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Title Page

Property / Building Name

Program Manager

Registered Address



Auditor

Conducted on



Compliance Requirements and Suggested Audit Procedures

Quality Control Plan Implementation

Originate and service HUD-insured mortgages in accordance with accepted practices of prudent lending and comply with all relevant HUD rules and regulations.

Done In Progress Not Available Not Applicable

If they use third-party originators (TPO), ensure that the direct endorsement lender has a quality control plan that requires the review of loans that are originated by the TPO.

Done In Progress Not Available Not Applicable

Review all loans that are originated or underwritten by their company or originated by a sponsored TPO that go into default within the first six payments (referred to as early payment default).

Done In Progress Not Available Not Applicable

Review a sampling of rejected application.

Done In Progress Not Available Not Applicable

Immediately report to HUD, via Neighborhood Watch, fraud or material violations of FHA requirements that, based on the auditor's judgment, represent a significant risk to the FHA insurance fund.

Done In Progress Not Available Not Applicable

Obtain a copy of the lender's quality control plan and compare it to the general and specific requirements contained in chapter 7 of HUD Handbook.

Done In Progress Not Available Not Applicable

Determine whether the lender has a procedure in place to disseminate quality control policies and procedures to all employees involved in loan origination and servicing.

Done In Progress Not Available Not Applicable

Determine whether the lender has guidelines to revise its procedures in a timely manner to accurately reflect changes in HUD requirements, that personnel are informed of the changes, and that employees are held accountable for performance failures and errors.

Done In Progress Not Available Not Applicable

Determine whether the lender has procedures for reviewing and monitoring its sponsored third-party originators.

Done In Progress Not Available Not Applicable

Determine whether the quality control plan requires that all mortgage change records be reviewed for accuracy of sale, transfer of loans, and terminations of insurance

Done In Progress Not Available Not Applicable

Determine whether the lender has a procedure for expanding the scope of quality control reviews.

Done In Progress Not Available Not Applicable

Inquire into whether the lender relies on an internal or external quality control review of its origination, underwriting, and servicing functions.

Done In Progress Not Available Not Applicable

Determine whether the sample sizes of FHA loans to review used throughout the year were determined in accordance with the criteria specified.

Done In Progress Not Available Not Applicable

Determine whether the lender is in compliance with the timeliness and frequency requirements.

Done In Progress Not Available Not Applicable

Determine whether any branch offices received an onsite review.

Done In Progress Not Available Not Applicable

Determine whether the quality control plan includes coverage for any sponsored third-party originators and authorized agents of the lender.

Done In Progress Not Available Not Applicable

Determine whether the sponsor's quality control program provides for the sponsor to review the loans originated and sold by each of its sponsored TPOs.

Done In Progress Not Available Not Applicable

In addition to the loans selected by the lender for routine quality control reviews, select a sample of early payment defaulted loans and determine whether the lender performed a review of such loans within 45 days from the end of the month in which the loan was reported as 60 days past due.

Done In Progress Not Available Not Applicable

Determine whether the early payment default review report and follow-up, including review findings and any actions taken along with procedural information

Done In Progress Not Available Not Applicable

Review the supporting documentation of the most recent review to determine whether all of the required general and specific elements included

Done In Progress Not Available Not Applicable

Obtain a written copy of the latest quality control review report and determine whether senior management officials also received a copy that included any deficiencies identified during the review.

Done In Progress Not Available Not Applicable

Determine whether management is monitoring its default and claims rate in accordance with FHA's Credit Watch Program.

Done In Progress Not Available Not Applicable

Copies of Neighborhood Watch reports may be obtained to determine whether the client is using such reports to meet the monitoring requirement.

Done In Progress Not Available Not Applicable

Determine whether the lender notified the Office of Lender Activities and Program Compliance of any violations, false statements, or program abuses that were documented in the quality control review report within 60 days of the initial discovery.

Done In Progress Not Available Not Applicable

Determine whether senior management officials promptly initiated corrective action for all deficiencies noted in the quality control review report.

Done In Progress Not Available Not Applicable

Determine whether the files evidenced the actions taken by senior management to correct the deficiencies.

Done In Progress Not Available Not Applicable

Determine whether the files contain evidence that the appropriate employees were notified of the deficiencies and provided instructions to correct the deficiencies and prevent recurrence.

Done In Progress Not Available Not Applicable

Sponsor Responsibility for Third-Party Originators

The lender must determine the appropriate sample amount of each sponsored TPO's loans to review based on volume, past experience, and other factors.

Done In Progress Not Available Not Applicable

Determine whether the sponsoring lender has issued an annual written communication to each TPO under its sponsorship indicating its intent to assume the responsibility of ensuring the TPO's compliance.

Done In Progress Not Available Not Applicable

Test the documentation supporting the reviews and the reports of the TPOs and determine the accuracy and reliability of the reviews and reports.

Done In Progress Not Available Not Applicable

Branch Office Operations

Each branch office where a lender's FHA origination personnel are assigned must be registered with FHA, and its facilities must meet State originating requirements.

Done In Progress Not Available Not Applicable

It must also meet FHA's staffing and manager requirements.

Done In Progress Not Available Not Applicable

The direct lending branch office is a branch that will be used for the sole purpose of direct lending.

Done In Progress Not Available Not Applicable

Its facilities must meet State originating requirements.

Done In Progress Not Available Not Applicable

It must also meet FHA's staffing and operating requirements.

Done In Progress Not Available Not Applicable

Determine whether all branches that manage a lender's FHA origination personnel are registered with HUD by reviewing the appropriate form or screen printout from FHA's Lender Electronic Assessment Portal (LEAP).

Done In Progress Not Available Not Applicable

Through inquiry or physical observation, determine whether the branches are true branches and are not subsidiaries, independent contractors, agents of the lender, or separate entities.

Done In Progress Not Available Not Applicable

A lender with a separate tax identification number is required to have approval in its own right.

Done In Progress Not Available Not Applicable

A branch must have at least one employee including a branch manager.

Done In Progress Not Available Not Applicable

The branch manager may manage more than one branch except in the case of a direct lending branch, which must have its own manager.

Done In Progress Not Available Not Applicable

Branch office expenses must be paid by the lender.

Done In Progress Not Available Not Applicable

Review the lender's payroll records for indications of any branch office personnel, except the receptionist, who are not employed exclusively by the lender at any given time.

Done In Progress Not Available Not Applicable

Inquire of personnel to determine whether branch employees conduct only the business affairs of the lender during normal business hours.

Done In Progress Not Available Not Applicable

Determine whether the branch office facilities meet State mortgage lending licensing requirements.

Done In Progress Not Available Not Applicable

Review company records for evidence that the present branch office managers are corporate officers or employees authorized to bind the corporation in matters involving loan origination and servicing and whether the branch office manager of each direct lending branch office manages only that one branch.

Done In Progress Not Available Not Applicable

Federal Financial and Activity Reports

Lenders participating in HUD-assisted Title I and Title II programs are required to ensure that financial status, single-family default monitoring, and reports required under the Home Mortgage Disclosure Act (HMDA) contain reliable data and are presented in accordance with the terms of applicable agreements between the entity and HUD.

Done In Progress Not Available Not Applicable

Obtain a list from management of the HUD programs participated in during the reporting period, along with all related guidance and reference materials addressing reporting requirements for each program listed.

Done In Progress Not Available Not Applicable

Obtain an understanding of the lender's procedures for preparing and reviewing the required reports.

Done In Progress Not Available Not Applicable

Select a sample of financial reports, other than those that are included in the audited financial statements, and determine whether the reports selected are prepared in accordance with HUD instructions.

Done In Progress Not Available Not Applicable

Select a sample of activity reports and determine whether the reports selected are prepared in accordance with HUD requirements and are filed in a timely manner.

Done In Progress Not Available Not Applicable

For the sample, trace significant data to supporting documentation; i.e., worksheets, ledgers, etc. Report all material differences between selected reports and lender records.

Done In Progress Not Available Not Applicable

Review adjustments made to the general ledger accounts having a material effect on the HUD program activity and evaluate the propriety of those adjustments.

Done In Progress Not Available Not Applicable

Lender Annual Recertification, Adjusted Net Worth, Liquidity, and Licensing

All lenders must maintain both fidelity bond and errors and omissions insurance of at least \$300,000 each.

Done In Progress Not Available Not Applicable

In compliance with Mortgagee Letter 2010-38, FHA-approved lenders must complete the online annual certification (formerly known as the yearly verification report) before electronically submitting the annual renewal fee and audited financial statements.

Done In Progress Not Available Not Applicable

The annual recertification process must be completed within 90 days of the lender's fiscal year end.

Done In Progress Not Available Not Applicable

An applicant for FHA approved lender that exceeds the size standards for its industry classification as established by the Small Business Administration (SBA) must have a net worth of not less than \$1 million, of which no less than 20 percent must be liquid assets consisting of cash or its equivalent acceptable to the HUD Secretary.

Done In Progress Not Available Not Applicable

An approved lender that meets the SBA size standards for its industry classification must have a net worth of not less than \$500,000, of which no less than 20 percent must be liquid assets consisting of cash or its equivalent acceptable to the HUD Secretary.

Done In Progress Not Available Not Applicable

As of the financial statement date and additional representative points of time during the audit period, test whether the lender meets the required levels for adjusted net worth, liquidity, fidelity bond coverage, and errors and omissions bond.

Done In Progress Not Available Not Applicable

If the lender does not meet the requirement, report the deficiency in the report on compliance and in a written audit finding.

Done In Progress Not Available Not Applicable

Determine whether there are internal control deficiencies related to the noncompliance that should be reported in the report on internal controls and in a written audit finding.

Done In Progress Not Available Not Applicable

Ensure that the lender has filed the annual certification, paid the annual renewal fee, and submitted audited financial statements for the prior year.

Done In Progress Not Available Not Applicable

Determine the lender's compliance in reporting any quarterly net operating loss, calculated based on GAAP, in excess of 20 percent of net worth.

Done In Progress Not Available Not Applicable

Determine the lender's compliance with the liquidity requirements.

Done In Progress Not Available Not Applicable

Review the lender's filings with NMLS to ensure that the required filings were made.

Done In Progress Not Available Not Applicable

Review the year end filing to ensure that the financial data filed agree with the audited financial statement data.

Done In Progress Not Available Not Applicable

Completion

Additional Comments

Auditor Name and Signature

Program Manager Name and Signature

You should seek your own professional advice to determine if the use of a template is permissible in your workplace or jurisdiction. You should independently determine whether the template is suitable for your circumstances.