

**QUALITY CONTROL POLICY
REAL ESTATE MORTGAGE LENDING
Delta County Credit Union**

Operation

Quality control review will be conducted independently of mortgage origination and underwriting departments. Quality control representative will report directly to Senior Management (the CEO) and the Quality Control Administrator, in writing, quarterly on the sample selection results.

PRE CLOSING:

Delta County Credit Union (herein after referred to as "Credit Union") will conduct a pre-closing quality control review on 100% of mortgage loans originated for Freddie Mac and in-house (portfolio) loan products. This review will be conducted in a timely manner to ensure corrective measures regarding any deficiencies can be completed prior to closing. This review will encompass a fair lending review to ensure Delta County Credit Union is in compliance with all applicable laws, ordinances, regulations and orders, including but not limited to ECOA, Fair Credit Reporting, BSA and RESPA.

POST CLOSING:

Sample Selection

- At least 10 percent of the total annual Freddie Mac home mortgage product and in-house (portfolio) loans will be selected for quality control review each 90 days, ensuring that every home mortgage has a chance of being selected for review within 90 days of its origination.
- Seller warrants that over the course of each 12 month period, the selected samples are representative of the full scope of the Seller's product line and production process.
- Quality control personnel have the authority to conduct additional reviews at their discretion.
- Home mortgages with high risk characteristics (for example, high loan-to-value (LTV) ratios, credit scores in the cautious review range), if any, will be included in each quarterly quality control review.

General Requirements

- A new merged credit report is required for one out of ten files selected (10% of the sample). An in-file credit report is required for all other sample loans.
- A review appraisal is required for one out of ten files selected (10% of the sample), prepared by an independent source. A desk review of the original appraisal is required for all other sample loans.
- Mortgage file documents (origination and closing) will be reviewed.
- There will be an overall review to determine that the mortgage was properly underwritten and a prudent underwriting decision was made.
- The mortgage file must be reviewed for compliance with investor guidelines.
- Records of quality control reviews for each file reviewed will be maintained for a minimum of three years. Records must show any discrepancies or inconsistencies discovered. Corrective actions taken to resolve the situation must be documented.
- Quality control findings will be reported in writing and directly to senior management within 90 days of selection of the mortgage file for review. A copy of these findings will be kept in the original mortgage loan file and also forwarded to the loan officer/underwriter.
- Freddie Mac will be notified in writing within 30 days of the Seller's determination that a quality control finding affects the investment quality or eligibility of a mortgage previously sold to Freddie Mac.

Re-verification

Verification of employment and income:

The Credit Union will re-verify all verifications of income used in the original underwriting process. Copies of the original verifications should be sent to the issuers with a request that they confirm the accuracy of the documentation.

The Credit Union will obtain IRS income information using Form 8821 or 4506 (or acceptable alternate form) for each mortgage selected for quality control review where federal income tax returns were required as original income documentation. The IRS form does not need to be sent again to the IRS if an original response was received during the origination process. (NOTE: IRS forms 8821 and 4506 expire 60 days from the date the Borrower signs them.)

Any oral re-verification must be documented in writing. Written documentation must include: 1. Name of Credit Union's employee making contact; 2. Name of employer; 3. Name and title of individual contacted at the employer; 4. Date of contact; 5. Confirm information in original verification was accurate.

This documentation must be retained in the mortgage file.

Verification of source of funds

The Credit Union will re-verify all verifications of source of funds used in the original underwriting process. Copies of original verifications should be sent to issuers with a request that they confirm the accuracy of the documentation.

This documentation must be retained in the mortgage file.

Credit reports

For one out of every 10 mortgages selected for quality control review, a new merged credit report must be obtained. A “soft pull” credit report or new in-file credit reports containing information from one or more of the national repositories must be obtained for the remaining mortgages in Credit Unions quality control sample.

Review appraisals

For one out of every 10 mortgages selected for quality control review, a review appraisal must be obtained. For the remaining mortgages in Credit Union’s quality control sample, a desk review of the original appraisal is required.

This documentation must be retained in the mortgage file.

Credit Unions review of mortgage files

The Credit Unions quality control review procedures will include:

- A review of the completeness and accuracy of the information obtained in the mortgage origination process.
- A review of closing documents to ensure the mortgage file information is complete, accurate and consistent with other documents in the mortgage file.
- Verification of the existence and accuracy of documentation required by applicable law.

The Credit Union must review mortgage file documents, including any re-verifications, to determine that the mortgage was properly underwritten based on prudent underwriting practices and sound underwriting judgment. Mortgage files will also be reviewed for compliance with mortgage eligibility criteria and underwriting guidelines of the Credit Union, the Mortgage insurer, and Freddie Mac, as applicable.

Origination documents to review

1. Form 65, Uniform Residential Loan Application
2. Credit documentation
3. Employment and income documentation
4. Source of funds documentation
5. Appraisal documentation
6. Sales contract, if applicable
7. Form 1077, Uniform Underwriting and Transmittal Summary

Closing documents to review

1. Notes and riders
2. Security instruments and assignments
3. CMG or MGIC certificate, if applicable
4. Modification or assumption agreement
5. Title commitment or final title insurance policy
6. Survey (if required)
7. Leasehold estate documents
8. Documents required by applicable law
9. Hazard insurance policy or certificate
10. Flood insurance policy or certificate
11. Underwriters approval and any conditions of closing

Retention of Quality Control Records

The Credit Union will retain all records of its quality control findings, along with documentation of any corrective action taken, for at least three years from the date of the quality control review. These records must be made available to Freddie Mac upon request.

Additional Factors of Quality Control Review:

1. In the event that Delta County Credit Union becomes aware of any violations of laws, regulations, false statements or program abuse with regard to the USDA Rural Development Guaranteed Loans which are sold to Freddie Mac, the RD state director will be notified immediately.
2. Delta County Credit Union uses Loan Prospector, Freddie Mac's automated underwriting system, for loans sold to Freddie Mac.