



It's a Matter of Basics

Balancing the Challenge of Avoiding the Risk
while not avoiding **[Quality]** production.

The Government Lending Mantra...

“Give the Borrower a Chance”

Did they have:

- Two Years of Employment?
- Two Years of “Pretty Good” Credit?
- Pattern of Savings (or generous relatives)?

...THEY ARE APPROVED!

Balancing the Positive...

Maintaining Quality While Still Approving
Deserving Borrowers –

How do you find the balance?
How do you avoid the risk?

Those are the questions for our future and
the answers are the keys to our success

*“Spend as much time and money as necessary to validate **ALL** borrower information, contract clauses and property values”*

What is the Problem with this Answer?

- 1.) Good Borrowers left the building and went elsewhere, because you took too long
- 2.) Fraudulent borrowers stay around to learn how to do a better job next time around with a different lender.

Long Term Solutions...

Due Diligence Starts at Origination

Loan Officers from Yesteryear:
“See no Evil, Speak no Evil, and Hear no Evil”



Logic 101

Loan Officers must be given the training necessary to begin discovering the logic and detecting the illogical responses from borrowers —

- Fire the ticket takers
- Require face to face interviews with every borrower when possible
- Require mandatory fraud training quarterly
- Zero tolerance, not only for fraudulent activity, but for “turning their heads” when clear red flags are present
- Require a written “loan overview” on every loan

Processors Responsibilities:

- Mandate fraud tools on 100% of the loans
- Train processors to understand red flags and require notation of info used to clear any discrepancies
- Require mandatory training quarterly on detecting fraud and uncovering false documents and borrower misrepresentations
- Zero tolerance for fraudulent activity as well as ignoring signs and signals
- Require written summary of loan profile when submitting to underwriting

“ Processors should not expect the Underwriters to be the only gatekeepers of quality”

Underwriters/Senior Detectives

- Mandatory review and final clearing of every red flag in fraud tool
- Mandatory review of additional neighborhood comps found on AVM or fraud tools, previous property owners of subject property and all MERS Data
- Quarterly training on detecting fraudulent documents, discrepancies, and property valuation
- Manage performance through reports and Quality Control