INDECOMM GLOBAL SERVICES
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MORTGAGE U
A Division of Indecomm Global Services

# OPERATIONS HEALTH CHECK

The Mortgage Operations Health Check is a straight forward, factual assessment of regulatory and operational risk. Created for mortgage operations of any size or type - including bankers, brokers, and lenders - the Health Check is essentially a self audit tool that can be used by compliance managers and quality control staff to assess and track compliance with federal regulation and key operations. This valuable measuring and monitoring tool allows management to:

- Assess corporate level compliance in the form of a checklist without impacting the loan process.
- View mortgage regulatory requirements as a list, including detailed nuances of regulations, 'check off' regulations that are under control and track those that need implementation or improvement.
- Identify procedural steps that assist in maintaining compliance.
- Stay up-to-date on federal compliance requirements as the Health Check is automatically updated when laws are changed
- Develop a compliance checklist for each branch location

The goal of the assessment is to isolate and clearly identify which of these risks may apply to your company:

- Federal Regulation with/without Fine/Penalty
- Negative Effect on HMDA or NMLS Reporting
- Legal
- Financial
- Interest Rate
- Compliance
- Inaccurate Accounting
- Inaccurate Internal Reports
- Processing, Underwriting or Closing Delays

The Mortgage Operations Health Check consists of over 100 questions and reference points with carefully designed criteria statements programmed to calculate your operational risks by percentages, broken down and grouped into the following categories:

- Loan Origination System and Application Review
- Locking Rates and Processing
- Management Reporting
- RESPA
- ECOA
- TILA and MDIA
- Patriot Act
- FACTA
- Gramm Leach Bliley Act
- HMDA
- Fair Lending
- ESign/EDisclosure
- UDAAP
- Do Not Call
- Ant-Money Laundering
- Mortgage Acts and Practices-Advertising
- Appraiser Independence
- And more…

DODD FRANK ACT CRITERIA:

- TILA changes to section 35
- TILA changes to section 32
- Qualified Mortgage rules
- Ability To Repay standards

We are confident this will serve as a valuable long term tool as you work through the thousands of pages of mortgage regulations under the Dodd Frank Act. The Indecomm - Mortgage U Team is updating the Health Check regularly to keep the information and your risk analysis current with the ever changing dynamics of our industry.

**Check your corporate compliance health with Indecomm - Mortgage U's Operations Health Check!**

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## *Easy to Use*

The Health Check is an easy to use web-based self-audit tool used to access and track compliance with federal regulation and key operations. The detail is in the content we provide. Simply read the question and the pop-up explanation, then answer "Yes" or "No". Honest answers reveal honest results showing the areas where risks may occur related to the topic. The MDIA overview shows the background of the regulation and how the rule is applied. Take a look at these examples:

***"The MDIA section is a great example of how the Health Check serves as a resource for understanding compliance risk in procedures versus items that are an actual regulatory violation."***

**Mortgage Disclosure Improvement Act**

The MDIA is a sub section of the Truth In Lending Act and became effective for closed end, purchase and refinance applications taken as of July 31, 2009. The rule applies to:

- all closed end financing and does not differentiate between first or second lien status.
- all loan subject to RESPA
- The MDIA covers timing requirements of the GFE and TIL (material disclosures) as well as re-disclosure requirements.

Due to the nature of the timing rules, there are separate questions for face to face, by mail, internet or phone application.

| Mortgage Disclosure Improvement Act | | | Federal/State Regulatory Violation | Federal/State Regulatory Fine/Penalty | Negative effect on HMDA/NMLS Reporting | Legal Risk | Financial Risk | Interest Rate Risk | Compliance Risk | Impact To Benchmarking | Impact To Cost Accounting | Overstated Income | Operation Expense | Inaccurate Internal Reports | Processing Delay | Underwriting Delay | Closing Delay |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| -1) | The initial TIL and GFE are verified as RECEIVED by the borrower, prior to collecting a fee other than a reasonable fee for a credit report on all face to face applications. | Yes | | | | | | | | | | | | | | | |
| -2) | The initial TIL and GFE are verified as RECEIVED by the borrower prior to collecting a fee, other than a reasonable fee for a credit report, on all by mail, telephone or internet applications. | No | X | | | | | | | | | | | | X | | |
| -3) | Early disclosures (initial TIL and GFE) are issued for all closed end, residential mortgage transactions secured by the applicant's dwelling. | No | | | | | | | X | | | | | | X | | X |

*"The detail is incredible! This has saved me a lot of time by summarizing the rules. I can show the board and the auditors exactly what we have checked."*

A new TIL is issued within three business days whenever the APR and finance charge of the initial TIL becomes inaccurate based on the current loan terms shown on the loan application in process.

close or Esc Key

Revised disclosures must be issued to the borrower within three business days of a change in loan terms that changes the APR beyond the legal tolerance. The TIL must be re-disclosed if the APR has been under state by: 1/8th of 1% for a regular transaction (fixed rate loan, or adjustable rate loan with an initial fixed period of no less than three years) 1/4 of 1% for an irregular transaction (adjustable rate loan) OR If the Finance Charge has been understated by more than $100. (Some lenders have taken the position that MDIA only address APR tolerance and that a tolerance does not apply to Finance Charge. Seek legal counsel support before eliminating the finance charge tolerance policy.) Generally the TIL is considered accurate if an overstated APR is based on the finance charge as shown on the initial TIL. Refer to Reg. Z, ¤¤226.22(a) and 226.18(d)(1.) The tolerances established in Reg. Z ¤226.22 are applicable notwithstanding an apparent ambiguity created by ¤¤2502(a)(6)(D) of the Housing & Economic Recovery Act of 2008 that appears to establish the applicable tolerance for accuracy to be "as determined under section 107(c) [of the Truth in Lending Act]." If applied, that particular section of the Act would not authorize an over disclosure of greater than 1/8th % as being within the permitted tolerance for accuracy.

## *Subscription Information*

The Health Check Portal provides access to the Health Check tool, free resources such as the new QM Points and Fees calculator, MAP Tip Sheet; AML Tip Sheet; GFE Fee Map and others created exclusively by Indecomm - Mortgage U. Subscribers receive notification when questions are added or updated either by regulation changes or suggestions from the Health Check community. The Health Check newsletter offers compliance tips and news.


**Contact**

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