

“Let’s QC” Webinar Series – Community Lending

The QC Journey: From File Request to Final Decision

Host: Steven Glancey

Speakers: Dina Marshall, Lisa Misencik, Steven Glancey

June 23, 2022





Session Housekeeping

Muted Lines: All lines have been muted upon entry and will remain on mute to prevent interference.

Recording: This session is being recorded and will be available on the QC Webpage. If you have any objections, please disconnect now.

Questions: Please enter your questions directly into the Q&A box in the bottom right corner of your screen.

Technical Issues: Please use the raise hand icon to request assistance.



LET'S QC

Welcome!

2022 Q2 “Let’s QC” Webinar –
Community Lending Series



Goal of Series



01

Provide training and guidance

02

Allow transparency and insight into our Quality Control loan review process

03

Give you useful information to incorporate into your Underwriting and QC process

Agenda



The QC Journey: From File Request to Final Decision



Topic 1

QCA from Submission to Final Decision

- A review of each step from central processing and underwriting and the timeline starting from loan file request through the underwriting process

Topic 2

Let's Remedy through QCA

- A discussion on how to utilize QCA to manage your remedy pipeline and some helpful best practices

Topic 3

Trending Defects in QC, Sampling & Impact of NAQ Loans

- A discussion on the top trending defects in QC for the past 12 months as well as our QC samples and the impact of not acceptable quality (NAQ) loans on your monthly sample



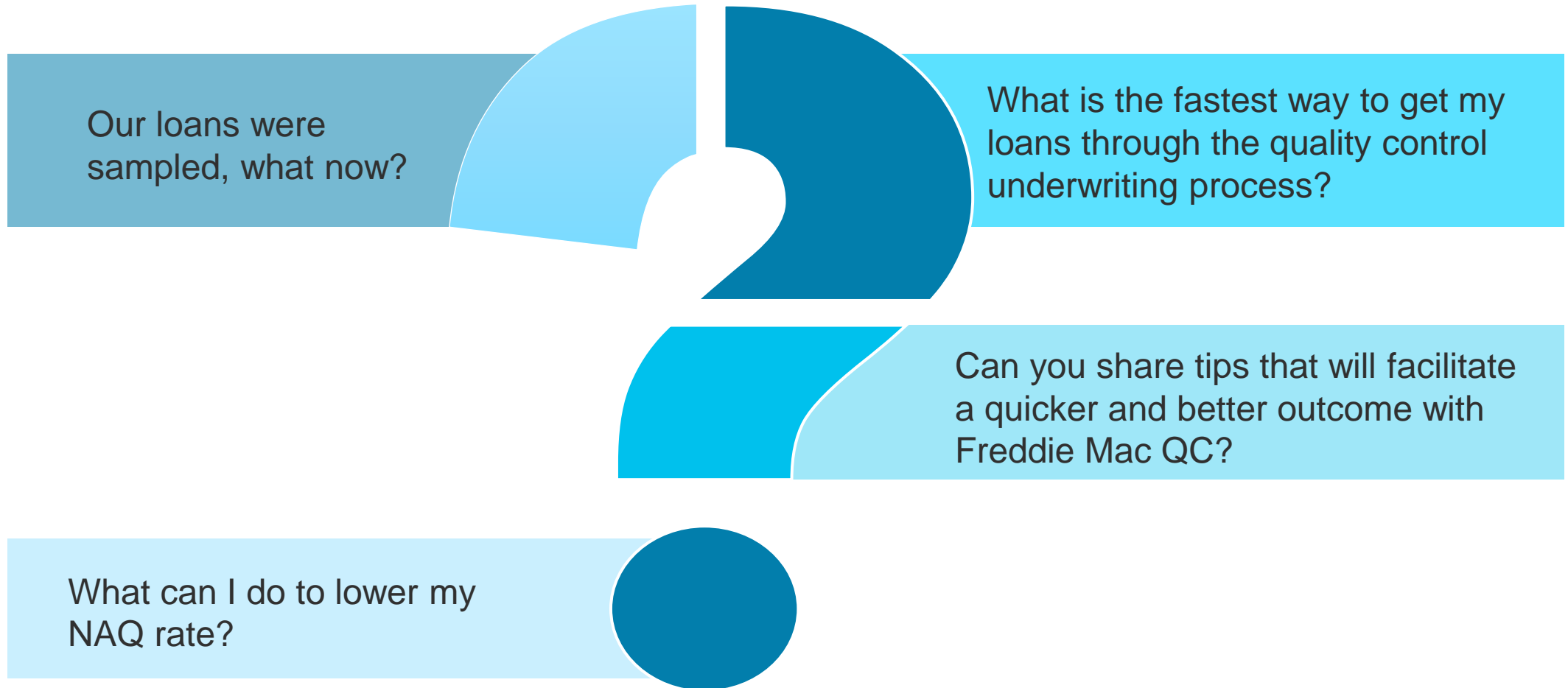
Topic 1 – QCA from Submission to Final Decision



From File Request to Final Decision



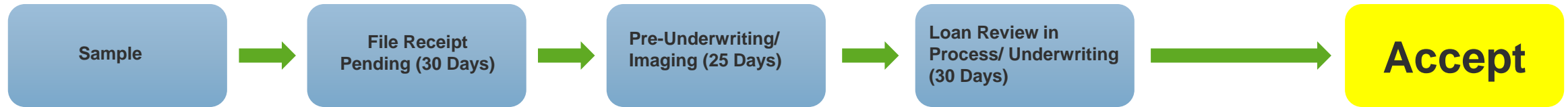
File Timeline Review



From File Request to Final Decision



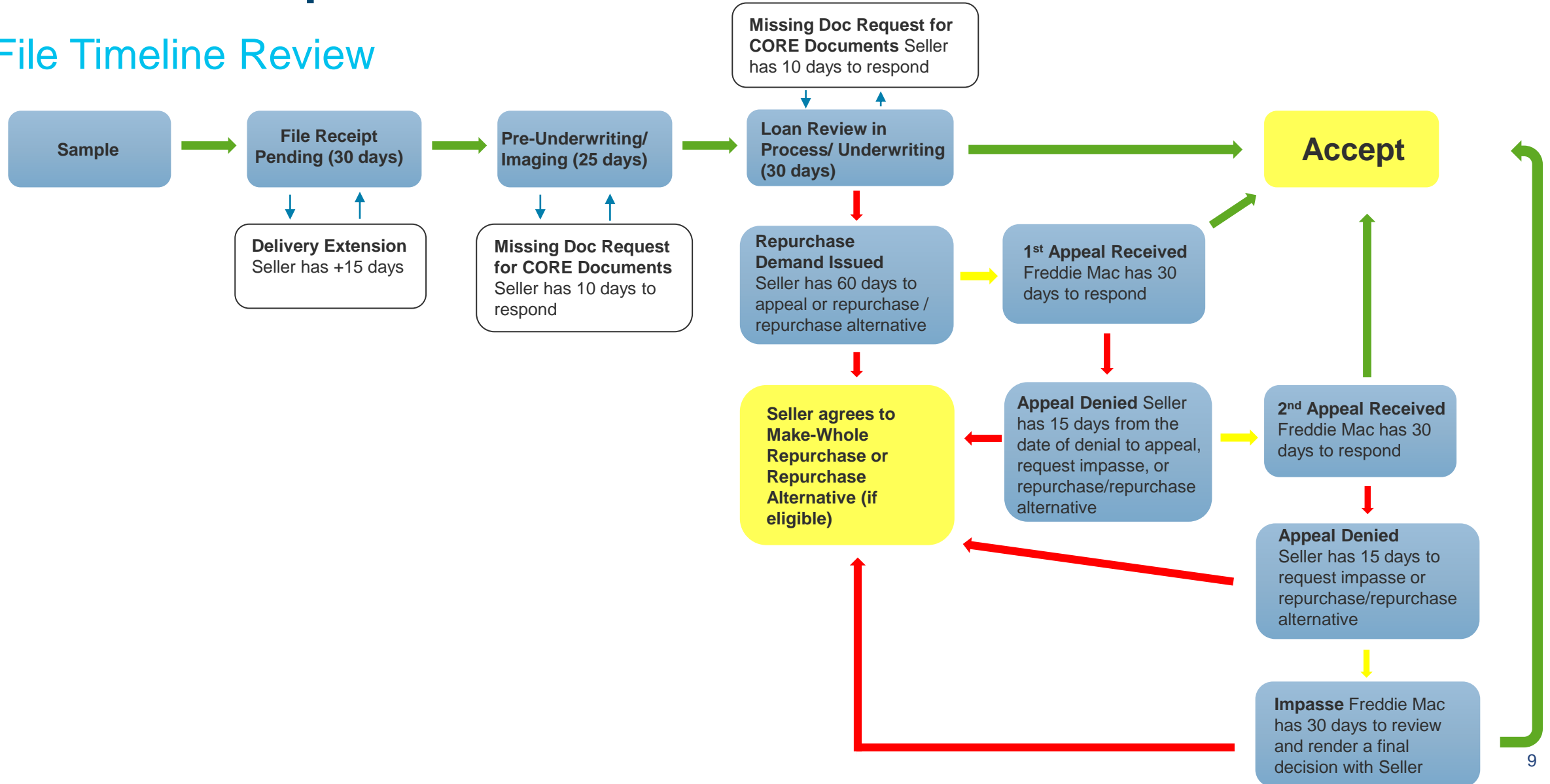
File Timeline Review



From File Request to Final Decision



File Timeline Review



Ways to Deliver Files to Freddie Mac

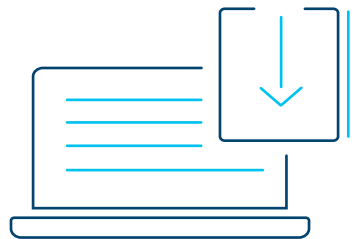


Quality Control Advisor[®]
Post-Funding Loan Review

Quality Control Advisor (QCA)



Document Management System (DMS)



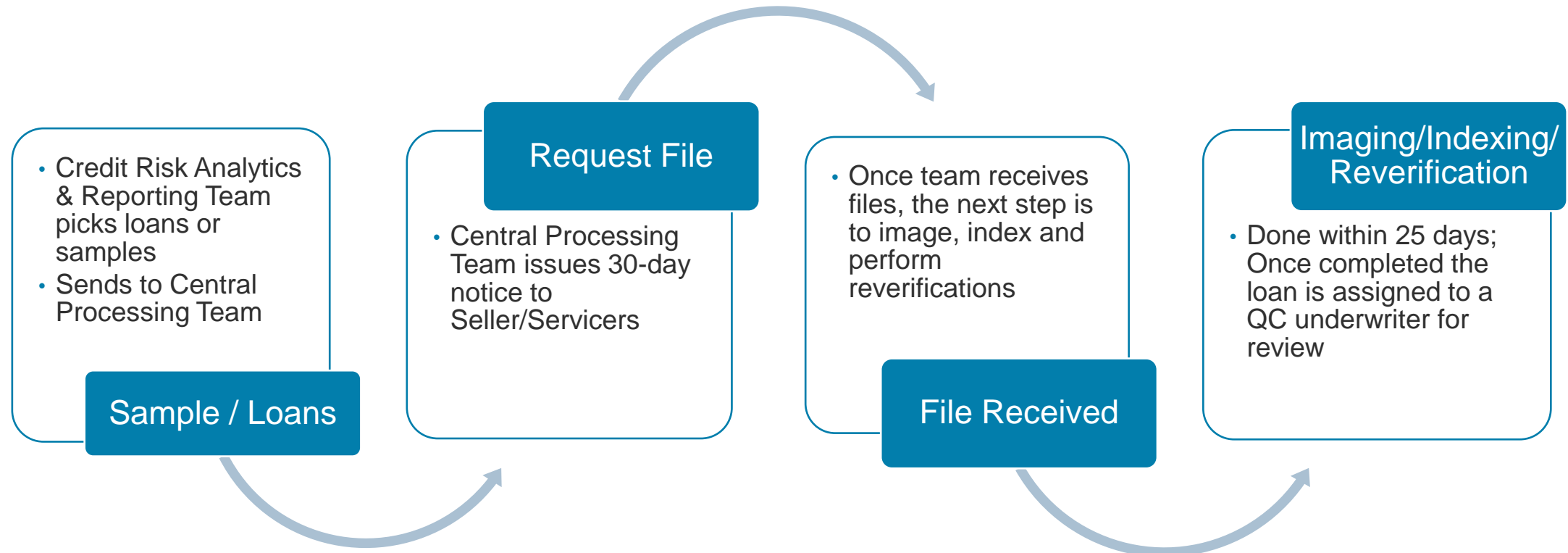
Managed File Transfer – MFT/SFTP

Pick only one delivery path and leverage the full 30-day window to increase the probability of delivering a complete loan package.

File Flow Chart – File Request to Imaging



File Timeline Review



Quality Control Document Checklists



Note: Checklists are located in "Quality Control Advisor"

Freddie Mac Quality Control Review Documentation Checklist

Seller/Service #: _____ Freddie Mac Loan #: _____
 Contact Name: _____ Phone #: _____
 Email Address: _____ Fax #: _____

Provide ONE legible copy of the documentation applicable to the loan, program and commitment. Electronically delivered documentation must be encrypted.

ALL MORTGAGES			
The following documents are required for all mortgages as applicable. See below for additional requirements for other specific loans/programs/commitments.			
Critical Loan Documentation		Included	N/A
1.	Credit History - Include credit reports, explanation for derogatory items and recent inquiries, other supporting documentation, (e.g., evidence of account payoffs, bankruptcy, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
2.	HUD-1/Settlement Statement/TRID Closing Disclosure - Provide final version of applicable document	<input type="checkbox"/>	<input type="checkbox"/>
3.	Loan Applications: Uniform Residential Loan Applications (Form #65) - Include <u>both</u> the <u>initial</u> (often handwritten) and <u>final</u> (usually typed), dated and signed applications. Provide any supporting documentation (e.g., explanation of discrepancies)	<input type="checkbox"/>	<input type="checkbox"/>
4.	Mortgage Insurance Certificate	<input type="checkbox"/>	<input type="checkbox"/>
5.	Note - Include endorsements, modifications, assumptions, releases of liability, and/or ARM Conversion documentation	<input type="checkbox"/>	<input type="checkbox"/>
6.	Property Valuation Documentation <ul style="list-style-type: none"> Uniform Residential Appraisal Report with supporting addenda (e.g., building sketch, location map, etc.) Photos of subject and comparables Satisfactory completion certificate and/or recertification of value Supporting documentation (e.g., leasehold documents, articles supporting price adjustments, Operating Income Statement) Automated Underwriting System (AUS) required collateral assessment documentation 	<input type="checkbox"/>	<input type="checkbox"/>
7.	Sales Contract and all Addenda (fully executed)	<input type="checkbox"/>	<input type="checkbox"/>
Additional Required Loan Documentation		Included	N/A
8.	Automated Underwriting System (AUS) Report - Include required documentation for the credit and collateral assessment that show the risk class, all underwriting conditions, as well as all Minimum Assessment Feedback messages	<input type="checkbox"/>	<input type="checkbox"/>
9.	Affordable Housing Program Documentation - Include Homeownership Education Certificate if applicable	<input type="checkbox"/>	<input type="checkbox"/>
10.	Buy-Down and/or Seller Contribution Documentation	<input type="checkbox"/>	<input type="checkbox"/>
11.	Condominium Project Eligibility documentation - Include evidence that the Condominium Project approval was received from Fannie Mae's PERS OR a Fannie Mae CPM project acceptance certification OR a Condominium Homeowners Association Questionnaire AND any other documents evidencing project eligibility	<input type="checkbox"/>	<input type="checkbox"/>
12.	FEMA Standard Flood Hazard Determination (FEMA Form 81-93) or equivalent form - Include evidence of flood insurance	<input type="checkbox"/>	<input type="checkbox"/>
13.	Freddie Mac Prefunding Acceptance Letter or Single Loan Exception	<input type="checkbox"/>	<input type="checkbox"/>
14.	Manufactured Home Appraisal Report (Form #70B)	<input type="checkbox"/>	<input type="checkbox"/>
15.	Miscellaneous Documentation - (e.g., evidence of sale for previous residence, divorce or separation decree, leases, bridge loan documentation, lender loan approval documentation, closing instructions, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
16.	Mortgage Insurance Documentation - Include any documentation related to the rescission, denial or the unavailability of Mortgage Insurance	<input type="checkbox"/>	<input type="checkbox"/>

Freddie Mac Anti-Predatory Lending Compliance & Performing/Non-Performing Loan (Dual Review) Documentation Checklist

Seller/Service #: _____ Freddie Mac Loan #: _____
 Contact Name: _____ Phone #: _____
 Email Address: _____ Fax #: _____

Provide ONE legible copy of the documentation applicable to the loan, program and commitment. Electronically delivered documentation must be encrypted.

ALL MORTGAGES			
The following documents are required for all mortgages as applicable. See below for additional requirements for other specific loans/programs/commitments.			
Critical Loan Documentation		Included	N/A
1.	Borrower Rate Lock Agreement or Disclosure - For loans with initial loan applications dated on and after 10/01/2009	<input type="checkbox"/>	<input type="checkbox"/>
2.	Credit History - Include credit reports, explanation for derogatory items and recent inquiries, other supporting documentation, (e.g., evidence of account payoffs, bankruptcy, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
3.	HUD-1/Settlement Statement/TRID Closing Disclosure - Provide final version of applicable document	<input type="checkbox"/>	<input type="checkbox"/>
4.	Loan Applications - Uniform Residential Loan Applications (Form #65) - Include <u>both</u> the <u>initial</u> (often handwritten) and <u>final</u> (usually typed), dated and signed applications. Provide any supporting documentation (e.g., explanation of discrepancies)	<input type="checkbox"/>	<input type="checkbox"/>
5.	Mortgage Insurance Certificate	<input type="checkbox"/>	<input type="checkbox"/>
6.	Note - Include endorsements, modifications, assumptions, releases of liability, and/or ARM Conversion documentation	<input type="checkbox"/>	<input type="checkbox"/>
7.	Property Valuation Documentation <ul style="list-style-type: none"> Uniform Residential Appraisal Report with supporting addenda (e.g., building sketch, location map, etc.) Photos of subject and comparables Satisfactory completion certificate and/or recertification of value Supporting documentation (e.g., leasehold documents, articles supporting price adjustments, Operating Income Statement) Automated Underwriting System (AUS) required collateral assessment documentation 	<input type="checkbox"/>	<input type="checkbox"/>
8.	Sales Contract and all Addenda (fully executed)	<input type="checkbox"/>	<input type="checkbox"/>
9.	Truth-in-Lending Disclosure - Provide the final disclosure	<input type="checkbox"/>	<input type="checkbox"/>
Additional Required Loan Documentation		Included	N/A
10.	Affiliate Business Disclosure	<input type="checkbox"/>	<input type="checkbox"/>
11.	Automated Underwriting System (AUS) Report - Include required documentation for the credit and collateral assessment that show the risk class, all underwriting conditions, as well as all Minimum Assessment Feedback messages	<input type="checkbox"/>	<input type="checkbox"/>
12.	Affordable Housing Program Documentation - Include Homeownership Education Certificate if applicable	<input type="checkbox"/>	<input type="checkbox"/>
13.	Buy-Down and/or Seller Contribution Documentation	<input type="checkbox"/>	<input type="checkbox"/>
14.	Concurrent Subordinate Mortgage - Include the Note and HUD-1 for the subordinate mortgage if made by the same creditor or an affiliate. <i>Please do not include compensation that has already been included as a finance charge on the HUD-1 Settlement Statement.</i>	<input type="checkbox"/>	<input type="checkbox"/>
15.	Condominium Project Eligibility documentation - Include evidence that the Condominium Project approval was received from Fannie Mae's PERS OR a Fannie Mae CPM project acceptance certification OR a Condominium Homeowners Association Questionnaire AND any other documents evidencing project eligibility	<input type="checkbox"/>	<input type="checkbox"/>
16.	Date Interest Rate Set/Date Rate Locked , if not clear on the rate lock confirmation: _____	Date: _____	<input type="checkbox"/>

Freddie Mac Anti-Predatory Lending Compliance Review Documentation Checklist

Seller/Service #: _____ Freddie Mac Loan #: _____
 Contact Name: _____ Phone #: _____
 Email Address: _____ Fax #: _____

Provide ONE legible copy of the documentation applicable to the loan, program and commitment. Electronically delivered documentation must be encrypted.

ALL MORTGAGES			
The following documents are required for all mortgages as applicable. See below for additional requirements for other specific loans/programs/commitments.			
Critical Loan Documentation		Included	N/A
1.	Borrower Rate Lock Agreement or Disclosure - For loans with initial loan applications dated on and after 10/01/2009	<input type="checkbox"/>	<input type="checkbox"/>
2.	HUD-1/Settlement Statement/TRID Closing Disclosure - Provide final version of applicable document	<input type="checkbox"/>	<input type="checkbox"/>
3.	Loan Application: Uniform Residential Loan Application (Form #65) - Include the initial (often handwritten) loan application, dated and signed by the borrower	<input type="checkbox"/>	<input type="checkbox"/>
4.	Mortgage Insurance Certificate	<input type="checkbox"/>	<input type="checkbox"/>
5.	Note	<input type="checkbox"/>	<input type="checkbox"/>
6.	Truth-in-Lending Disclosure - Provide the final disclosure	<input type="checkbox"/>	<input type="checkbox"/>
Additional Required Loan Documentation		Included	N/A
7.	Affiliate Business Disclosure	<input type="checkbox"/>	<input type="checkbox"/>
8.	Concurrent Subordinate Mortgage - Include the Note and HUD-1 for the subordinate mortgage if made by the same creditor or an affiliate	<input type="checkbox"/>	<input type="checkbox"/>
9.	Date Interest Rate Set/Date Rate Locked , if not clear on the rate lock confirmation: _____	Date: _____	<input type="checkbox"/>
10.	Date of Original Loan Application , if not clear on the Uniform Residential Loan Application (Form #65)	Date: _____	<input type="checkbox"/>
11.	Lender Compensation - Indicate the total amount of loan originator compensation, expressed in dollars, determined in accordance with 12 C.F.R. 1026.32(b)(1)(ii) in Regulation Z, Truth in Lending. <i>Please do not include compensation that has already been included as a finance charge on the HUD-1 Settlement Statement.</i>	Amount: _____	<input type="checkbox"/>
Discount Point Information		Included	N/A
Provide the following information only if borrower paid discount points (Bona Fide Discount Points) were excluded from the total points and fees calculated in accordance with 12 C.F.R. 1026.32(b)(1)			
12.	The amount of excluded Bona Fide Discount Points, expressed in percent, determined in accordance with 12 C.F.R. 1026.32(b)(1)(i)(E) & (F) in Regulation Z, Truth in Lending	%: _____	<input type="checkbox"/>
13.	The interest rate closest to par offered to the borrower before payment of discount points	%: _____	<input type="checkbox"/>
14.	The average prime offer rate, determined under 12 C.F.R. 1026.35(a)(2) in Regulation Z, Truth in Lending, as of the date the transaction's rate is set	%: _____	<input type="checkbox"/>
15.	The amount by which the interest rate was reduced (example: 0.125; 0.25; 0.50; 1.00 etc.), if the Bona Fide Discount Points reduced the interest rate	%: _____	<input type="checkbox"/>

Quality Control Document Checklist



Freddie Mac Freddie Mac Quality Control Review Documentation Checklist
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Seller/Service #: _____ Freddie Mac Loan #: _____
 Contact Name: _____ Phone #: _____
 Email Address: _____ Fax #: _____

Provide ONE legible copy of the documentation applicable to the loan, program and commitment. Electronically delivered documentation must be encrypted.

ALL MORTGAGES		
The following documents are required for all mortgages as applicable. See below for additional requirements for other specific loans/programs/commitments.		
Critical Loan Documentation	Included	N/A
1. Borrower Signature Authorization Form	<input type="checkbox"/>	<input type="checkbox"/>
2. Credit History - Include credit reports, explanation for derogatory items and recent inquiries, other supporting documentation, (e.g., evidence of account payoffs, bankruptcy, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
3. HUD-1/Settlement Statement/TRID Closing Disclosure - Provide final version of applicable document	<input type="checkbox"/>	<input type="checkbox"/>
4. Loan Applications: Uniform Residential Loan Applications (Form #65) - Include both the initial (often handwritten) and final (usually typed), dated loan applications. Provide any supporting documentation (e.g., explanation of discrepancies)	<input type="checkbox"/>	<input type="checkbox"/>
5. Mortgage Insurance Certificate - include any information related to the status of the mortgage insurance (e.g., rescission/denial notices, explanation for unavailability of Mortgage Insurance)	<input type="checkbox"/>	<input type="checkbox"/>
6. Note - Include endorsements, modifications, assumptions, releases of liability, and/or ARM Conversion documentation	<input type="checkbox"/>	<input type="checkbox"/>
7. Property Valuation Documentation: <ul style="list-style-type: none"> Uniform Residential Appraisal Report with supporting addenda (e.g., building sketch, location map, etc.) Photos of subject and comparables Automated Underwriting System (AUS) required collateral assessment documentation Satisfactory completion certificate and/or recertification of value For appraisals marked "subject to", provide supporting documentation that all issues have been rectified Additional supporting documentation (e.g., leasehold documents, recorded community land trust ground lease documentation, articles supporting price adjustments, Operating Income Statement) Inspection reports (e.g., roof, septic, foundation, wood-boring/termite, etc.) 	<input type="checkbox"/>	<input type="checkbox"/>
8. Sales Contract and all Addenda (fully executed)	<input type="checkbox"/>	<input type="checkbox"/>
Additional Required Loan Documentation	Included	N/A
9. Automated Underwriting System (AUS) Report - Include required documentation for the credit and collateral assessment that show the risk class, all underwriting conditions, as well as all Minimum Assessment Feedback messages	<input type="checkbox"/>	<input type="checkbox"/>
10. Buy-Down and/or Seller Contribution Documentation	<input type="checkbox"/>	<input type="checkbox"/>
11. Condominium Project Eligibility documentation - Include evidence that the Condominium Project approval was received from Fannie Mae's PERS OR a Fannie Mae CPM project acceptance certification OR a Condominium Homeowners Association Questionnaire AND any other documents evidencing project eligibility (Note: required even if a loan receives collateral representation and warranty relief)	<input type="checkbox"/>	<input type="checkbox"/>
12. FEMA Standard Flood Hazard Determination (FEMA Form 81-93) or equivalent form - Include evidence of flood insurance if applicable	<input type="checkbox"/>	<input type="checkbox"/>
13. Freddie Mac Prefunding Acceptance Letter or Single Loan Exception	<input type="checkbox"/>	<input type="checkbox"/>
14. Manufactured Home Appraisal Report (Form #70B)	<input type="checkbox"/>	<input type="checkbox"/>
15. Miscellaneous Documentation - (e.g., evidence of sale for previous residence, divorce or separation decree, leases, bridge loan documentation, lender loan approval documentation, closing instructions, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
16. Non-Esrowed Items - If not already contained in the loan file, provide evidence of the following: <ul style="list-style-type: none"> HOA fee documentation Hazard Insurance Policy Declarations Page Real Estate Taxes 		

Freddie Mac Freddie Mac Quality Control Review Documentation Checklist
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Additional Required Loan Documentation - continued		
Included	N/A	
17. Payment History from the later of first installment due date or a date 12-months prior to and including the mortgage delivery/sale date to Freddie Mac	<input type="checkbox"/>	<input type="checkbox"/>
18. Preliminary Title Insurance Binder or Commitment - Include all endorsements	<input type="checkbox"/>	<input type="checkbox"/>
19. Second Trust Documentation - Include a copy of the Note	<input type="checkbox"/>	<input type="checkbox"/>
20. Uniform Underwriting & Transmittal Summary (Form #1077) - Include rationale for loan approval and income calculations	<input type="checkbox"/>	<input type="checkbox"/>
Loan Verifications		
Included	N/A	
21. Funds Verification for down payment, prepaid items, closing costs, financing cost, cash reserves: <ul style="list-style-type: none"> VOD(s) Account statements (including retirement asset account statements) Supporting documentation (e.g., source of funds explanations & documentation, gift letters with transfer of funds documentation, sale of previous home, etc.) 	<input type="checkbox"/>	<input type="checkbox"/>
22. Income Verification: <ul style="list-style-type: none"> Verbal/Written VOE(s) Pay stubs, W2(s)/1099(s) For self-employed or commission income as appropriate (complete tax returns, balance sheets, YTD profit & loss statements and written income analysis) Supporting documentation (e.g., leases, benefits statements, gap in employment letters, etc.) IRS Form 8821, 4506 or an alternate form acceptable to the IRS that collects comparable information, plus the IRS response if received 	<input type="checkbox"/>	<input type="checkbox"/>
23. Mortgage or Rental Verifications: <ul style="list-style-type: none"> VOM(s) or VOR(s) (with at least a 12-month history) Supporting documentation (e.g., letters of explanation, etc.) 	<input type="checkbox"/>	<input type="checkbox"/>
NON-PERFORMING MORTGAGES		
The following are additional documents required for all non-performing mortgages.		
Loan Documentation		
Included	N/A	
24. Final Title Insurance Policy - Include all endorsements	<input type="checkbox"/>	<input type="checkbox"/>
25. Records of all collection efforts - Include borrower contacts, property inspections, attempts to develop a workout plan, bankruptcy and/or foreclosure tracking logs	<input type="checkbox"/>	<input type="checkbox"/>
REFINANCE MORTGAGES		
The following are additional documents required for all refinance mortgages.		
Loan Documentation		
Included	N/A	
26. Payoff Statement - For refinance loans where the loan refinanced was originated or is currently held by the same lender or an affiliate of the lender; include for the loan that was refinanced	<input type="checkbox"/>	<input type="checkbox"/>
RELIEF REFINANCE & ENHANCED RELIEF REFINANCE MORTGAGES		
The following are additional documents required for all Relief Refinance mortgages.		
Loan Documentation		
Included	N/A	
27. Payment History for the loan being refinanced (Relief Refinance - Same Servicer only; Enhanced Relief Refinance - all)	<input type="checkbox"/>	<input type="checkbox"/>
28. Payoff Statement for the loan being refinanced	<input type="checkbox"/>	<input type="checkbox"/>
STREAMLINED REFINANCE MORTGAGES		
The following are additional documents required for all streamlined refinance mortgages.		
Loan Documentation		
Included	N/A	
29. Origination Loan Package for the loan being refinanced – Include the complete package, including the prior Freddie Mac loan number	<input type="checkbox"/>	<input type="checkbox"/>
30. Property Valuation - Include evidence showing that the value of the property for the new mortgage is at least equal to or greater than the value used to originate the mortgage being refinanced	<input type="checkbox"/>	<input type="checkbox"/>

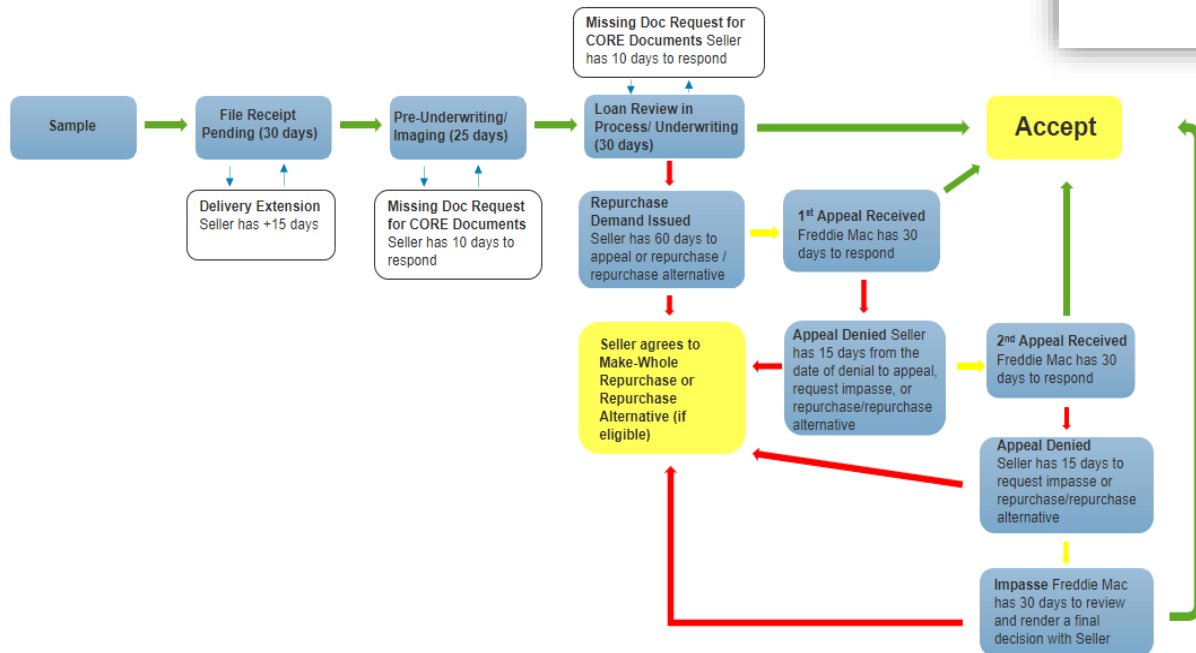
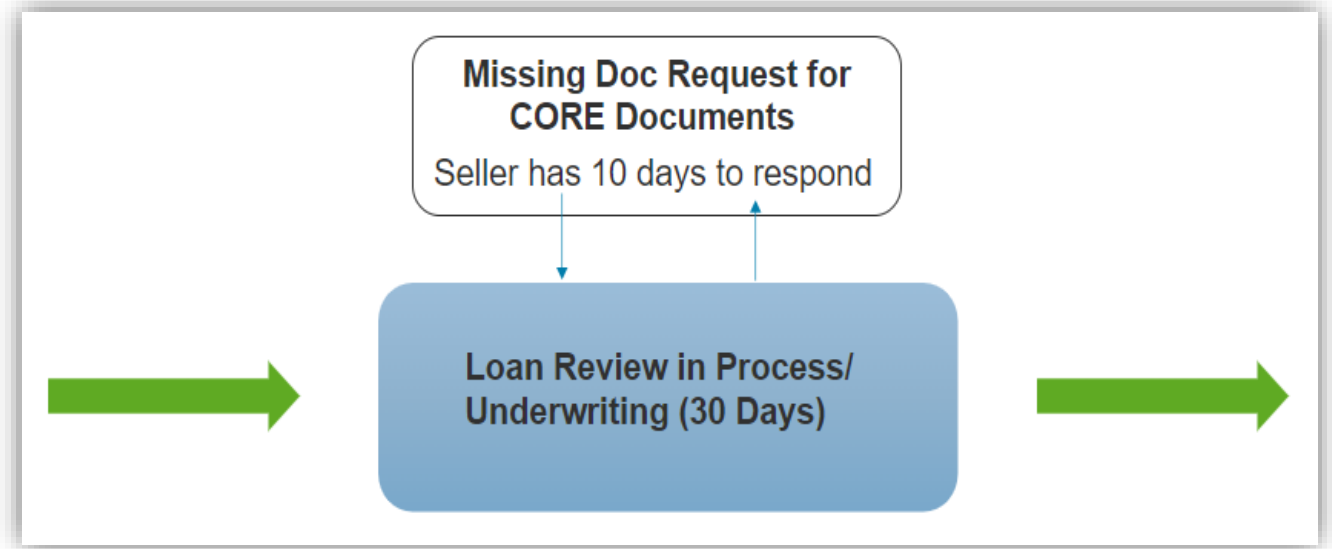
Note:

Sellers committed to using the checklists and delivering a complete loan file see an increase in their Accept Decision Rate.

File Flow Chart – Underwriting



File Timeline Review



File Flow Chart – Underwriting



Freddie Mac Major Deficiencies

A major deficiency will result in repurchase and not a missing documentation request.

Example A

Missing Documentation

- Pages 4 & 5 from purchase contract
- Seller Side of Closing Disclosure
- Flood Certification

Major Deficiency

- **Undisclosed liability** (Example): Auto loan opened one month prior to Note date with a monthly payment \$759/month resulting in an increased DTI that exceeds AUS tolerance and Guide maximum 45%

Example B

Missing Documentation

- HOA documentation

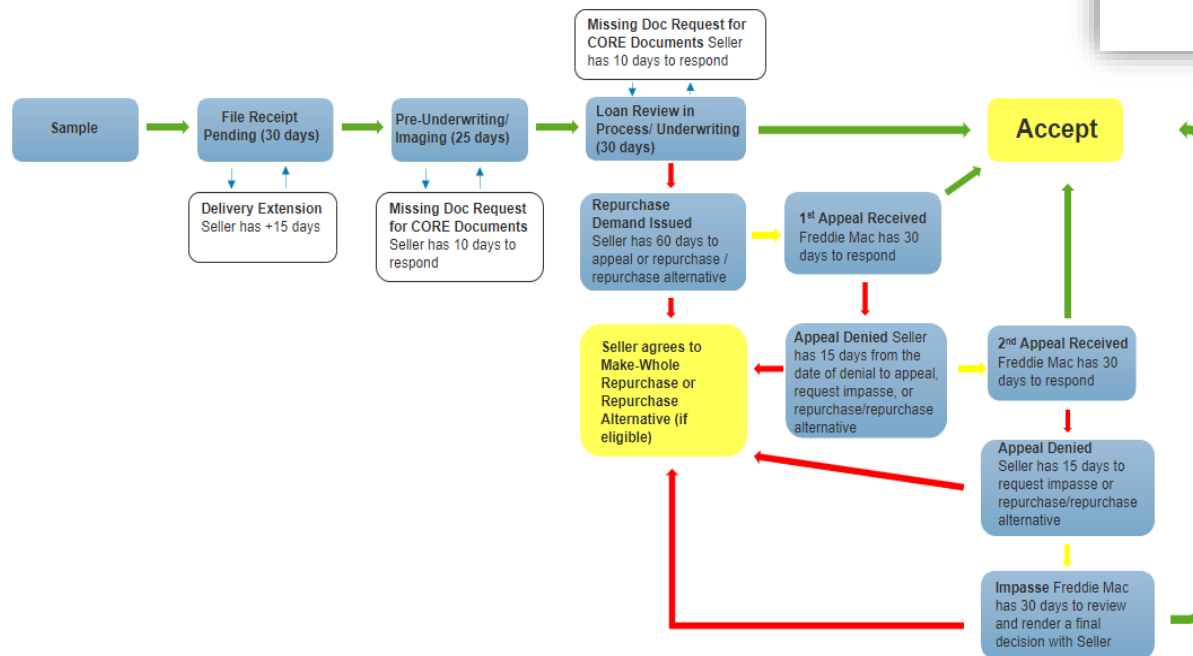
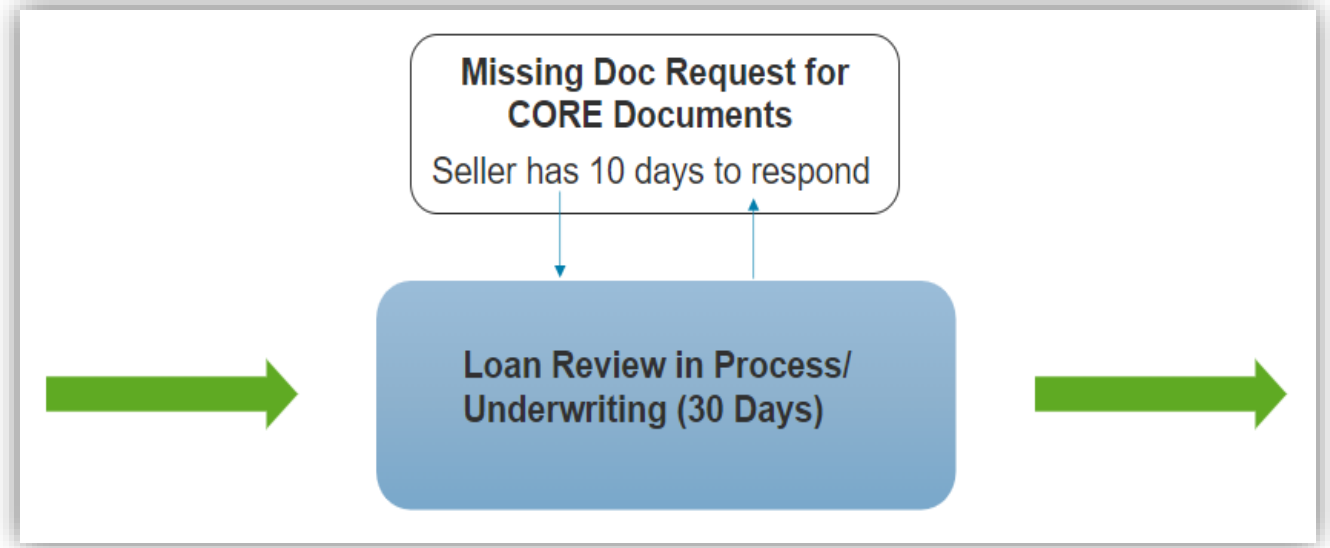
Major Deficiency

- **Ineligible Collateral Type** = Condotel

File Flow Chart – Underwriting



File Timeline Review





Underwriting Q-Tips

Helpful Hints From Freddie Mac QC Underwriting

- Underwriter comments contribute to an expedited review. Example:

Loan Transmittal Underwriting Comments:

LPA – 58% LTV/TLTV, 49% DTI. NCO Refi. Primary. used .5% for payments on student loans. loan restructured- p/o JPMC credit card to qualify- liquid assets sourced with January 2022 bank statement. mtg statement validates history, husband is on mtg and borrower primary res and currently on title for last 12 months (validates continuity). income – used b1 ssi (tax returns verify gross up) and va award letter, b2 se for >5 yrs – used 2020 schedule c, p&l and 3 mths bank statements support income used to qualify. schedule e for 3 rental properties owned >12 months and lease for new investment at 123 main St.

- If the borrower is qualifying with rental income or offset, review [Freddie Mac Guide Section 5306.1](#) for documentation and calculation criteria




Underwriting Q-Tips

Helpful hints from Freddie Mac QC Underwriting

Items to include:

- Income worksheets, such as Form 91, for each self-employed borrower
- Rental income worksheets, such as Form 92 for rental property

Borrower Name: _____



Form 91

Income Calculations

(Schedule Analysis Method)


Form 91 is to be used to document the Seller's calculation of the income for a self-employed Borrower. This form is a tool to help the Seller calculate the income for a self-employed Borrower; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Topic 5300. This form does not replace the requirements and guidance for the analysis and treatment of the income for self-employed Borrowers as described in Chapters 5304 and 5305.

I. Income Calculations from IRS Form 1040

IRS Form 1040 Federal Individual Income Tax Return	Year:	Year:
1. W-2 Income from self-employment (reported on IRS Forms 1040 and 1120 or 1120S)		
Name of business: _____		
IRS Form 1040, W-2 Income – Officer Compensation (Section 5304.1(d)) ¹	(+)	(+)
Subtotal of W-2 income from self-employment	\$	\$
<small>¹Validate with business returns and IRS Form 1125-E, Compensation of Officers, as applicable.</small>		
2. Schedule B – Interest and Ordinary Dividends		
Recurring Interest Income (Chapter 5305)	(+)	(+)
Recurring dividend income (Chapter 5305)	(+)	(+)
Dividend income from self-employment reported on IRS Form 1120	(-)	(-)
Subtotal of dividends and interest	\$	\$

Freddie Mac Single-Family Seller/Service Guide 05/01/19 Bulletin 2019-9 Page F91-1

Borrower Name: _____



Form 92

Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Guide Chapter 5306. This form does not replace the requirements and guidance for the analysis and treatment of rental income as described in Chapter 5306.

I. Net Rental Income from Schedule E (2- to 4-unit Primary Residence)

2- TO 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E ¹ Refinance Transaction owned in the prior year(s)		
	Year:	Year:
Subject: Y / N Property Address: _____		
IRS 1040 Schedule E – Supplemental Income and Loss		
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance ²	(+)	(+)
Mortgage interest paid to banks, etc. ²	(+)	(+)
Taxes (real estate only) ^{2,3}	(+)	(+)
Depreciation and/or depletion	(+)	(+)
⁴ Homeowners association (HOA) dues (if specifically reported as an expense) ²	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)
Non-cash deductions (e.g., amortization)	(+)	(+)
Subtotal(s)	\$ 0.00	\$ 0.00
Result: Net Rental Income (calculated to a monthly amount)⁴ <small>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</small>	\$ / =	\$

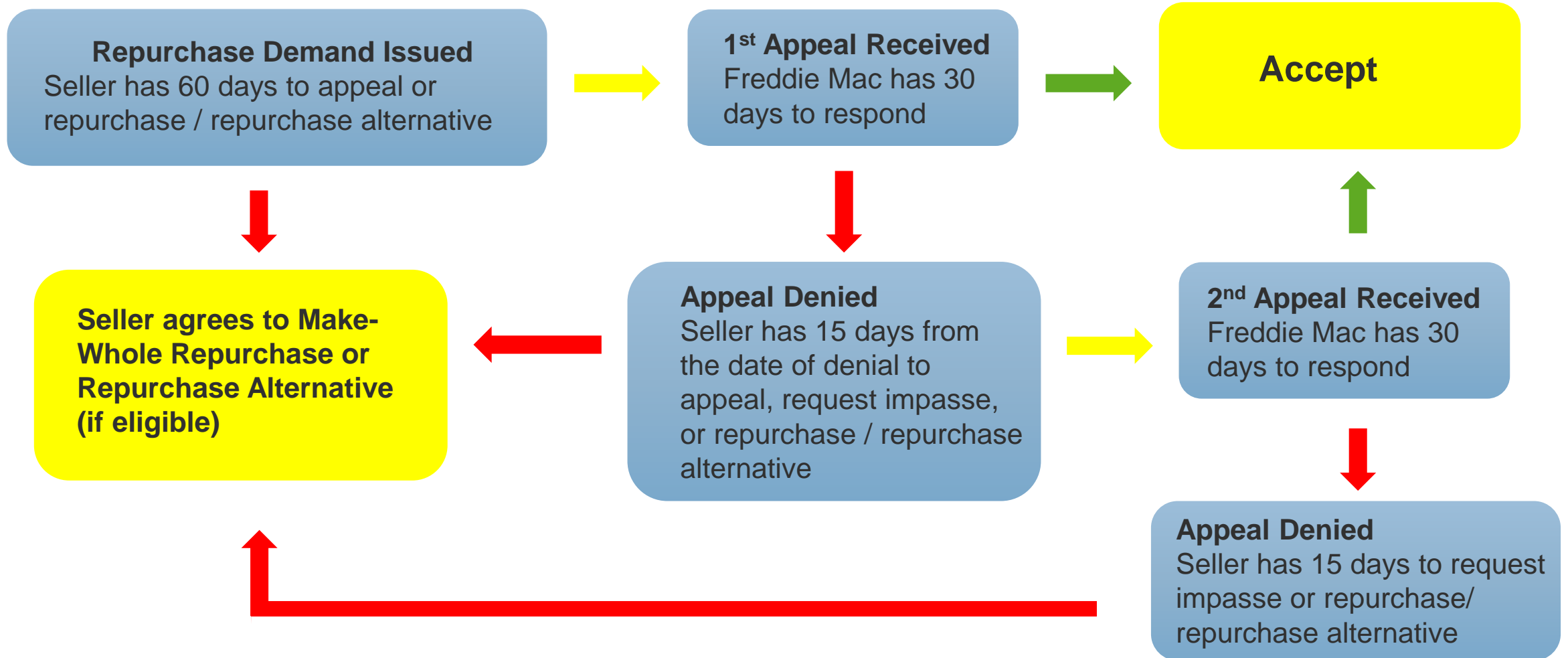
¹Refer to Section 5306.1(c)(1) for net rental income calculation requirements.
²This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio.
³The taxes added back must represent only real estate taxes included in the monthly housing expense.
⁴Establishing DTI ratio (Section 5306.1(d)): The monthly housing expense must be calculated without the use of rental income. The net rental income may be added to the stable monthly income.

Freddie Mac Single-Family Seller/Service Guide 12/04/19 Bulletin 2019-25 F92-1

File Flow Chart – Appeal Process



File Timeline Review





File Flow Chart – Impasse

File Timeline Review

- Submitted within 15 days from date of last denial letter
- Documents to cure the defect must cover the time of underwriting
- All documents that are to be considered must be submitted
- QC Director will make final decision
- Remedy team will schedule call at client's request if decision is to uphold

Quality Control Advisor

Tracking the loan through QCA



SAMPLE AND LOAN DELIVERY
REVIEW RESULTS
DEFICIENCY RESULTS
MISSING DOCUMENTS
APPEALS
PEER COMPARISON
PL NAQ

Filters
Use these filters to adjust the reports below.

Date Type

Review Closed Date

Funding Date

Date Range

Start Date
May, 2021

End Date
April, 2022

Sample Type

Select Type
All Values

PL Key Data Accuracy Rate

9%

Percentage of decided PL reviews where the LTV, TLTV and DTI were successfully validated by Freddie Mac. Sample Type filter doesn't apply.

Current Outstanding Remedies *

Current status of all outstanding remedies

Alternative - Servicing
Repurchase - Origination

Notice of Defect
Repurchase - Servicing

* Filters do not impact this chart. Please refer to the Help section for more information.

PL Review Timeline

53

(Avg. Days)

The average number of calendar days for Freddie Mac to complete a QC Performing Loan review. Component Reviews and the Sample Type filter doesn't apply.

Summary
Summary of QC loan reviews. Percentages may not add up to 100 due to rounding.

Reviews
1,001

In Progress 25%
246

File Receipt Pending
129

Pre-Underwriting
1

Loan Review in Progress
116

Accepted Reviews 67%
669

Accept
598

Rescinded Remedies
71

Remedies 9%
86

Remedy Outstanding
27

Remedy Outstanding with Appeal
11

Alternatives
25

Repurchased
23

Other
0

[View Details](#)

Clicking on any blue number in the summary section will populate a loan list that can be converted to Excel



Quality Control Advisor

Monitoring your NAQ Rate

- What is considered a High NAQ rate?
- How do I lower my NAQ rate?
- What contributes to a high NAQ rate?
- What are some best practices?

Key Takeaways

Quality Control



01

Submit a complete file with underwriting comments, rental and income worksheets

02

Respond to all Missing Documentation Requests within 10 days

03

Provide a detailed cover letter with your appeal and supporting documentation

04

Commit to QCA for delivery, tracking, training opportunities & quality metrics



Questions?



Topic 2 – Remedy through QCA



Remedy Management Mission Statement



Remedy Management mitigates credit losses by resolving outstanding remedy requests through relationship management and formulating and executing effective activities including:

- Resolving remedy requests issued by QC Underwriting and Servicing Remedy Management
- Issuing and resolution of remedy requests based on referrals from other departments
- Developing and implementing remedy plans
- Escalating clients who fail to resolve remedy requests in a timely fashion, and implementing new tools to ensure timely and efficient resolution



Appeals Timeline & Guide Requirements

Section 3602.8

Upon receipt of a Repurchase Demand for any violation described in Section 3602.2, if the recipient of the Repurchase Demand (in this Section 3602.8, referred to as the "Seller/Servicer") has additional supporting information and/or documentation that may affect Freddie Mac's decision, the Seller/Servicer may file an appeal. See Section 3401.1(f) for information regarding Freddie Mac's review of Corrections (as defined in Section 3401.1(a) submitted by the Seller/Servicer.

Requirements

The appeal must include:

- A statement of all relevant facts concerning the mortgage (a cover letter). **Appeals received without an explanation of all relevant facts will not be logged**
- An explanation of why these facts were not disclosed in the file during origination
- A statement of why Freddie Mac's decision should be reversed
- Documentation supporting the basis for the appeal

Timeline

- Your first appeal must be submitted within 60 days of repurchase issuance
- If a 2nd appeal is required, it must be submitted within 15 days of the first appeal denial and contain new information
- Appeals received past the due date or 3rd appeals will not be reviewed. Impasse request must be received within 15 days of the last appeal denial

Quality Control Advisor (QCA)



FreddieMac | Loan Advisor[®] MENU Contact Us Help

Quality Control Advisor[®] LOAN FILE MANAGEMENT REMEDY MANAGEMENT MANAGEMENT REPORTING MISCELLANEOUS

Welcome to Quality Control Advisor[®] Data as of 02/05/2022

Loan File Management
Manage your complete QC loan file review process, including viewing monthly samples, uploading loan files and missing docs, and viewing the status of loan reviews.

Remedy Management
Manage your Remedy process, including managing outstanding remedy requests, uploading appeals, and viewing Remedy letters.

Management Reporting
Manage your overall QC data with flexible reports and individualized dashboards that contain current, historical and trending data.

Miscellaneous
Manage your self-reported QC findings, including status and submissions.

Notice
Please allow up to two business days for document deliveries to be processed in the system. Please see the 'Data as of' date located in the top right-hand corner of screen.

FEEDBACK

Technical Support Line: For assistance, contact Technical Support Line at 1-855-748-4784 (Monday - Friday 8 a.m. - 8 p.m. EST)

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- The Remedy Management function provides a view of the loan status, latest actions and provide real-time comments
- The Notice section on this page will show if there are any updates or issues with QCA and provide some best practices

Note: QCA is always a day behind, for any issues there is a technical support phone number at the bottom of the screen.

Remedy Dashboard



The loan count totals, loan count percentage and dollar amount for the **Total Estimated Owed** are based on the selected filter criteria.

The screenshot displays the Freddie Mac Loan Advisor interface for Remedy Management. At the top, the navigation bar includes 'Quality Control Advisor', 'LOAN FILE MANAGEMENT', 'REMEDY MANAGEMENT' (active), 'MANAGEMENT REPORTING', and 'MISCELLANEOUS'. The main header shows 'Remedy Management' with a notification for '32 new comments available' and a date of '05/18/2022'. A summary section indicates 'Remedy Outstanding: 14' and 'Total Estimated Owed: \$3,505,602.51'. Below this, a row of seven cards shows loan counts and percentages for different categories: 'LOANS <=60 DAYS' (13, 92.86%), 'LOANS 61-90 DAYS' (0, 0.00%), 'LOANS 91-120 DAYS' (1, 7.14%), 'LOANS 121-365 DAYS' (0, 0.00%), 'LOANS > 365 DAYS' (0, 0.00%), 'LOANS WITH OPEN APPEALS' (2, 14.29%), and 'LOANS AGREED TO REPURCHASE' (0, 0.00%). A filter section below includes tabs for 'Pipeline', 'Reports', and 'Document Upload Log', with '22 record(s) found'. A search bar and a checkbox for 'Include Letter Text with Export to Excel' are also present. The filter criteria section contains fields for 'FM Loan #', 'Seller Loan #', 'Servicer Loan #', 'Sample Type', 'Open Appeal', 'Agree to Repurchase', 'MI Only', 'Aging Bucket', 'Customer Status', 'Remedy Source', 'Disposition', and 'Lender Channel'. 'Filter' and 'Reset' buttons are at the bottom.

Category	Count	Percentage
LOANS <=60 DAYS	13	92.86%
LOANS 61-90 DAYS	0	0.00%
LOANS 91-120 DAYS	1	7.14%
LOANS 121-365 DAYS	0	0.00%
LOANS > 365 DAYS	0	0.00%
LOANS WITH OPEN APPEALS	2	14.29%
LOANS AGREED TO REPURCHASE	0	0.00%

QCA Dashboard Filter



FreddieMac | Loan Advisor® MENU Contact Us Help

Quality Control Advisor® LOAN FILE MANAGEMENT REMEDY MANAGEMENT MANAGEMENT REPORTING MISCELLANEOUS

Remedy Management 32 new comments available Data as of 05/18/2022

Remedy Outstanding: 22 Total Estimated Owed: \$4,397,475.69

FILTER BY

Remedy Source

- SRM Loans Only
- QC Loans Only

Current Remedy Description

- Repurchase
- Servicing Repurchase
- Servicing Repurchase Alternative
- Servicing Notice of Defect
- Servicing Indemnification

LOANS <=60 DAYS	LOANS 61-90 DAYS	LOANS 91-120 DAYS	LOANS 121-365 DAYS	LOANS > 365 DAYS	LOANS WITH OPEN APPEALS	LOANS AGREED TO REPURCHASE
20	1	1	0	0	2	0
90.91%	4.55%	4.55%	0.00%	0.00%	9.09%	0.00%

- Filtering options include filtering by a 'Remedy Source' and/or 'Current Remedy Description'
- To view loan details, click on the blue hyperlink
- Access loan-level details in aging 'buckets' by clicking on the blue symbol with three dots in the bottom right corner



FreddieMac | Loan Advisor® MENU Contact Us Help

Quality Control Advisor® LOAN FILE MANAGEMENT **REMEDY MANAGEMENT** MANAGEMENT REPORTING MISCELLANEOUS 8=

Pipeline Reports Document Upload Log

22 record(s) found Include Letter Text with Export to Excel

FM Loan # Seller Loan # Servicer Loan # Sample Type Open Appeal Agree to Repurchase MI Only

Aging Bucket Customer Status Remedy Source Disposition Lender Channel

FILTER **RESET**

EXPORT TO EXCEL **MULTI LOAN SEARCH** **UPDATE STATUS** **ADD COMMENTS** **LETTER TEXT** **UPLOAD DOCUMENTS** **LOSS STATEMENT**

FM LOAN #	SELLER LOAN #	SERVICER LOAN #	BORROWER NAME	REMEDY REPRESENTATIVE	REMEDY SOURCE	MORTGAGE STATUS	PAYOFF TYPE	UPB	LAST KNOWN UPB	ESTIMATED TOTAL
				Lisa Misencik	Quality Control UW	Current		411,972.02	412,710.98	411,972.02
				Lisa Misencik	Servicing Remedy Mgmt	Delinquent		112,064.67	112,064.67	112,064.67
				Lisa Misencik	Servicing Remedy Mgmt	Current		111,578.85	111,578.85	111,578.85
				Lisa Misencik	Servicing Remedy Mgmt	Current		146,494.55	146,666.48	146,494.55

- The pipeline tab displays loan-level details for repurchases and remedy requests
- Use it to ensure that no repurchases letters were missed
- These reports can also be exported to excel

Loan Detail



- The system displays the data pertaining to the specific loan. To view data, you can navigate among the **Remedy, Appeal, Slr/Svcr, Loan, Ltr Text, Upload Docs** tabs and if applicable, the **View Loss Statement** tab.
- Users with Remedy Management Customer Write roles can add new comments under the **Comments** tab and add/update the **Customer Status** field. Update the **Customer Status** by selecting the appropriate status in the drop-down box. The update will be reflected immediately in the **Customer Status History**.

The screenshot displays the 'Loan Detail' interface. At the top, there are fields for 'FM Loan #', 'Seller Loan #', and 'Servicer Loan #'. Below these is a 'LOSS STATEMENT' button. A navigation bar contains tabs for 'Remedy', 'Appeal', 'Slr/Svcr', 'Loan', 'Ltr Text', 'View Loss Stmt', and 'Upload Docs'. The 'Remedy' tab is active, showing 'Remedy Data' with the following fields:

Remedy Representative Jenea Jeffries	Customer Status Agree to Repurchase	Funding Date 08/11/2017
Remedy Letter Date 11/18/2021	Days Outstanding 117	Aging Bucket 91-120
Primary Deficiency Excessive obligations - Undisclosed non-mortgage debt		

A green box highlights the 'Customer Status' field. Below this is a second 'Remedy Data' section with the following fields:

Remedy Representative Lisa Misencik	Customer Status Agree to Repurchase	Funding Date 07/31/2018
Remedy Letter Date 02/23/2022	Days Outstanding 42	Aging Bucket <=60
Primary Deficiency Ineligible property- Structural issues not addressed		
Agrees to Repurchase Yes	Date Agree to Repurchase 03/23/2022	
Current Remedy Description Repurchase	Current Remedy Alternative Amount	Current Remedy Alternative Offered Date
Impasse Review	Mt Only No	

Below this is a 'Closed Remedy Data' section with fields for 'Remedy Close Reason' and 'Remedy Completed Date'. At the bottom, there are tabs for 'Comments' and 'Customer Status History', with a 'NEW COMMENT' button below the 'Comments' tab. A green arrow points to the 'Comments' tab.

Appeal Sub-tab



- This tab shows logged appeals along with the appeal due date and expiration
- If an appeal decision is still pending, the Open Appeal section will show “Yes”
- If an appeal has been denied, it will say so along with the date of the denial

Loan Detail

FM Loan # Seller Loan # Servicer Loan # Data as of 05/18/2022

LOSS STATEMENT

Remedy **Appeal** Slr/Svcr Loan Ltr Text Upload Docs

Appeals Data

Open Appeal Yes	Appeals Count 2
Date Appeal Received 05/02/2022	Date Last Denial
Due Date 05/14/2022	Days Until Due Date
Due Date Expired Yes	

Comments Customer Status History

NEW COMMENT

COMMENT	USER	^ CREATE DATE
Reply.	Lisa Misencik	4/26/2022, 7:07 PM
Reply.	Lisa Misencik	4/26/2022, 6:19 PM
Comment 3.	AWSTest cmmc_nkapur	4/26/2022, 5:43 PM

1 to 3 of 3 items < > >

Letter Text Sub-tab



Loan Detail

FM Loan # Seller Loan # Servicer Loan # Data as of 05/18/2022

LOSS STATEMENT

Remedy Appeal Slr/Svcr Loan **Ltr Text** Upload Docs

Letter Text

EXPORT TO EXCEL

^ PUBLISH DATE	LETTER NAME	LETTER TEXT
04/11/2022	Appeal Letter - Denial	Freddie Mac acknowledges the prior transaction appraisal provided in the appeal. However, the appraisal was expired and also not acceptable. The loan file is under review for a remedy alternative and your Remedy Management representative will be in contact upon completion of
01/27/2022	Remedy Letter	A subsequent appeal rescission resulting in a satisfactory conclusion of the component level review will not result in relief of Representations and Warranties described in Chapter 1301.11III(a). COLLATERAL The subject mortgage does not meet the eligibility requirements set

1 to 2 of 2 items < > >>

Letter Text Detail

Publish Date Letter Name
04/11/2022 **Appeal Letter - Denial**

Letter Text
Freddie Mac acknowledges the prior transaction appraisal provided in the appeal. However, the appraisal was expired and also not acceptable. The loan file is under review for a remedy alternative and your Remedy Management representative will be in contact upon completion of the review.

CANCEL

- Letter text doesn't show up in QCA until two days after the repurchase demand letter or appeal denial is issued
- Double click on the loan in the tab for the text to appear

Uploading Appeals



All appeals must include a **cover letter**

Loan Detail

FM Loan # Seller Loan # Servicer Loan # Data as of 05/18/2022

LOSS STATEMENT

Remedy Appeal Slr/Svcr Loan Ltr Text **Upload Docs**

Step 1: Select Upload Type

Appeals

Step 2: Upload Documents

A cover letter must accompany any Appeal submission.

Click Here to browse for file.
— OR —
Drag and drop files here.

UPLOAD

Comments Customer Status History

CANCEL

Document Upload Log



Pipeline Reports **Document Upload Log**

558 record(s) found

FM Loan # Doc Type File Name Batch Number Upload Status Submitted Start Date to Submitted End Date Submitted By Company Submitted By Upload Location

FM LOAN #	DOC TYPE	DOC DESCRIPTION	VIEW DOC	MULTI LOAN	FILE NAME	BATCH NUMBER	RVW SEQ	UPLOAD STATUS	ERROR	SUBMITTED DATE	SUBMITTED BY COMPANY	SUBMITTED BY	PHONE NUMBER
	Subject Loan			Yes		63010	5	Complete		5/10/2022, 2:11 PM			
	Subject Loan			Yes		63010	5	Complete		5/10/2022, 2:09 PM			
	Subject Loan			Yes		63010	5	Complete		5/10/2022, 2:08 PM			
	Subject Loan						5	Error	There was an issue processing/indexing the document.	5/10/2022, 2:07 PM			
	Subject Loan						5	Error	There was an issue processing/indexing the document.	5/10/2022, 2:06 PM			
	Subject Loan			Yes		63009	5	Complete		5/10/2022, 2:03 PM			
	Subject Loan			Yes		63009	5	Complete		5/10/2022, 2:00 PM			
	Subject Loan			Yes		63009	5	Complete		5/10/2022, 2:00 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63007	5	Complete		5/10/2022, 1:38 PM			
	Subject Loan			Yes		63003	5	Complete		5/10/2022, 12:43 P			
	Subject Loan			Yes		63003	5	Complete		5/10/2022, 12:42 P			

- After submitting an appeal, review the **Document Upload Log** and the **Upload Status** columns for errors
- If an error is found, it will need to be fixed or the appeal will not be logged

Adding Comments



- To leave a comment, click on the loan then click **Add Comments**

Note: Only the Remedy team can view comments. Utilize comments to advise once you have uploaded an appeal or agreed to repurchase.

The screenshot shows a user interface for adding comments to a loan. On the left, a table lists loan records with columns for FM LOAN #, SAMPLE TYPE, REVIEW TYPE, REMEDY LETTER DATE, and NOTE DATE. A green arrow points to the 'ADD COMMENTS' button in the top navigation bar. On the right, the 'Add Comments' modal is open, displaying the 'Loan Detail' section with the FM LOAN # field. Below this is the 'Add Comment' section with a text input field. At the bottom of the modal is the 'Comment History' section, which contains a table of previous comments.

EXPORT TO EXCEL	MULTI LOAN SEARCH	UPDATE STATUS	ADD COMMENTS	LETTER TEXT	UPLOAD DOCUMENTS	LOSS STATEMENT
FM LOAN #	SAMPLE TYPE	REVIEW TYPE	REMEDY LETTER DATE	NOTE DATE		
GE, INC.	Component	PL	01/27/2022	05/07/2021		
GE, INC.	Other		03/17/2022	09/21/2006		
GE, INC.	Other		03/21/2022	08/26/2002		
GE, INC.	Other		03/21/2022	12/19/2003		
GE, INC.	PL Base	PL	03/22/2022	07/26/2021		

Add Comments

Loan Detail

FM LOAN #

1 to 1 of 1 items

Add Comment

Comment

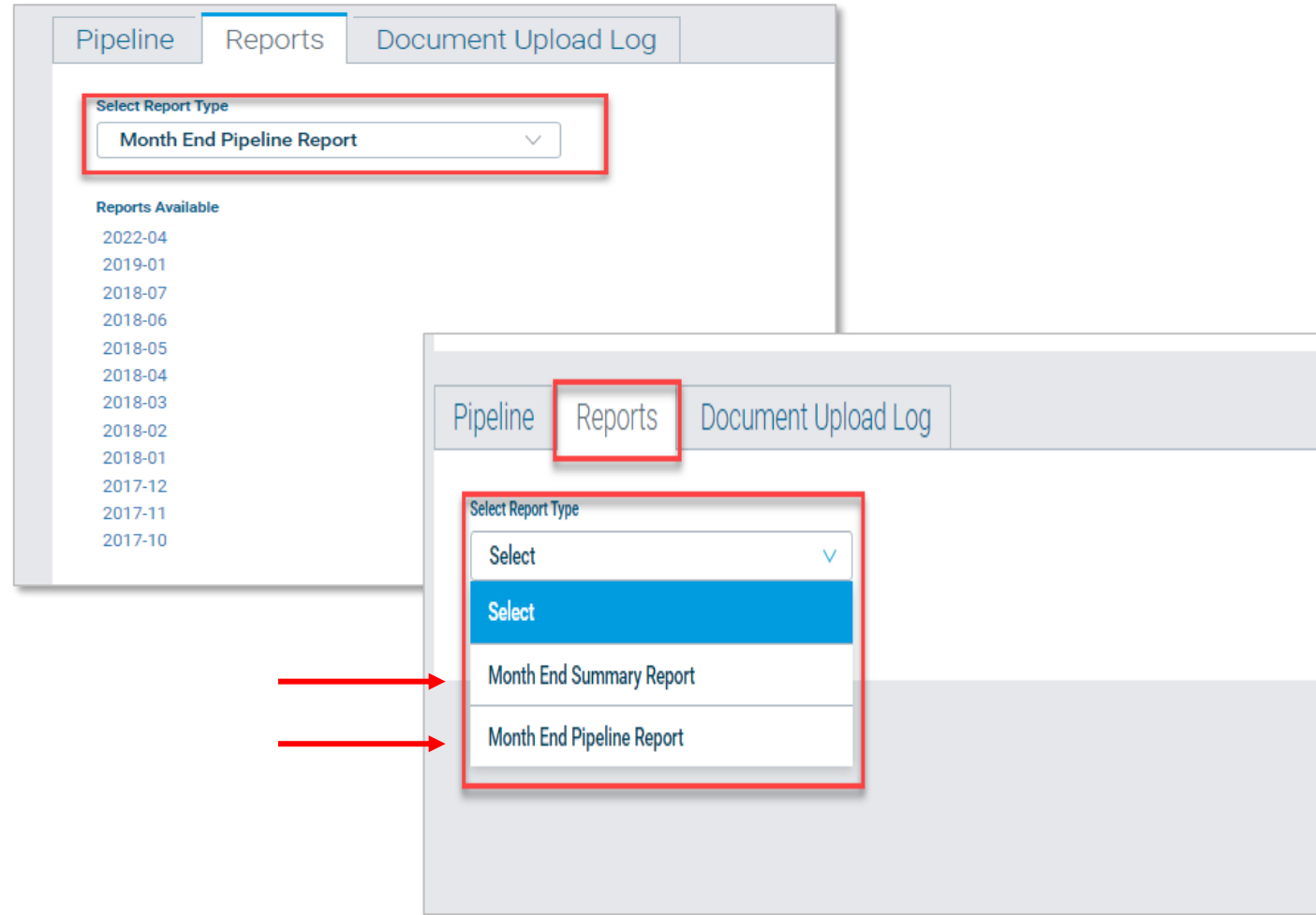
Comment History

COMMENT	USER	CREATE DATE
Reply. We can wait to do that. Food comes first.		4/26/2022, 6:18 PM
Comment 4. Put up decorations	AWSTest cmmc_nkapur	4/26/2022, 5:44 PM

1 to 2 of 2 items

SAVE CUSTOMER COMMENT CANCEL

Remedy Management: Reports



There are 2 types of month end reports available under the reports tab.

- Month End Summary Report
- Month End Pipeline Report

Month End Summary Report



Remedy Request Summary
 Rep & Warrant Family:
 Segment:
 Acct ID: 4/30/2022
 Date Report Produced: 5/2/2022

Repurchases

Outstanding Origination Repurchases				
Indicator	Feb-22	Mar-22	Apr-22	Target
% Outstanding Repurchases < 120 Days	0%	1.6%	0%	<15% and >=10 Days
% Outstanding Repurchases > 365 Days	0%	0%	0%	0%
Appeals Completed < 30 days	0%	0%	7%	<10%
Appeals Resolved < 90 days	0%	0%	17%	0%

Outstanding Servicing Repurchases				
Indicator	Feb-22	Mar-22	Apr-22	Target
% Outstanding Repurchases < 120 Days	0%	0%	0%	<15% and >=10 Days
% Outstanding Repurchases > 365 Days	0%	0%	0%	0%
Appeals Completed < 30 days	0%	0%	0%	<10%

Aging Analysis - Origination Repurchases				
Age Group	# of Repurchases	% of Total #	Estimated Amount Owed	% of Total \$
<=90 Days	22	46.0%	\$7,430,307	46.1%
91-120 Days	0	0.0%	\$0	0.0%
121-365 Days	0	0.0%	\$0	0.0%
> 365 Days	0	0.0%	\$0	0.0%
Total	22	100.0%	\$7,430,307	100.0%

Aging Analysis - Servicing Repurchases				
Age Group	# of Repurchases	% of Total #	Estimated Amount Owed	% of Total \$
<=90 Days	0	0.0%	\$0	0.0%
91-120 Days	0	0.0%	\$0	0.0%
121-365 Days	0	0.0%	\$0	0.0%
> 365 Days	0	0.0%	\$0	0.0%
Total	0	0.0%	\$0	0.0%

Aging Analysis - All Repurchases				
Age Group	# of Repurchases	% of Total	Estimated Amount Owed	% of Total \$
<=90 Days	22	46.0%	\$7,430,307	46.1%
91-120 Days	0	0.0%	\$0	0.0%
121-365 Days	0	0.0%	\$0	0.0%
> 365 Days	0	0.0%	\$0	0.0%
Total	22	100.0%	\$7,430,307	100.0%

All Repurchases

Repurchase Alternatives

Outstanding Origination Alternatives			
Type	Total Outstanding	# of Alternatives Outstanding	% of Overdue Relative to Total Outstanding
MS Alternatives	0	0	0%

Outstanding Servicing Alternatives			
Type	Total Outstanding	# of Alternatives Outstanding	% of Overdue Relative to Total Outstanding
Servicing Alternatives	0	0	0%

Aging Analysis - Origination Alternatives				
Age Group	# of Alternatives	% of Total	Total \$ Amount Due	% of Total \$
<=90 Days	0	0%	\$0	0%
91-120 Days	0	0%	\$0	0%
121-365 Days	0	0%	\$0	0%
> 365 Days	0	0%	\$0	0%
Total	0	0.0%	\$0	0.0%

Aging Analysis - Servicing Alternatives				
Age Group	# of Alternatives	% of Total	Total \$ Amount Due	% of Total \$
<=90 Days	0	0%	\$0	0%
91-120 Days	0	0%	\$0	0%
121-365 Days	0	0%	\$0	0%
> 365 Days	0	0%	\$0	0%
Total	0	0.0%	\$0	0.0%

Servicing Notice of Defect

Aging Analysis - Servicing Notice of Defect			
Age Group	# of Notices	% of Total	% of Total \$
<=90 Days	0	0.0%	0.0%
91-180 Days	1	50.0%	0.0%
181-365 Days	1	50.0%	0.0%
> 365 Days	0	0.0%	0.0%
Total	2	100.0%	0.0%

Resolution & Estimated Fees

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	YTD
Origination Recoveries	\$20,665	3	\$1,507,314	4	\$124,096	1	\$2,056,919
Servicing Recoveries	\$0	0	\$0	0	\$0	0	\$0
Total	\$20,665	3	\$1,507,314	4	\$124,096	1	\$2,056,919
Repurchase Late Fees	\$2,412.82	\$0.00	\$0.00	\$0.00	\$2,412.82	\$0.00	\$2,412.82
Principal Curtailment Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Repurchases

Repurchase Alternatives

Resolution Amounts Received & Estimated Late Fees

Servicing Notice of Defects

Month End Summary Report Metrics



Repurchases

Outstanding Origination Repurchases

Indicator	Dec-21	Jan-22	Feb-22	Target
% Outstanding Repurchases > 120 days	4.8% 1/21	0% 0/16	13.3% 2/15	<15% and <=10 loans
% Outstanding Repurchases > 365 days	0% 0/21	0% 0/16	0% 0/15	0%
Appeals Completed > 30	0%	0%	0%	<10%
Appeals Received > 60 days	21%	57%	0%	0%

Outstanding Servicing Repurchases

Indicator	Dec-21	Jan-22	Feb-22	Target
% Outstanding Repurchases > 120 days	0% 0/0	0% 0/0	0% 0/0	<15% and <=10 loans
% Outstanding Repurchases > 365 days	0% 0/0	0% 0/0	0% 0/0	0%
Appeals Completed > 30 days	0%	0%	0%	<10%

- If a repurchase becomes >120 days at month end, monthly late fees start being assessed
- The goal is to not have any repurchases become aged to this point and to resolve them within 30 days

Month End Pipeline Report



The Month End Pipeline Report provided in an Excel file includes the following three tabs of information:

- Outstanding Remedy Requests
- Issued Remedy Requests
- Closed Remedy Requests

	A	B	C	D	E	F	G	H	I
	FM Loan #	Seller Loan #	Servicer Loan #	Borrower Last Name	Remedy Representative	Remedy Source	Mortgage Status	Payoff Type	UPI
1		6672	4779136672		Lisa Misencik	qc	Current		
2		1196	4766495115		Lisa Misencik	srm	Delinquent		



Remedy Monthly Email Blasts



The purpose of this email is to provide you with a current listing of your outstanding Remedy requests. If the list includes loans aged over 30 days, please reply with the update on resolution by June 01, 2022.

Your assigned Remedy Representative is LisaXXXXXXXX (XXXXXXXX@FreddieMac.com).

***** Any repurchases outstanding over 120 days will be subject to late fee charges. Any highlighted loans in red below will be over 120 days by month end. *****
*****Please note that if you accept recourse that has been offered on a specific loan, you will be assessed a fee of 5% of the UPB the following month.**

FM #	SS Loan #	SVCR Loan #	Family #	Family	Servicer Name	Rpch Letter Date	Days Outstanding	Open Appeal (Y/N)	Appeals Cnt	Date Appeal Rcvd	Date Appeal Denied Ltr	Date Remedy Due	Primary Deficiency Description	Mortgage Status	Current UPB	Estd Total Owed	Current Remedy Description
						3/11/2022	55	N	0			5/10/2022	Insufficient Income - Income calculated incorrectly	Current	173522.68	173522.68	Recourse
						3/24/2022	42	N	1	3/29/2022	3/31/2022	4/15/2022	MI Company rescinded primary MI	Current	262803.26	263303.26	Repurchase
						4/25/2022	10	Y	1	5/3/2022		6/24/2022	Unable to calculate income - Documentation insufficient/inadequate	Current	697065.41	697065.41	Repurchase

How to appeal

Upload your appeal along with supporting documentation via **Quality Control Advisor (QCA)**. If you do not have access, click [Quality Control Advisor@freddiemac.com](mailto:Quality_Control_Advisor@freddiemac.com) to sign up. Guide Section [3602.8](#) outlines the appeal process and notes that the first appeal must be sent to Freddie Mac within 60 days from the date of Freddie Mac's Repurchase Demand.

The appeal must include:

- A cover letter (statement of all relevant facts) concerning the mortgage. Appeals received without a cover letter will not be logged.
- An explanation of why these facts were not disclosed in the file during origination.
- A statement of why Freddie Mac's decision should be reversed.
- Documentation supporting the basis for the appeal.
- Your first appeal must be submitted within 60 days of repurchase issuance.
- If a 2nd appeal is required, it must be submitted within 15 days of the first appeal denial and contain new information.
- Appeals received past the due date or 3rd appeals will not be reviewed.

How to repurchase

If you are **NOT** the Servicer of record, please contact your Servicer to obtain loss figures/payoff amount.
 If you are the Servicer of record, check the mortgage status and follow the below listed instructions:

- For loans in **Current, Delinquent or Foreclosure statuses** – obtain payoff figures internally.
- For loans in any other status, please submit a request through Quality Control Advisor (QCA).

Should you have any questions regarding the above information, please email your Remedy Sr. (XXXXXXXX@FreddieMac.com)



Remedy Management Best Practices

- Access QCA daily to keep track of due dates for appeals and timelines
- Check document upload tab after uploading an appeal to ensure there are no errors
- Update customer status with the defined status of the Remedy request (i.e., Agree to Repurchase, Appeal Submitted, etc..)
- Utilize comment section by providing updates
- Utilize dashboard to check aging and number of outstanding repurchases
- Utilize the Issue Report to see if all remedy letters were received
- Check right hand corner for Date of Reporting
- On QCA landing page, check the Notice Section for important information on QCA downtime and other data
- Review the monthly email blasts to reconcile your pipeline and provide updates on anything greater than 30 days outstanding
- Utilize the Help button (?) on the right-hand side in QCA to assist in walking through the screens and training



Questions?



Topic 3 – Trending Defects in QC, Sampling & Impact of NAQ Loans



QC Sample Types



- **PL Base** – Determines your NAQ
- **Targeted / Discretionary** – Helps us manage risk
- **Component Based (CBR)** – Hones in on specific aspects of a loan
- **Compliance (CPL)** – Responsible Lending Guide Section 4202
- **Non-Performing (NPL)** – Determined by different levels of delinquent payments
- **Guide Section 3402.4** – Minimum sampling required for Seller's post close QC

Trending Defect in QCA



Reviews Closed May 2021 – April 2022

Quality Control Advisor® | LOAN FILE MANAGEMENT | REMEDY MANAGEMENT | **MANAGEMENT REPORTING** | MISCELLANEOUS

SAMPLE AND LOAN DELIVERY | REVIEW RESULTS | **DEFICIENCY RESULTS** | MISSING DOCUMENTS | APPEALS | PEER COMPARISON | PL NAQ

Deficiencies | Findings

Filters
Use these filters to adjust the reports below.

Date Type: Review Closed Date, Funding Date
Date Range: Start Date: May, 2021; End Date: April, 2022
Sample Type: Select Type: All Values

Deficiencies
The charts below contain data for loans that have one or more significant defects that resulted in Freddie Mac requesting Remedy for the loan. If the significant defect was cured, the defect is included in the "Accepted/Cured" part of the Deficiency Trending chart and not in any of the other deficiency charts.

Top 5 Deficiencies Resulting in Remedy

Deficiency Category	Count
Income calculated incorrectly	2,443
Appraisal Flexibility Violatio	2,091
Income doc-miss/insuff	1,676
Income not stable/durable	1,071
COVID Income doc-miss/insuff	1,066

Deficiency Trending
Trend chart of deficiencies. This chart contains information for closed reviews only (no open appeals). Loans with multiple deficiencies will appear multiple times.

Legend: Accepted/Cured (light blue), Deficiencies Resulting in Remedy (green), Total # of Deficiencies (yellow)

Month	Accepted/Cured	Deficiencies Resulting in Remedy	Total # of Deficiencies
May 2021	1,000	1,000	2,000
Jun 2021	1,200	1,000	2,400
Jul 2021	1,200	1,000	2,200
Aug 2021	1,200	1,000	2,400
Sep 2021	1,200	1,000	2,400
Oct 2021	1,500	1,000	2,700
Nov 2021	1,500	1,000	2,700
Dec 2021	1,500	1,200	2,900
Jan 2022	2,000	1,200	3,400
Feb 2022	2,000	1,400	3,600
Mar 2022	2,500	1,600	4,100
Apr 2022	2,200	1,600	3,800

Fluctuating hourly income is the leading cause of this category

Defect Comparison Year Over Year



March 2020 – April 2021 Reviews Closed

Top 5 Deficiencies Resulting in Remedy

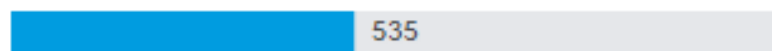
Appraisal Flexibility Violatio



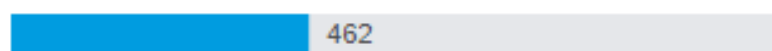
Income calculated incorrectly



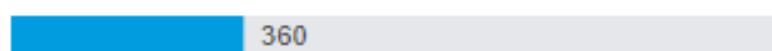
RM Indem/Rec coll trigger met



Income doc-miss/insuff



Income not stable/durable



May 2021 – April 2022 Reviews Closed

Top 5 Deficiencies Resulting in Remedy

Income calculated incorrectly



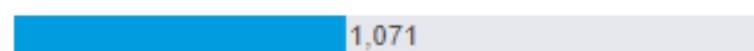
Appraisal Flexibility Violatio



Income doc-miss/insuff



Income not stable/durable



COVID Income doc-miss/insuff



Defect Comparison Year Over Year



March 2020 – April 2021 PL Base

Top 5 Deficiencies Resulting in Remedy

Income calculated incorrectly



Income doc-miss/insuff



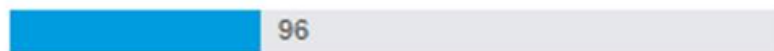
Income not stable/durable



Liability doc miss/insuff



Insuff funds-Doc miss/insuff



April 2021 – May 2022 PL Base

Top 5 Deficiencies Resulting in Remedy

Income calculated incorrectly



Income doc-miss/insuff



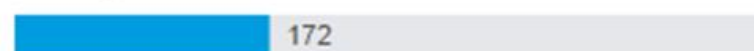
COVID Income doc-miss/insuff



Income not stable/durable



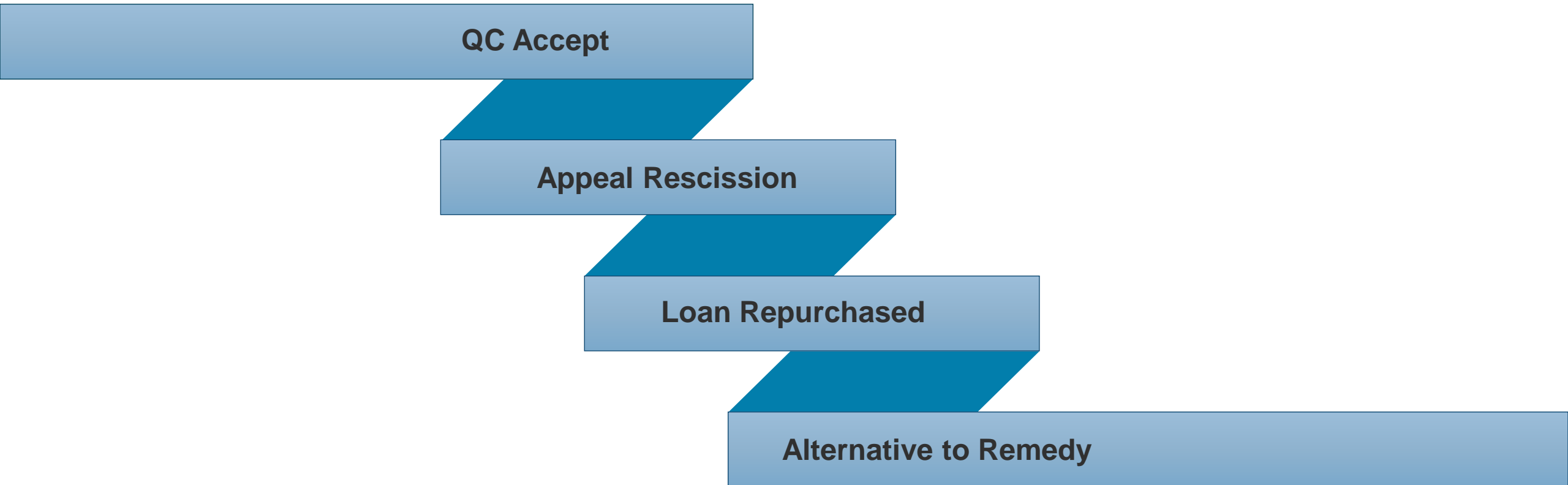
Liability doc miss/insuff



Final Loan Decision



What makes a loan decision final?



Monthly Sample



Factors that determine your monthly sample



Volume

How much you sell to us in a given period



Confidence Level Needed

Determined by the volume



NAQ

Number of defective loans / Number of sampled loans in a given period



Look Back Period

Most recent 3 months completed (98%)



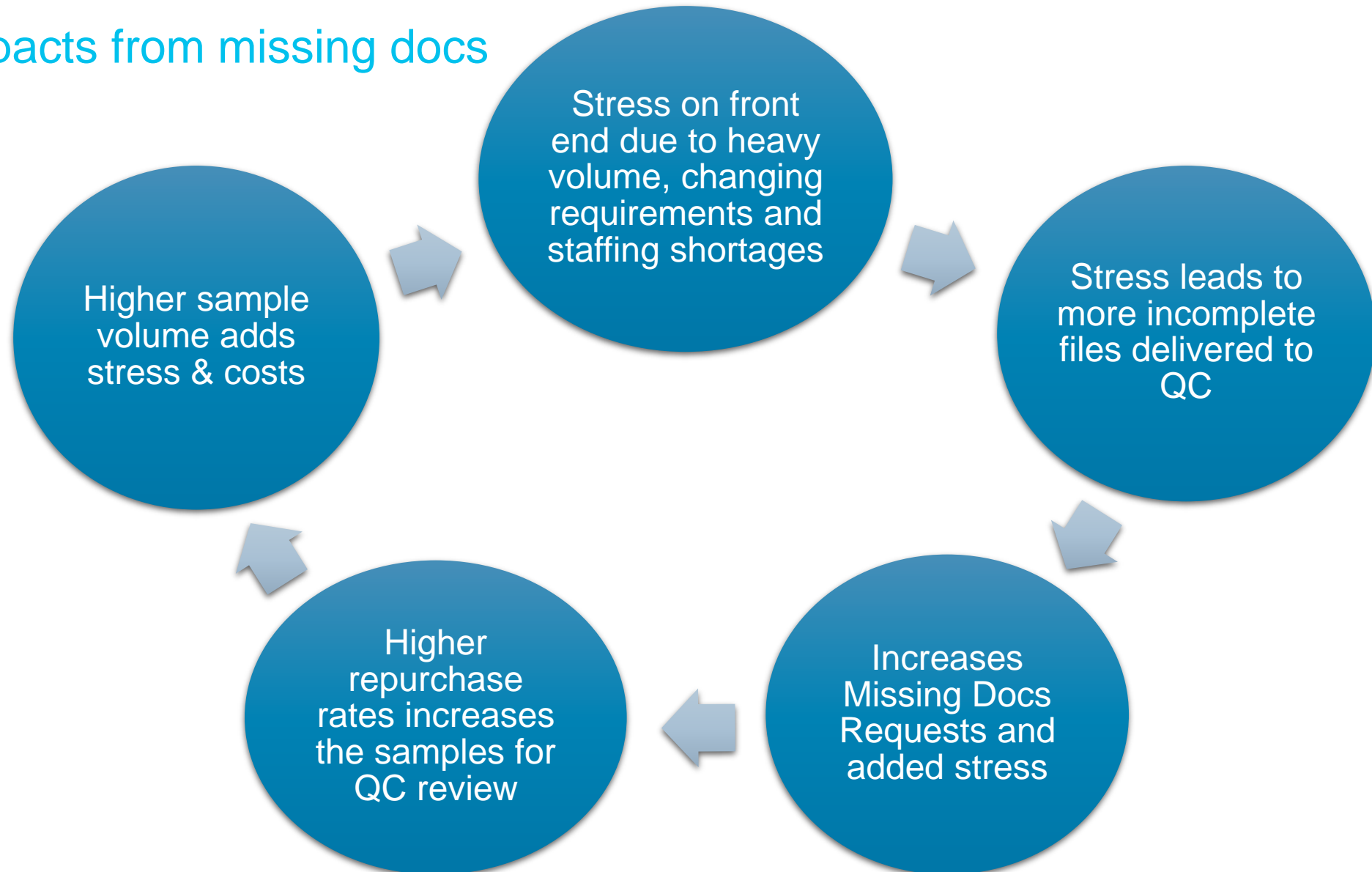
Final Remedy

Biggest hurdle in moving the NAQ

Missing Documents



Circular impacts from missing docs



Non-Fluctuating Income



Guide Section 5303.2

Earnings Type	Requirements and Guidance
Base non-fluctuating employment earnings	<p>For the purpose of determining stable monthly income, base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period.</p> <ul style="list-style-type: none">▪ The pay rate and number of hours worked must be reflected on an ongoing consistent basis for each pay period and be fully supported by the year-to-date income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings.▪ Base non-fluctuating earnings may include both salaried and hourly earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods

Fluctuating Income



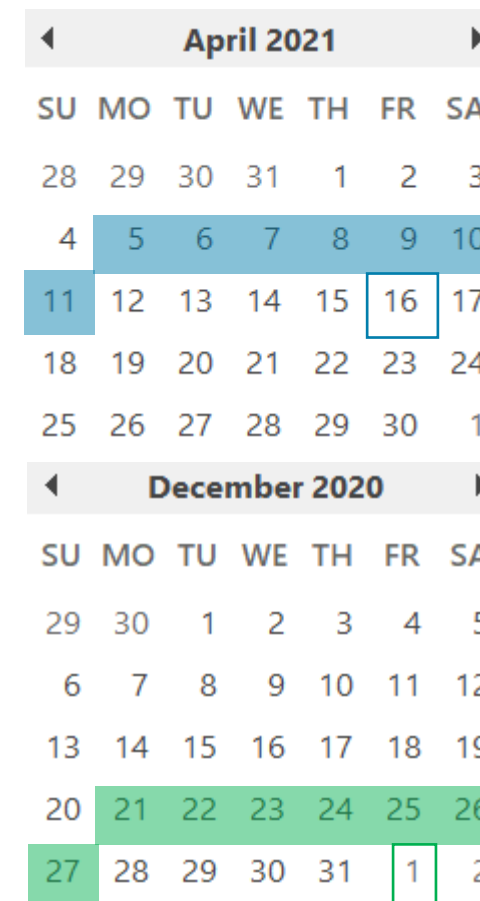
Guide Section 5303.2

Earnings Type	Requirements and Guidance
Fluctuating hourly employment earnings	<p>For the purpose of determining stable monthly income, fluctuating hourly employment earnings are considered to be wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period. The required minimum 12-month history must be derived from either the Borrower's current hourly employment or a combination of current and prior hourly employment. Fluctuating hourly employment earnings are typically representative of non-exempt earnings.</p> <p>Fluctuating hourly earnings do not include additional employed income (e.g., commission, bonus, overtime, tips). Refer to Section 5303.3 for requirements and guidance pertaining to additional employed income.</p>

Fluctuating Hourly Income

Calculating income

Scenario		
<ul style="list-style-type: none"> Borrower paid \$16/hour At 40 hours per week monthly pay = \$2,773 Paid every Friday for the hours worked the week prior 	<ul style="list-style-type: none"> The file has 2 paystubs: April 9 & April 16, both showing 40 hours a week Paystub showed no additional sources of income 	<p>If the YTD income is \$9,856:</p> <ul style="list-style-type: none"> 3.53 month average through April 16 = \$2,792 3.37 month average through April 11 = \$2,924





Fluctuating Hourly Income

Calculating income

- Recap \$16/hour at 40 hours per week = \$2,773 per month
- Year-to-date shows \$9,856 and paystub through April 16 (3.53 months / 16 weeks)
- 3.53 months average = \$2,792, **RED FLAG** it exceeds 40 hour/week income
- The 16-week average = \$616, Income is fluctuating not non-fluctuating
 - 38.5 hours per week average
 - \$2,669.33 monthly average
- 3.53 month average uses the wrong denominator
- Includes income earned without accounting for time worked (10 days)
- \$104 per month can make a difference and we are seeing it often
- Even greater impact on bi-weekly hourly borrowers

Key Takeaways



Trending defects in QC, sampling & impact of NAQ loans

01 Income defects are rising

02 NAQ is a significant factor

03 Quality is important

04 Income calculations are critical



Questions?

Additional Resources



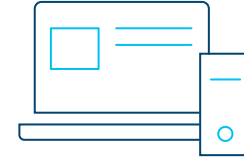
Freddie Mac Learning Center

sf.freddiemac.com/tools-learning/freddie-mac-learning/overview



Customer Contact Support Center

1-800-FREDDIE



Single-Family website

sf.freddiemac.com

Single-Family Seller/Service Guide
guide.freddiemac.com

Single-Family QC web page
sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/quality-control



Thank You

“Let’s QC” Quarterly Webinar Series – Community Lending