

QUALITY CONTROL - CASE STUDY

In Brief

- A financial institution needed a qualified quality control service (QC) provider to perform an independent and comprehensive monthly QC review of a sample of loans to ensure recent industry changes are being met and to identify deficiency trends
- Indecomm implemented a monthly QC process using their proprietary risk management system and qualified quality control specialists to meet the client's requirements and industry guidelines
- The client received comprehensive reports which helped them to identify errors trends which needed corrective action steps

Client Information

Indecomm's client is a \$4.1 billion Financial Services holding company, and is classified as a community bank.

Background

The client provides financial services including personal and business banking, lending and insurance. They are primarily a retail mortgage lender originating within the bank's footprint.

Problem Statement

- With many recent industry changes in compliance and underwriting guidelines, Indecomm's client found it was time to look for a qualified and experienced QC outsource provider, because of their in-house staff's lack of capabilities
- The client needed help to identify areas of concern at the individual and functional group levels in order to identify root causes and take appropriate corrective action steps. Furthermore, the client did not have the system tools necessary for the level of reporting needed to identify trends and root causes

Solution Summary and Key Benefits

- Indecomm implemented a comprehensive QC process for the client in compliance with Fannie Mae, Freddie Mac, FHA, and VA QC requirements using our proprietary risk management platform, Kaizen®. The QC solution includes:
 - o A system based sampling methodology to select a random but representative sample of loans to review
 - o Re-verification and review appraisal process in accordance with industry requirements
 - o A comprehensive underwriting, collateral, compliance, and data integrity review to ensure data is valid, documentation requirements are met, the loan meets investor/agency requirements and in compliance with regulatory and legal requirements

- o Capturing of deficiencies based on severity levels, categories, specific audit questions, and responsible parties
- The client receives monthly reports which identify loan-level defects for the month and trend reports over time. The reports include:
 - o Loan-level reports for each loan sampled during the prior month
 - o Overall error rates and error rates broken down by responsible parties for the month and trends over time
 - o Top error report for the month and top error trends

The Results

- The client found more confidence in the risk assessment of their loan production and compliance with industry QC requirements.
- Indecomm's client is better able to identify patterns of deficiencies and root causes in order to take corrective action and to measure the effectiveness of their action steps
- The client realized consistency in meeting industry standards for required post-closing QC timetables
- Indecomm's client was able to transition fixed costs for QC into variable costs which helped to better predict the costs for QC in their costs per loan financial models