



Focus on The FACTS:

The Key to Strengthening Loan Quality

Responsible lending requires a combination of strong loan attributes and solid underwriting processes, along with having processes in place to ensure the right data is collected, verified, and complies with our guidelines.

That's why it's more important than ever to ensure you have effective loan manufacturing processes that take you from origination, underwriting, closing, and delivery to quality control. The more effective the processes you have in place, the higher quality the loan for us, and the fewer unexpected costs for you.

To help you strengthen your loan manufacturing process and increase your focus on loan quality, be sure to focus on the FACTS:

F

Feedback

from internal or Freddie Mac Quality reviews used to identify and develop plans to address weaknesses in the origination channel

A

Accurate

data to ensure appropriate underwriting decisions are made and automated underwriting system decisions are not invalidated

C

Complete

file submissions to ensure that Freddie Mac makes eligibility decisions based on the same information as your internal quality control resources

T

Training

on basic underwriting fundamentals to reduce loan errors in credit, capacity, and collateral assessments

S

Strong

understanding of contract requirements to ensure compliance

When you focus on the FACTS, you'll be able to better identify potential problems with loans before they occur. See the back for more details on these quality control best practices.

Best Practices for Strengthening Loan Quality

Feedback from internal or Freddie Mac Quality reviews used to identify and develop plans to address weaknesses in the origination channel

- Ensure your quality control representative fully understands his/her responsibilities, including following up with management on quality control findings
- Have policies and procedures that address:
 - Selecting appraisers in compliance with the Home Valuation Code of Conduct (HVCC) and Freddie Mac requirements and monitoring the quality and accuracy of appraisals performed by appraisers
 - Knowledgeable staff underwriting appraisals and performing quality control for appraisals
 - Appraiser's opinion of value reflects the cash-equivalent price without undue stimulus such as concessions
 - Use of automated valuation models and other tools to monitor appraisal quality

Accurate data to ensure appropriate underwriting decisions are made and automated underwriting system decisions are not invalidated

- Be aware of market trends in the market in which you originate mortgages
- Review the full appraisal or inspection report
- Review Home Value Explorer (HVE) Point Value Estimate in Loan Prospector® Results
- Ensure staff responsible for the underwriting decision have the experience, knowledge, skills and abilities necessary
- Your underwriter should have the ability to make a decision without an automated valuation
- Verify that key borrower data entered into Loan Prospector matches key borrower data used to obtain the original merged credit report

Complete file submissions to ensure that Freddie Mac makes eligibility decisions based on the same information as your internal quality control resources

- Review our Quality Control Review Documentation Checklist to ensure you've included all required loan documentation for your borrower in the loan file
- Understand that all documentation in the mortgage file sent to Freddie Mac will be reviewed and used when completing the post purchase quality control review, even if the file includes more documentation than is required (refer to *Single-Family Seller/Service Guide (Guide)* Chapter 46 for complete details)

Training on basic underwriting fundamentals to reduce loan errors in credit, capacity, and collateral assessments

- Ensure you obtain robust credit data on your borrowers (non-Loan Prospector Loans)
- Confirm whether any new debt has been opened
- Obtain adequate pre-closing employment and self-employment confirmation
- Ensure your staff is familiar with Uniform Standards of Professional Appraisal Practice, applicable laws and Freddie Mac appraisal requirements
- Make sure your staff is familiar with the HVCC

View a comprehensive list of underwriting training and education resources on FreddieMac.com at [FreddieMac.com/learn/pdfs/uw/underwriting_resources.pdf](https://freddie.com/learn/pdfs/uw/underwriting_resources.pdf)

Strong understanding of contract requirements to ensure compliance

- Understand that you are responsible for the representations and warranties that your loan meets our purchase requirements
- Be sure you are familiar with our quality control review process identified in Guide Chapters 46-48

To learn more about quality control best practices, visit the Responsible Lending: Power of Quality web page at: [FreddieMac.com/singlefamily/responsiblelending.html](https://freddie.com/singlefamily/responsiblelending.html)