MULTISTATE MORTGAGE COMMITTEE
REPORT TO STATE REGULATORS
2011

<u>2011 Leadership</u>
Donald Debastiani, PA – Chairman
Charlie Fields, NC – Vice Chair

<u>2012 Leadership</u>
Charlie Fields, NC – Chairman
Anne Balcer Norton, MD – Vice Chair

Message from the Outgoing Chairman

During 2011 we saw several significant events that occupied substantial portions of the Committee's time. Unlicensed activity continued to occur at a surprising rate. Foreclosures continued to dominate the conversation, despite many programs designed to try to assist people who are losing their homes. The MMC implemented a Limited Scope Electronic (LSE) examination process focused on increased examination efficiencies, and discovered that many entities don't conduct post closing records updates and/or audits to ensure that the practices they have put on paper regarding the underwriting process are actually being followed by their staff. Some of these examinations were expanded into Full Scope Examinations.

Servicing examinations have been the primary focus of many regulators during 2011. The MMC played a valuable role in the examination of these entities, and in the development of standards that will reshape the way that the servicing sector operates. I have never in my career seen a more coordinated event in the state regulatory system than the one focused on servicing companies. Documentation gathered during those examinations played an integral role in convincing servicing company executives that their companies needed to change the way they go about ensuring borrowers are treated fairly and legally.

As everyone knows the Consumer Financial Protection Bureau (CFPB) is now operating and actually conducting examinations. The MMC has been meeting with senior managers at the CFPB in an attempt to ensure that the coordination envisioned by the Dodd–Frank Act is implemented in a manner that avoids undue burden on the industry. Many processes are in development to streamline the sharing of examination information, both among the states, and with the CFPB. With a single authority responsible for rule writing, there are hopes that certain regulatory inconsistencies may finally be addressed. The MMC authored a white paper on the differences between the Real Estate Settlement Procedures Act and the Truth in Lending Act. Input from several industries, state regulators, and the legal community was gathered with the hope that the contradictions and differences between the two acts could be reconciled. The paper was provided to the CFPB in an effort to assist them in sorting out and crafting a sensible approach to the discrepancies.

Another significant piece of work is the State Nondepository Examiner Guidelines for the Regulation Z Loan Originator Compensation Rule, issued to provide a process for both state regulators and industry to conduct compliance reviews under the new rule. The MMC also published the Mortgage Examination Manual, which will be a uniform tool for both examiners and industry alike. Both regulators and industry now have a single set of standards from which to work.

Although a significant commitment of time and energy, I have thoroughly enjoyed serving as Chairman for the Multistate Mortgage Committee, and look forward to continue striving to raise the level of competence and professionalism of the state regulatory system.

Donald Debastiani, Title
PA Department of Banking

Message from the Incoming Chairman

The past year has seen many events that have moved to reshape our country's financial system, and worked both toward and against the recovery we are hopefully beginning. As we progress through 2012, the Multistate Mortgage Committee (MMC) will continue the work of coordinating examinations, refining our protocols and processes, and attempting to create streamlined, more reasonable supervision that will fulfill the requirements of the state regulatory system while at the same time reducing the burden on the mortgage industry. This year the MMC is developing a more structured reporting mechanism that will provide examination progress to participating state regulators at a fairly detailed level.

Mortgage products have retrenched to very basic offerings, and underwriting shows strong signs of strengthening. Both of these developments are, at least for the short term, helpful in forming the underpinnings of our recovery. As we continue the year, the MMC is working closely with the State Attorneys General, on a settlement agreement with the largest servicers in the country that will assist homeowners which are facing or have been the subject of a foreclosure and have been impacted by questionable practices of the loan servicing industry. Stabilizing the housing market will provide a basis for a more normalized recovery.

The MMC has been the central point of contact for not only the State Attorneys General, but for the Consumer Financial Protection Bureau (CFPB) as well. The CFPB reached out to the MMC during the development of some of its operational processes in an effort to lessen the regulatory burden of its examination cycle. Both the States and the CFPB will continue to work together to ensure there is minimal duplication of effort and maximum resource allocation on examinations that are executed by both regulators.

While the MMC continues to believe that advanced technology will provide the preferred examination platform in the years to come, there are clearly learning curves to be overcome and technical issues the mortgage industry must be cognizant of in order to provide the regulators with accurate data. Examination results are paramount to the MMC, and we are working to resolve some of the technical issues that have been discovered, so that regulators can obtain accurate information that leads to solid conclusions, and the mortgage industry can begin to enjoy the benefit of using technology to avoid costly compliance violations. I envision a day when both regulators and the industry can sit down to discuss an examination that reveals that, because of the use of technology, there are minimal violations, and penalties or reimbursements to borrowers are not necessary.

Charlie Fields, Director, Non Depository Entities
NC Office of Commissioner of Banks

Composition of the Multistate Mortgage Committee and Member Terms

The state regulatory members that make up the Multistate Mortgage Committee come from a geographically diverse selection, appointed by the boards of the American Association of Residential Mortgage Regulators (AARMR) and the Conference of State Bank Supervisors (CSBS). Each organization chooses five members to sit on the Committee. This ten state body serves to represent and implement the direction and policy established by state mortgage regulators through the various Commissioners and agency heads across the country. The committee, and its individual membership, has become a focal point for the state regulatory system, to not only efficiently coordinate various examinations, but to effectively assimilate information from external sources and ensure a consistent approach is taken in all matters.

In 2011 the membership changed as two position terms expired in 2010: Kevin Glendening, Deputy Commissioner, Consumer and Mortgage Lending, Kansas, and Joe Mulberry, Assistant Banking Commissioner, Wyoming.

Beginning new terms in 2011, the board of AARMR appointed Kwadwo Boateng and then Rick St. Onge, both from Washington State Department of Financial Institutions. Mr. Boateng replaced Kevin Glendening. Mr. Boateng was replaced by Mr. St. Onge upon leaving Washington DFI in 2011 to join the Consumer Financial Protection Bureau. The board of CSBS appointed Michael Garvin, Illinois Department of Financial and Professional Regulation, filling the position previously held by Joe Mulberry. Both members will serve a two year term.

2011 Multistate Mortgage Committee

Pennsylvania	Donald Debastiani - Chairman
North Carolina	Charlie Fields – Vice Chairman
Illinois	Michael Garvin
Iowa	Rod Reed
Louisiana	Darin Domingue
Maryland	Anne Balcer Norton
Massachusetts	Greg Short
Mississippi	Traci McCain
New York	Helen Hodge
Washington	Rick St. Onge

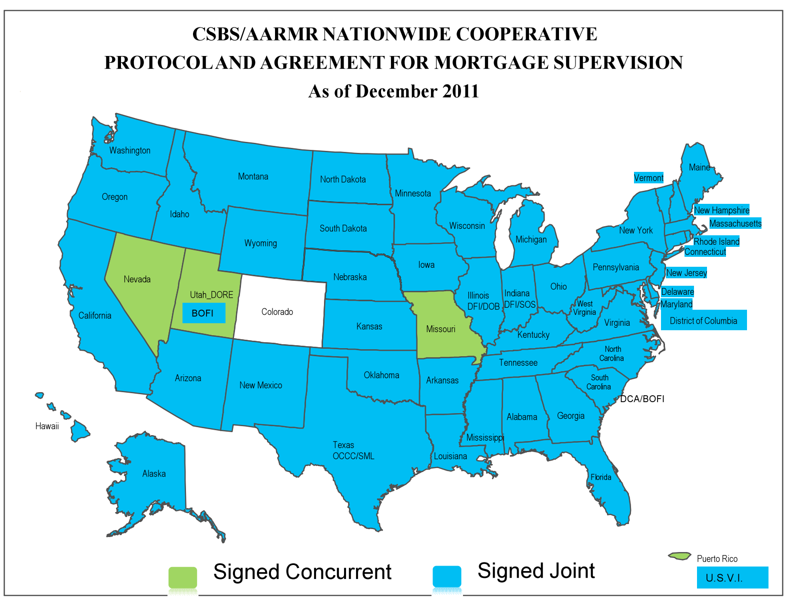
The MMC meets formally twice per month to discuss progress on multistate exams and various initiatives and to formulate the approach best suited for issues that the states confront in the ordinary course of their examination cycles. Much more frequent meetings are held by the subgroups that the Committee establishes to develop and refine examination protocols and processes. Most weeks can see in excess of three meetings all focused on some form of mortgage examination work.

The members are also frequently asked to participate in various examination schools, conference presentations, and industry forums. These events are extremely productive, as they allow for various stakeholder groups to gain valuable insight into the workings and thought processes of the MMC. The MMC also benefits greatly from interacting with the industry and garnering information that keeps them more abreast of industry thoughts and concerns. Members that speak at the various meetings and conferences throughout the year constantly solicit feedback on the multistate process, and bring that feedback to the MMC for discussion and evaluation. Many aspects of the multistate examination have been changed, or modified, as a result of industry feedback. The Regulation Z Loan Originator Compensation Rule is a good example of how the MMC formulated guidelines for examiners after consultation with industry.

Additional States Sign Nationwide Cooperative Protocol and Agreement

Two additional states signed onto the Nationwide Cooperative Protocol and Agreement for Mortgage Supervision[1] in 2011. Florida and Alabama signed the agreement as Joint Examination State Regulators, recognizing the advantage that participating as a joint state affords during the examination process. Joint Examination States are those states with the ability to protect confidential supervisory information received from other states and therefore can participate to the fullest extent in multistate examinations and enforcement actions. A Joint Examination State signatory may share and receive all confidential documentation during the examination with other Joint Examination State signatories, enabling examiners from different states to conduct a more robust and comprehensive examination using documentation obtained from many states.

The MMC was established under the Agreement as the oversight body for the following agreed goals: (a) protect consumers; (b) ensure the safety and soundness of MMEs; (c) identify and prevent mortgage fraud; (d) supervise and examine in a seamless, flexible and risk-focused manner; (e) minimize regulatory burden and expense; and (f) foster consistency, coordination and communication among the State Regulators.



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[1] http://www.csbs.org/regulatory/Cooperative-Agreements/Pages/Agreements.aspx

Overview of the Multi State Mortgage Committee Operations

The Multistate Mortgage Committee (MMC) dealt with many complicated and time consuming issues in 2011, our third year of examining Multistate Mortgage Entities (MMEs). Again, some of the largest lenders in the country were examined, with participation ranging from several states to over 30 state regulators. Both traditional examinations and Limited Scope Electronic (LSE) examinations were conducted.

The MMC continued to pilot the ability to risk scope one hundred percent of an institution's originated and funded loan portfolio for compliance violations through technology. The pilot was a valuable exercise, detecting many apparent compliance violations that examiners may not have had the time to otherwise uncover. Several different approaches were used with the data uploads. Due to data integrity, certain examinations necessitated the examiners to manually input the loan data for individual loans, which benefitted the exam process by providing a thorough analysis of a sample of the portfolio. Other examinations were able to upload the entire portfolio for review, but with some data integrity issues. The MMC took the position that allowing institutions time to attain accuracy with their loan data was a worthwhile task, as it would lead to a more streamlined, efficient examination next cycle, and achieve a more compliant environment in the long term.

The MMC continues to play a critical role in the examinations of the nation's largest servicers. The state regulators partnership through the MMC, with the State Attorneys General, has enabled a comprehensive examination of the manner in which the servicing industry operates. State regulators have entered into an information sharing agreement with the State Attorneys General that allows for the sharing of examination information. This has proven to be critical in answering the question of whether any borrowers actually were harmed by servicing company actions. Generally, the state regulators performed an examination of sufficient depth to produce documentation that showed not only a lack of attention to detail regarding the signing of documents in the foreclosure process, but many other deficiencies with the legal process involved in the repossession of an individual's home. It is anticipated that the outcome of this partnership with the Attorneys General will result in a reassessment of the servicing industry operations nationwide.

The MMC also provided briefings to the State Bank Supervisor representative on the Financial Stability Oversight Council. The briefings focused on the status of the mortgage servicing examinations, relating to the scope and depth of the problems encountered.

Various members of the MMC have been meeting frequently with the newly formed CFPB in an effort to establish processes for efficient regulation that avoids duplication and regulatory burden. Meetings continue to occur involving a myriad of issues that need to be agreed upon so that documentation may be shared and examination coordination achieved. Currently there is a memorandum of understanding between CSBS[2] and the CFPB, allowing for the coordination and sharing of supervisory information. Sharing of consumer complaints, call report information,

[2] On behalf of the signed states.

and examination scheduling, are also being addressed with the goal being to leverage the resources of both the state regulators and the CFPB effectively and efficiently.
The MMC issued a white paper to the CFPB highlighting the differences between the regulations implementing the Real Estate Settlement Procedures Act and the Truth in Lending Act. The inconsistencies and contradictions in the two rules have long been a concern of the industry and regulators. The Dodd–Frank Act requires the CFPB to develop a model disclosure that combines the disclosures required under the two Acts and the MMC is dedicated to supporting this process.

A Supervisory Advisory Letter on Unlicensed Mortgage Activity was issued by the MMC in February discussing the issues regulators were having with regard to unlicensed mortgage activity. This letter provided notice to the industry that the regulators were encountering serious operational lapses in licensing, and clearly illustrated how institutions were expected to comply. Later in the year a multistate regulatory order was issued to a company that was found to have neglected to license a significant number of its loan originators. Ten states took part in the examination and resulting enforcement action.

In July, the MMC released the MMC Examination Manual to guide examiners and industry compliance professionals throughout the state examination process. Although focused on multistate examinations, the manual provides comprehensive coverage of the mortgage review process and a standardized approach to examining that may be adopted by any state. To enhance the examiner's use of the manual, CSBS and AARMR are developing several training initiatives that will educate examiners in various areas encompassed in the Manual.

In October, the MMC released the State Nondepository Examiner Guidelines for Regulation Z – Loan Originator Compensation Rule. The guidelines are intended to provide state examiners with a standard set of examination tools to determine institution compliance with certain "bright line" areas of the Rule.

MMC members are often asked to present to various groups in an effort to educate industry and regulators about the process of multistate supervision. In July, Anne Balcer Norton was asked to testify before the Insurance, Housing and Community Opportunity Subcommittee on Financial Services. Charlie Fields presented at several industry and regulator events, and Darin Domingue is a featured presenter at many mortgage examination schools. In August, the majority of the MMC addressed regulators and industry at the annual AARMR Conference in San Francisco.

Synopsis of Examinations

Twenty three multistate examinations were conducted during 2011 encompassing as many as 30 states. The examiners evaluated financial condition, the effectiveness and efficiency of management controls and operations, and compliance with applicable Federal and state laws and regulations. In consideration of the licensee's lending practices, the examination teams evaluated all relevant elements of the underwriting process. In general, these factors include the nature and extent of quality control, the commitment of management to ensure compliance, and its ability and willingness to take necessary steps to do so. Other factors such as underwriting standards, operating systems, internal procedures and controls, and audit activities designed to ensure compliance on a routine and consistent basis are also evaluated.

Internal Quality Control

The examination teams reviewed quality control reports prepared by both internal section heads, and third party providers. The reports identified several areas of risk, some of which were sufficiently addressed by the entities, but many that appear to have been overlooked or underestimated by the underwriters and management. The following list represents the most common deficiencies noted in the quality control reports reviewed:

> Most quality control functions are tested post-closing as opposed to during the loan application and loan origination process. This exposes the licensees to significant risks, including the risk of repurchase for loans that fail a post close review by the end investor or enter early payment default.
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> Verification of Employment – examiners determined that borrowers had terminated the employment identified on loan applications prior to the settlement date.
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> Appraisal Discrepancies – appraisals used were either outdated or overvalued based on examiner review.
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> Incorrect and/or Incomplete Income Calculations – indicating speculative repayment ability.
>
> Incorrect APR calculations – final APR over or understated based on incorrect calculations.

Unlicensed Activity

Examinations also uncovered many instances of unlicensed activity. These cases were often difficult to discern, as some licensees created multiple layers of management and employees, and assumed the business stance that there was no need to license all employees originating loans. Accumulating the documentation necessary to prove that individuals were performing the work of loan originators was time consuming and labor intensive, as it often necessitated obtaining various sets of documentation and interviewing borrowers and others.

In February the MMC issued a Supervisory Advisory Letter on Unlicensed Mortgage Activity to all state mortgage regulators. The letter spoke to the significant degree of unlicensed loan originator activity being noted in examinations, and stressed the use of the NMLS as a tool to both detect and police unlicensed activity within the industry.

Collection of Impermissible Fees

Impermissible Federal Housing Administration and Veterans Administration fees have been noted in multistate examinations and point to a serious internal routine and control issue. The existence of these fees necessitated reimbursement to borrowers, and in significant numbers may threaten the safe and sound operation of lenders. Licensees also imposed and collected fees which were not in compliance with the Real Estate Settlement Procedures Act (RESPA). These included collection of unearned fees, unallowable fees, or incorrect amounts. The lack of such operational controls resulted in increased risk for these lenders, most notably a substantial number of required reimbursements to borrowers. Examinations also required the licensees to conduct self assessments to identify all monetary reimbursements due borrowers.

Failure to Provide Accurate and Timely Truth in Lending Disclosures

Examinations of loan level data identified significant numbers of loans in which licensees failed to produce evidence that borrowers were provided the Truth in Lending disclosure within the required three business days. Additionally, many Good Faith Estimates were inaccurate. TILA mandates the disclosure of key terms of the lending arrangement and all costs. Specifically, it also mandates that the finance charge, a key term, must not be understated by more than $100.00 to be considered accurate. Examiners found many instances where the difference between the disclosed finance charge and the actual finance charge exceeded $100.00. Those examinations required the licensees to refund borrowers the difference between the disclosed finance charge and the actual finance charge.

Technological Initiative and Limited Scope Examinations

The MMC developed the Limited Scope Electronic (LSE) examination process as an efficient and effective method for multistate mortgage supervision. The LSE examination is a limited scope examination of a Multistate Mortgage Entity (MME) using the ComplianceEase® suite of software. Training and assistance regarding software use is provided by CSBS staff, experienced examiners, and ComplianceEase® representatives. LSE examinations accomplish a 100% penetration analysis of a MME's loan portfolio[3] for apparent compliance violations.

LSE examinations may be used as stand-alone examinations or as vehicles to determine which companies will need full scope examinations, and how to focus those examinations most efficiently. Institutions demonstrating significant numbers of apparent violations should expect to be scheduled for an expanded multistate examination. If, on the other hand, a company demonstrates nominal compliance violations, a more abbreviated approach may be taken toward the exam, with an appropriately diminished level of examiner resources.

When the examination team has completed the LSE examination they create an executive summary. The MMC reviews each executive summary and makes the determination to continue with the LSE examination; conduct an expanded LSE examination; or embark upon a full scope examination.[4] If the continuance of the LSE examination is directed by the MMC, the EIC and participating states will determine both the volume and significance of the identified compliance

[3]Excluding cancelled or denied loans, non-real property loans, reverse mortgage loans, or loans in which the MME acted as a broker.

[4] Note: The ranges of responses by the MMC are considered guidelines only. The MMC holds the discretion to act as necessary and nothing within these procedures is intended to limit the MMC's or a single state's ability to take action, including enforcement action, regardless of the stage or status of a particular examination.

violations and issue a preliminary findings letter or report to the licensee requesting response and corrective action (if necessary) within a certain timeframe. The response should detail both the veracity of the violations, and how the company plans on rectifying or remediating each violation or group of violations. Once received by the MMC, a judgment is made as to the substance of the response and the effectiveness of the company's plan to remedy the violations as a whole.

Consumer Financial Protection Bureau Memorandum of Understanding

On January 4, 2011, the Conference of State of State Bank Supervisors and the Consumer Financial Protection Bureau (CFPB) entered into a memorandum of understanding to allow each state to share information for the benefit of consumer protection. The CFPB implementation team signed the memorandum to establish a foundation of state and federal coordination and cooperation for supervision of providers of consumer financial products and services. Specifically, state regulators and the CFPB will endeavor to promote consistent examination procedures and effective enforcement of state and federal consumer laws and to minimize the regulatory burden and efficiently deploy supervisory resources. The MOU also calls for state regulators and the CFPB to consult each other regarding the standards, procedures, and practices for conducting compliance examinations of providers of consumer financial products and services, including non-depository mortgage lenders, mortgage servicers, private student lenders, and payday lenders.

The MMC meets regularly with CFPB management to ensure that provisions of the memorandum are being addressed and that regulatory burden is reduced when at all possible. Examination schedules are contemplated being exchanged, and ways to conduct concurrent examinations are being developed. Coordinating and developing joint training will also be a major initiative of the MMC. The MMC is the primary mortgage regulator contact the CFPB will use to distribute information, coordinate examinations, and interact with the state regulators on enforcement actions.

Servicing Examinations

The MMC has been working on the coordination of examinations concerning servicing entities since the discovery of the so called "robo-signing" practices were discovered in September of 2010. One of the first steps undertaken by the MMC was to craft and implement an information sharing agreement between the State Regulators and the State Attorneys General. This agreement allowed for the sharing of examination information between the parties.

The MMC coordinated eight examinations pertaining to state licensed servicing entities. Examinations have been laborious, and the depth and scope of the examinations have lengthened the time initially projected for completion. Examiners are using techniques that proved useful during the mortgage crisis, such as cross referencing documentation found in the servicer's files with that obtained from borrowers. Signature referencing from document to document helped reveal the existence of questionable signing authority in several entities. Comparing loan documentation with that on file at many registries of deeds uncovered a number of serious findings, and there appears to be significant violations of the Civil Service Members Relief Act.

Servicing entities appear to be seriously challenged when applying a rule set to the size and scale of their operations. This is a direct result of the absence of appropriate management controls for compliance with applicable statues, regulations, and other rules. Cost control seems to be a major factor behind many of the decisions that have led to management control problems, lack of quality control checks, and compliance violations.

Oversight of outside counsel also appears to be lacking. Inaccurate calculations appear to be a constant problem, as well as inconsistent interest rate calculation methods used. Examiners are finding that outside counsel many times will use a different methodology than the servicer to calculate interest rates, resulting in irreconcilable differences between the two sets of documentation. Inconsistent fees are being assessed in the completion of foreclosure documentation, resulting in monies that should be returned to borrowers being retained by servicers.

This group of examinations presented an opportunity for the MMC to assess the states' servicing examination platform for consistency and efficiency. The MMC found that there were areas within those examination programs that needed modernizing, and set to work on creating a servicing examination platform that could be used by all states to improve the overall quality of the examination. That platform is expected to be completed sometime in 2012.

Although significant findings continue to be noted, completion of these servicing examinations is not expected to occur until sometime in 2012.

Examination Manual and Training Initiatives

The MMC began work on a uniform mortgage examination manual in 2010, and finished the project in 2011. The result is a comprehensive piece of work that provides consistency in work flow to both examiners and industry alike. The Examination Manual is divided into several chapters or modules representing broad categories of examination interest. The introductory module provides fundamental background information and criteria for the overall examination function. Subsequent modules provide guidance on planning and administration; examination of assets, finance, management, compliance, and reports. The typical module is comprised of several sections, which provide information and/or guidance on specific topical areas.

In October the MMC published State Nondepository Examiner Guidelines for Regulation Z – Loan Originator Compensation Rule in an effort to provide examination consistency in the application of the Federal Reserve Board’s final rule for closed end credit under Regulation Z. The guidelines provide a tool for examiners that is module based, providing a prescribed format and methodology for assessing an institution's compliance with the regulation. In the next revision of the MMC Examination Manual these guidelines will be added as a new module augmenting Regulation Z review.

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (hereinafter referred to as the SAFE Act or SAFE) was enacted into law on July 30, 2008 with the primary objective of establishing minimum standards for individual States to license and register mortgage loan originators (MLOs). The SAFE Act also calls upon CSBS and AARMR to establish and administer the Nationwide Mortgage Licensing System and Registry (NMLS).

During 2011, the MMC established a working group to develop a set of guidelines for examiners that would provide a useful field review of the SAFE Act provisions. The working group utilized feedback from other state agencies as well as industry experts to craft the examination guidelines. The primary purpose of developing the SAFE Act Examination Guidelines (SEGs) is to ensure that all individuals acting as MLOs, as defined by the SAFE Act, are properly licensed and registered under the Act, in all States in which they are conducting business. While the SAFE Act is primarily limited in coverage to MLOs, state law further encompasses the licensing of mortgage institutions through the NMLS. The guidelines provide a standardized set of examination procedures that will result in a thorough review of an institution's compliance with state licensing through the NMLS and individual MLO compliance with state law and the SAFE Act.

The SEGs will become a standalone chapter of the MMC Examination Manual at the manual's next revision.

RESPA/TILA White Paper

February 2011, the MMC drafted a white paper compiling observations and analysis of discrepancies between the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA).

The paper is a compilation of observations and an analysis of the discrepancies experienced by state regulators between RESPA and TILA. The observations and analyses derive from data obtained from consumer feedback acquired through state regulatory agencies, examiner suggestions based on their experience, and industry thoughts on how future rule writing should reconcile these differences.

As the CFPB will review opportunities for streamlining RESPA and TILA, the MMC provided the paper to the agency in the hopes it would provide helpful insight.

Summary

The MMC continues to work toward a seamless and less burdensome examination process through the use of technology and enhanced communication processes among the state regulators. Continuing to establish new relationships and solidifying current working partnerships will also be tantamount to refining mortgage regulatory practice in 2012. Many federal partnerships have been strengthened over the course of 2011, as a result of the extensive work ongoing regarding the servicing industry. Communication and information sharing between these agencies and the state regulators is more robust than it ever has been.

The Consumer Financial Protection Bureau continues to fill its ranks, and the constant communication between this newest federal agency and the state mortgage regulators has been both necessary and productive. The MMC is resolved in establishing and maintaining the working relationship between the state regulators and the CFPB that the Dodd–Frank Act intended. In the coming year the MMC will work toward an expansive relationship with this agency in an effort to leverage resources and reduce burden on the industry when possible.

Many examination improvements have been made and processes refined with the intention of eliminating burden while enabling examiners to obtain thorough examinations. The Limited Scope Examinations are an example of how examinations can utilize technology to ensure greater compliance, assessing the loans from the initial stages of underwriting through to funding, and completing one last check with a post closing audit to ensure that the necessary government reporting entries on HUD documents are correct. Post closing audits can help quickly identify inconsistencies or potential violations caused by changes made near or at closing, thereby helping to prevent widespread or systemic problems which may result in significant consumer refunds or regulatory fines and penalties.

The MMC is committed to raising the bar for examinations of multistate mortgage companies and will continue to strive to create tools and issue guidelines to increase the technical proficiency of examiners. Look for updates to the examination manual that will include sections on loan originator compensation and servicing examination processes, as well as the creation of schools that will focus on the multistate approach to achieve efficiencies.

For more information on this report or the Multistate Mortgage Committee contact:

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