanket verification releases) were completed before being signed, were as represented, were not handled by interested third parties and that all corrections were proper and initialed. All conflicting information in the original documentation should be resolved before the complete file was submitted to the underwriter.

**Appraisals.** A desk review of the property appraisal will be performed on all loans except streamline refinances and HUD Real Estate Owned (REO) sales.



### **Appraisals (cont)**

The desk review will include a review of the appraisal data, the validity of the comparables, the value conclusion ["as repaired" to meet safety and soundness requirements in HUD Handbook 4905.1 (as revised)], any changes made by the underwriter and the overall quality of the appraisal.

**Occupancy Re-verification.** In cases where the occupancy of the subject property is suspect, an attempt to determine whether the applicant is going to occupying the property will be made.

### **Document Review;**

#### **The Pre-Funding review will attempt to:**

Determine whether the information in the preliminary loan application, final application and all credit documents is consistent or reconciled.

Determine whether the appraised value was established using reasonable comparables, reasonable adjustments, and in expectation of repairs required to meet minimum safety and soundness requirements. Determine whether a field review was performed if the value of the property increased 20% or more within 12 months of a previous sale.

Determine whether loan documents requiring signature (other than blanket verification releases) were signed by the mortgagor or employee(s) of the mortgagee only after completion; and that all corrections were initialed by the mortgagor or employee(s) of the mortgagee.

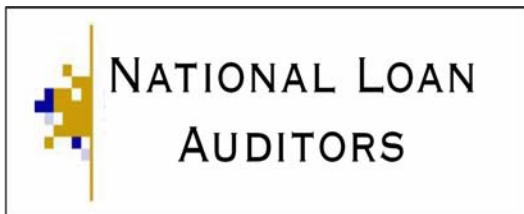
Determine whether verifications of employment, verifications of deposit or credit reports are suspect due to handling by any interested third party or the mortgagor.

Determine whether the loan file contains a financial statement, tax returns and the appropriate type of credit report if the mortgagor is self-employed.

Determine whether more than one credit report was ordered and whether all credit reports were submitted with the loan package to the underwriter.

(FHA) Determine whether outstanding judgments shown on the credit report were shown on the Form HUD-92900 (Mortgage Credit Analysis Worksheet {MCAW}) and acceptably explained in accompanying documentation.

Determine whether 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 is included. This is especially important in cases where the source was other than the applicant's accounts at a financial institution.

Determine whether all conflicting information or discrepancies in the application file were resolved and properly documented in writing prior to submission of the loan for underwriting.

Determine whether there are sufficient and documented compensating factors if the debt ratios exceed lender limits.

Determine the accuracy and completeness mortgagee documentation.

Determine whether the HUD-1 Settlement Statement (HUD-1) was accurately prepared. Assure that only allowable fees and charges were paid by the mortgagor. The HUD-1 should be compared with other relevant loan documents to determine whether the mortgagor is making the required minimum investment.

Determine whether the loan file contains all required loan processing, underwriting and legal documents.

If possible, determine whether the mortgagor is transferring the property at the time of closing or soon after closing, indicating the possible use of a "straw buyer" in the transaction.

Determine whether all items requiring documentation have been properly evidenced and retained in the file.

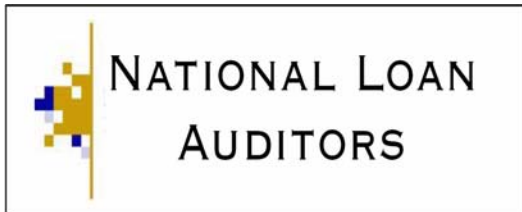
(FHA) Determine that no one is employed for HUD origination, processing, underwriting or servicing who is debarred, suspended, subject to a Limited Denial of Participation (LDP) or otherwise restricted from participation in HUD/FHA programs. HUD recommends a periodic check of the employee list, at least semi-annually.

Determine whether each loan file contains all required loan processing, underwriting and legal documents.

Determine whether relevant loan documents were signed in blank by the mortgagor or employee(s) of the mortgagee; and that all corrections were initialed by the mortgagor or employee(s) of the mortgagee.

Determine whether the preliminary loan application lists each outstanding liability and each asset of the mortgagor that was used to qualify for the mortgage.

Determine whether any outstanding judgments shown on the credit report were with an accompanying explanation and documentation.



Determine whether the loan file contains pertinent documentation if the mortgagor's source of funds for the required minimum investment was other than deposits in a savings institution and whether the source of funds was verified.

Determine if gift letters state the relationship of donor to mortgagor, are free of any obligation to repay the gift, and that gift funds were deposited into the mortgagor's account.

Determine whether there was written re-verification of the mortgagor's employment, deposits, gift letter or other source of funds and a new credit report reordered.

Determine whether all conflicting information or discrepancies were resolved and properly documented in writing prior to submission of the loan to underwriting. This involves comparison of the preliminary loan application and original verifications of employment, verifications of deposit, final loan application and all re-verification documents.

Determine the accuracy and completeness of underwriting conclusions and mortgagee documentation.

Determine that all applicable RESPA documents are in the files and properly executed.

Determine that state regulations have been met.

Determine that mortgage files meet HOEPA/Section 32 Mortgage requirements.

**Documents reviewed include but are not limited to:**

Initial 1003

Good Faith Estimate

Truth in Lending

Verification of Employment

Verification of Deposits

Verification of Mortgages

Gift Letters

Tax Returns

Bank Statements

W-2's

Paystubs

Credit Reports

Letters of Explanation



## NATIONAL LOAN AUDITORS

Appraisal  
1008  
Purchase Agreement  
Title Commitment  
Survey  
Final Application  
Borrower Identification  
Agency Disclosures  
HUD 1  
Compliance Agreement  
Loan Pay-offs  
Assignments  
Insurance Policy  
Real Estate Tax  
APR Tolerance

### **National Loan Auditors, L.L.C.**

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# NATIONAL LOAN AUDITORS

<b>Customer</b>	Mortgage To Go	<b>Control Number</b>	1019011611
<b>Loan Number:</b>	283880-7	<b>GFE Date</b>	6/20/01
<b>App Date</b>	6/18/01	<b>Initial TIL Date</b>	6/20/01
<b>Approval Date</b>	2/18/02	<b>Close Date</b>	2/25/02
<b>Borrower</b>	Bushnell, Michael	<b>Branch</b>	
<b>Co-Borrower</b>	Bushnell, Susan A.	<b>Originator</b>	
<b>Property</b>	1000 Ash Drive Garland, TX		12345
<b>Sales Price</b>	\$232,000.00	<b>Loan Officer</b>	John Smith
<b>Loan Amount</b>	\$208,800.00	<b>Processor</b>	Jane Doe
<b>Appraised Value</b>	\$232,000.00	<b>Underwriter</b>	Linda Longley
<b>Loan Type</b>	CONVENTIONAL	<b>Appraiser</b>	Patrick Jones
<b>LTV</b>	90%	<b>Credit Score</b>	561/682
<b>Rate</b>	10.875	<b>Ratios</b>	24/29
<b>Term/ Months</b>	360	<b>Auto Underwriting</b>	Asset Wise
<b>Occupancy Status</b>	No Exceptions Noted	<b>Predatory %</b>	0
		<b>Occupancy Check</b>	CR

## *Quality Control Summary*

### *\*Verifications:*

**INITIAL 1003** Not completed properly  
**FINAL 1003** Not signed and dated by the borrowers  
**STATEMENTS** Not certified copies  
**FORM 4506** Not in file  
**APPROVAL NOTICE** Amended approval needed  
**1008** Document incomplete

### *\*Appraisal:*

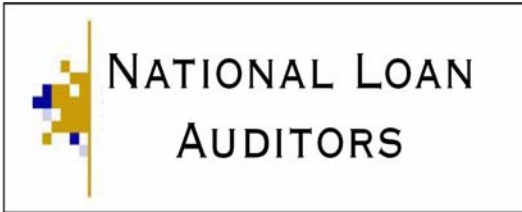
**URAR** Correct name of city not reflected

### *\*Closing Analysis:*

**CLOSING DOCUMENTS** Not in file  
**TITLE COMMITMENT** All liens to be paid in full  
**TITLE COMMITMENT** Not signed and dated by the lender  
**NOTICE OF FUNDING SUSPENSE** Verification all conditions were met

### *\*Compliance Documents:*

**FINAL TIL** Unable to determine APR  
**FINAL TIL** Not in file



## National Loan Auditors, L.L.C.

### *Quality Control Results*

#### *Verifications:*

Initial 1003: The copy in file was not completed properly. See the attached highlighted copy for the missing information.

Final 1003: The copy in file was not signed and dated by the borrowers. This was a condition of the approval.

Statements: The Pay Statements, Bank Statements, W-2 Statements, and Savings Statements were not certified by the lender to be true and correct copies of the originals.

Form 4506: Not in file. This is a condition of the approval.

Approval Notice: The document in file has reflected the borrower was to have netted \$5201.00 from the sale of home. Per the HUD-I in file, the borrowers netted \$5197.29. Although this is a difference of only \$3.71, an amended approval is warranted to support the documentation in file.

1008: The following areas were incomplete; Note Date, Underwriter's name, and the lender contact name and the signature.

#### *Appraisal:*

URAR: The URAR did not reflect the city the property is located correctly. The Survey reflected the property is located in the city of Garland. The URAR has reflected the property is located in Dallas. An amended URAR is needed.

#### *Closing Analysis:*

Closing Documents: The file contained only a limited number of closing documents. Therefore, we were unable to verify if the lender has closed the documents according to the approval and the guidelines.

Title Commitment: Schedule B of the commitment in file has reflected lines under #6. Further verification is needed all liens were either deleted or paid in full and the policy reflected only the new lien with Home Financial for \$208,800.00 in first lien position.

Title Commitment: The Deletion of Arbitration was not signed and dated by the lender.

Notice of Funding Suspense: The notice in file has reflected the borrower was to have brought in his cashier's check for closing and funding. Further verification is needed to insure the borrower has done this and the loan was closed according to the lender's requirements.

#### *Compliance Documents:*

Final TIL: The Note and Final TIL were not in file. Therefore, we were unable to determine if the APR was within tolerance.

Final TIL: Not in file.

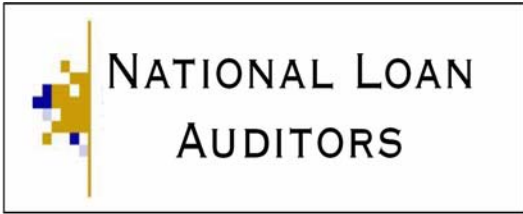
283880-7

Bushnell

2/25/02

Mortgage To Go

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**National Loan Auditors L.L.C.**  
***Mortgage To Go***  
***Quality Control Exception List***

**Closing Date** 2/25/2002                      **Loan Amount** \$208,800.00  
**Loan Number** 283880-7                      **Type** *Mo* CON 360  
**Control #** 1019011611                      **Branch**  
**Loan Officer** John Smith  
**Processor** Jane Doe  
**Underwriter** Linda Langley  
**Borrower** Bushnell, Michael  
**Address** 1000 Ash Drive Garland, TX 12345

<b>Condition</b>	<b>Category</b>	<b>Action To Resolve</b>
Insignificant Exception	INITIAL 1003	Not completed properly
Significant Exception	FINAL 1003	Not signed and dated by the borrowers
Insignificant Exception	STATEMENTS	Not certified copies
Significant Exception	FORM 4506	Not in file
Significant Exception	APPROVAL NOTICE	Amended approval needed
Insignificant Exception	1008	Document incomplete
Insignificant Exception	URAR	Correct name of city not reflected
Significant Exception	CLOSING DOCUMENTS	Not in file
Significant Exception	TITLE COMMITMENT	All liens to be paid in full
Insignificant Exception	TITLE COMMITMENT	Not signed and dated by the lender
Significant Exception	NOTICE OF FUNDING SUSPENSE	Verification all conditions were met
Significant Exception	FINAL TIL	Unable to determine APR
Significant Exception	FINAL TIL	Not in file