

## PRE-FUNDING UNDERWRITING AUDIT - CASE STUDY

### In Brief

- A mid-size regional lender recently experienced a series of mergers and acquisitions and found different levels of competency in their merged underwriting staff
- Indecomm implemented a pre-funding underwriting review on a sample of each underwriter's decisions to identify deficiencies and assess the skill levels and knowledge gaps for each underwriter
- The client was able to pinpoint which underwriters were meeting expectations and which underwriters needed additional training, coaching and mentoring

### Client Information

An independent mortgage banker located in the D.C. Metro area.

### Background

The client's origination volume is about \$500 million per year. They are a Fannie Mae, Freddie Mac, FHA, and VA approved lender, and operate in a regulated environment with branches in Maryland, Virginia and the District of Columbia.

### Problem Statement

- Indecomm's client recently underwent a series of mergers and acquisitions and found underwriting varied throughout the company
- Management needed a consistent underwriting process, and assurance that all of the underwriters, including the ones with many years of experience have the knowledge and skills to ensure loan quality

### Solution Summary and Key Benefits

- Indecomm dedicated a few underwriters with conventional and government underwriting experience to perform pre-funding underwriting reviews on sample of each underwriters work for a period of a few months
- Indecomm and the client agreed on a sampling methodology which ensured a representative sample of each underwriter's work was audited to be able to gather sufficient data to determine process and knowledge gaps amongst the underwriters
- Indecomm and the client established an audit checklist to ensure consistency in the audit process
- Indecomm performed a comprehensive analysis of each loan file in the sample population for accuracy and integrity of the information used to support the underwriting decision

- The audits were performed within 24-48 hours of the underwriters' decisions in order to ensure timely funding
- Indecomm reported deficiencies found to the original underwriter and the underwriting manager for each transaction so corrective action could be taken before funding
- Indecomm provided monthly summary reports that identified significant, moderate and minor findings. The reports included trending for the entire underwriting team and error trending by individual underwriter. The reports are designed to identify root causes for deficiencies, knowledge gaps and training needs

## The Results

- Indecomm's client received timely, objective, consistent and independent underwriting audit feedback which identified their underwriters' strengths and weaknesses
- Our client was able to identify process and knowledge gaps at a group and individual level. This allowed them to set priorities in developing a training and mentoring plan
- Over a relatively short period of time, our client's management team felt more confident about the consistency of their underwriting process and overall loan quality