



A Renewed Focus on Quality Control

Having a strong quality control (QC) is key in the production of investment-quality mortgages. With robust back- and front-end QC functions your institution will be able to:

- Enhance the quality of mortgages you originate
- Reduce operational deficiencies and repurchase risk
- More effectively identify and prevent fraud
- Protect borrowers and support their success as long-term homeowners
- Help promote a resilient mortgage industry that can withstand market fluctuations

Quality Control Requirements and Processes at Freddie Mac

Delivering loans that meet Freddie Mac requirements reduces the risk of costly borrower defaults and repurchases. The emphasis we place on the QC function is evident in our:

- **Post-funding QC review.** This review helps us better understand the loans we buy and the risks associated with them. During post-funding QC reviews, we look at a sample of the loans we purchase and check against the terms under which you agreed to sell them to us. *Single-Family Seller/Servicer (Guide)* [Chapter 3401](#) provides details on our remedies, documentation requirements and timelines related to this review process.
- **Required Seller in-house QC program.** In general, your in-house QC program must have written procedures, operate independently of the origination and underwriting functions, include reverification and/or re-underwriting processes, regularly monitor the overall quality of mortgage production, and employ effective sampling and reporting procedures. You will find Freddie Mac requirements for the in-house Seller QC program in Guide [Chapter 3402](#).
- **Review of Seller in-house programs.** We evaluate monitor and provide feedback on Sellers QC and origination practices in a variety of ways including performing on-site reviews. QC programs are evaluated primarily for compliance with our requirements and suitability to the institution's business volume and operations.

Fortify your QC Program with Best Practices

While there is no single QC program that can meet the needs of every lender, there are industry best practices that you can consider and customize to enhance the effectiveness of your QC program. Here are some examples:

- **Designate someone in your company to be the quality control representative.** This individual will have overall responsibility for implementing and coordinating activities under your QC program. This individual should not be responsible for any mortgage origination, processing, or underwriting functions.
 - If you hire a third-party to perform all or part of your QC program, monitor and evaluate its performance regularly to make sure the work it does serves your QC objectives and helps you comply with Freddie Mac requirements.
 - It is helpful for QC staff to receive training on new requirements and be informed when there are changes in Freddie Mac's standard purchase programs or your negotiated terms of business.
- **Revise your QC program on a timely basis when there are:**
 - Significant changes in your origination process or products
 - Changes to your eligibility or underwriting requirements
 - Changes to your investor or mortgage insurer eligibility or underwriting requirements
- **Use checklists to promote consistency and efficiency** in your reviews. Checklists should be designed to assist the reviewer in:
 - Ensuring accuracy and completeness of the origination documents
 - Evaluating underwriting decisions and the acceptability of the mortgage
 - Verifying existence of required legal documentation
 - Determining your company policies are met
- **Incorporate controls or reviews that promote fair lending principles and ensure compliance with anti-predatory lending requirements.** At Freddie Mac, non-compliance with our anti-predatory lending requirements, including HOEPA and state anti-predatory lending laws, results in a repurchase request. The mortgage, the transaction and the mortgaged property itself must comply with all federal, state and local laws, rules and regulations.
- **Use a combination of pre- and post-closing QC reviews with targeted and random sampling.** Your sampling approach and how often you select your sample should depend on your origination volume, operations, and specific needs. Many Sellers prefer to select a QC sample at least once a month to help ensure corrective actions may be taken as soon as possible.
- **Strengthen your reverification process.** Your reverification process should be the centerpiece of your QC program. Reverifications should be initiated as soon as possible after a sample is selected to facilitate the review of the mortgage file. Effective follow-up procedures for reverification requests that are not returned in a timely fashion should be part of your process.
- **Always protect a borrower's personal information** against accidental disclosure to unauthorized recipients, especially during re-verification. Limit disclosure of a borrower's personal information to what is needed for the intended purpose. For example, you may need only the last four digits of a Social Security number for a reverification; or, before sending a document for reverification with sensitive or private borrower information, confirm the accuracy of the recipient contact information.

- **Use feedback from your in-house QC program or from Freddie Mac QC reviews to:**
 - Identify weaknesses and develop plans to improve your origination, underwriting, delivery, and QC processes.
 - Complement your efforts to prevent and detect fraud in your operations.
 - Improve your training programs for staff involved in the loan manufacturing process.
- **Leverage the data in [Quality Control Advisor](#)**, part of Loan Advisor, to help analyze areas of potential weakness in your origination process. Use this tool as your end-to-end solution for managing the entire post-funding QC and remedy process.
- **Strengthen your documentation and reporting procedures.** The reports should:
 - Be filed in a timely manner. We recommend reporting on a monthly or quarterly basis. The Guide requires that the results of quality control reviews be reported in writing to the Seller's senior management within 90 days of selection of the mortgage files for review.
 - Be distributed to the proper areas of management.
 - Contain useful information in the right amount of detail.
 - Elicit an appropriate response, including timely corrective action.
 - Provide tracking and trending of results to monitor the quality of originations and underwriting.

Check out our [QC webpage](#) for more tools and resources that can help build a strong QC program.

The information in this document is not a replacement or substitute for information found in the Single-Family Seller/ Servicer Guide and/or the terms of your other purchase documents.