



MORTGAGE BROKER  
LOAN ORIGINATION  
QUALITY CONTROL POLICY

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## Table of Contents

<b>PREAMBLE</b> .....	5
<b>PURPOSE:</b> .....	5
<b>GOVERNANCE AND SENIOR MANAGEMENT:</b> .....	7
<b>DEFECT RATE</b> .....	7
<b>DEFECT SEVERATING RATINGS</b> .....	7
<b>COMPLIANCE WITH THE LAWS:</b> .....	8
<i>Strengthening Counterparty Risk Management</i> .....	9
<b>EXCLUSIONARY LISTS:</b> .....	9
<i>Fraud Prevention</i> .....	9
<b>EMPLOYEES</b> .....	9
<b>ALL INTERSTED PARTIES</b> .....	10
<b>TRAINING PROGRAM:</b> .....	10
<b>QC VENDOR:</b> .....	11
<b>QC VENDOR AUDIT</b> .....	11
<b>PRE-FUNDING QC:</b> .....	12
<b>POST-CLOSING QC:</b> .....	15
<i>Timeliness</i> .....	15
<i>Frequency</i> .....	15
<b>SAMPLE SIZE AND LOAN SELECTION</b> .....	15
<i>Random Post-Closing Audits:</i> .....	15
<i>Discretionary Post-Closing Audits</i> .....	16
<i>Additional Discretionary Audits</i> .....	16
<b>AUTOMATED UNDERWRITING</b> .....	16
<i>Red Flag Messages</i> .....	17
<b>STREAMLINE REFINANCES</b> .....	17
<b>REJECTED LOANS</b> .....	18
<b>EARLY PAYMENT DEFAULT</b> .....	18
<b>AREAS OF INVESTIGATION FOR POST-CLOSING</b> .....	18
<i>Required Documentation</i> .....	18
<i>Documentation Review and Verification</i> .....	19
<i>Credit Report</i> .....	19
<i>Credit Documents</i> .....	19
<i>Appraisals</i> .....	20
<i>Occupancy</i> .....	20
<i>Underwriting Decisions</i> .....	21

<i>Condition Clearance and Closing</i> .....	23
<b>PROCEDURAL COMPLIANCE IN PRODUCTION:</b> .....	24
<i>Fair Lending</i> .....	24
<i>Tiered Pricing, Overages, and Premium Pricing</i> .....	24
<i>Minimum Loan Amounts</i> .....	25
<i>Fair Housing Poster and Equal Housing Opportunity Logo</i> .....	25
<i>Advertising</i> .....	25
<i>Home Mortgage Disclosure Act (HMDA)</i> .....	25
<i>Ineligible Participants</i> .....	25
<b>DISCLOSURES/COMPLIANCE:</b> .....	25
<i>Real Estate Settlement Procedures Act (Regulation X)</i> .....	26
<i>Truth in Lending Act (Regulation Z)</i> .....	26
<i>Electronic Signatures in Global and National Commerce Act (ESIGN)</i> .....	26
<b>REPORTING OF POST-CLOSING QC:</b> .....	27
<b>RISK MITIGATION REPORTING:</b> .....	27
<b>ACTION PLAN TO REMEDIATE RISKS:</b> .....	27
<b>AUDIT REVIEW OF THE QC PROCESS:</b> .....	28
<i>Reporting</i> .....	28
<i>Material Finding Action Plan</i> .....	29
<i>Follow up</i> .....	29
<b>CALIBRATION</b> .....	29
<i>Transaction-Level Calibration</i> .....	29
<i>Sample-Level Calibration</i> .....	30
<b>RECORD KEEPING:</b> .....	30
<b>ADDENDUM A: Loan Prospector/Desktop Underwriter</b> .....	31
<b>ADDENDUM B: Credit Reports</b> .....	32
<b>ADDENDUM C: Appraisals</b> .....	33
<b>ADDENDUM D: HUD/FHA QC Elements</b> .....	34
<b>ADDENDUM E: Early Payment Default</b> .....	41
<b>ADDENDUM F: Specific FHA Procedural Requirements</b> .....	42
<b>ADDENDUM G: Branch Office Review Procedural Requirements</b> .....	45
<b>ADDENDUM H: Direct Endorsement Lender Review Approval Processing (DELRAP) Procedural Requirements</b> .....	47
<b>ADDENDUM I: Mortgage Quality Control Agreement</b> .....	48
<b>ADDENDUM J: FHA Affiliates Review Procedural Requirements</b> .....	49
<b>ADDENDUM K: VA Loan Procedural Requirements</b> .....	50
<b>ADDENDUM L: Fair Lending Procedural Requirements</b> .....	51

**ADDENDUM M: Home Mortgage Disclosure Act (HMDA) Procedural Requirements .....52**  
**ADDENDUM N: Real Estate Settlement Procedures Act (RESPA) Procedural Requirements .....53**  
**ADDENDUM O: Tiered Pricing Procedural Requirements.....54**

**PREAMBLE**

Annastoshia Inc, DBA Limitless Mortgage is an entity engaged in originating 1-4 single family mortgages through the secondary market Wholesale Lenders. Limitless Mortgage is a Mortgage Broker and does not make any credit decisions.

This Quality Control Plan (Plan) establishes the policy of monitoring loan origination activities to ensure that all FHA, VA, and conventional loans that are originated meet not only the standards of Limitless Mortgage, but also those of the Wholesale Lender, insurers, regulatory agencies, HUD, VA, Fannie Mae (FNMA) and Freddie Mac (FHLMC).

The Plan complies with all applicable local, state, and Federal laws applicable to Mortgage Brokers, including, but not limited to the Fair Housing Act, Equal Credit Opportunity Act, Truth in Lending Act, and the Real Estate Procedures Settlement Act.

In addition, Limitless Mortgage has adopted an Anti-Money Laundering Program, included hereto by reference.

To accomplish this policy objective, this Plan provides formal practices and procedures for mortgage loan quality assurance that:

1. Verifies existence and accuracy of origination documentation and processes.
2. Assures that mortgages:
  - a. Conform to Limitless Mortgage policy and procedures;
  - b. Comply with insurer/guarantor requirements; and
  - c. Meet specific investor requirements.
3. Evaluates and monitors the overall quality of loan production.

This Quality Control Plan is continually revised, as needed.

**PURPOSE:**

To establish written policies by which mortgage loans originated by Limitless Mortgage will be evaluated to assure the proper origination and processing of residential mortgage loans.

To establish senior management accountability for the quality control program, including proactively managing to a target gross defect rate and a target net defect rate in the "material" severity level defect category. The quality control function will be a prescribed and routine function of each of Limitless Mortgage operations whether performed by Limitless Mortgage personnel or a contracted outside source.

To ensure that all loans comply with:

1. Limitless Mortgage policies and procedures protecting Limitless Mortgage, the Wholesale Lender, FHA, VA, Fannie Mae (FNMA), Freddie Mac (FHLMC) from unacceptable risk, guard against errors, omissions and assure swift and appropriate corrective actions;
2. Private insurer and guarantor requirements;
3. Wholesale Lender guidelines and requirements;
4. HUD FHA guidelines applicable to mortgage loan origination, including but not limited to the HUD

Handbook 4000.1;

5. VA guidelines applicable to mortgage loan origination, including but not limited to VA Lender Handbook 26-7;
6. Adherence to Agency and regulatory requirements surrounding Tiered Pricing, Overages, Premium Pricing, Loan Originator Compensation, Qualified Mortgages and Ability to Re-pay;
7. All Fair Lending laws including, but not limited to:
  - a) Fair Housing Act;
  - b) Equal Credit Opportunity Act - Regulation B;
  - c) Home Mortgage Disclosure Act – Regulation C;
  - d) SAFE Mortgage Licensing Act – Regulation G and Regulation H;
  - e) Mortgage Acts and Practices – Advertising Rule – Regulation N;
  - f) Privacy of Consumer Financial Information – Regulation P;
  - g) Fair Credit Reporting Act – Regulation V;
  - h) Real Estate Settlement Procedures Act – Regulation X;
  - i) TILA-RESPA Integrated Disclosure Rule – Regulation Z;
  - j) Truth In Lending Act – Regulation Z;
  - k) Helping Families Save Their Homes Act of 2009 – HFSH Act;
  - l) USA Patriot Act Section 326 – Consumer Identification Program
8. Single Family Housing Guaranteed Loan Program (SFHGLP) Underwriting Guidelines for USDA RD loans;
9. To identify inadequacies, errors, omissions, negligence, abuses or fraud relating to originating officers and processors involved in the lending process so that prompt corrective action can be taken by Limitless Mortgage;
10. Determine and address the root cause of any deficiencies and identify potential internal and external control weaknesses;
11. Alert Limitless Mortgage management to patterns of deficiencies with respect to mortgage process and personnel;
12. Ensure timely and appropriate corrective action;
13. Ensure the existence of required documentation (e.g., credit loan and appraisal information) that is the basis of the Wholesale Lender’s underwriting decisions;
14. Report to the Wholesale Lender immediately if Limitless Mortgage learns about any misrepresentation or possible breach of a selling warranty, including fraud
15. To evaluate, document and monitor the general quality of all loans originated and expand the scope of quality control reviews when fraudulent activity or patterns of deficiencies are identified;
16. Limitless Mortgage will notify its Wholesale Lenders within 30 days of confirmation that one or more defects identified through the Quality Control (QC) file review process results in the loan being ineligible

17. To ensure that quality control vendors adhere to regulatory, agency and investor standards;
18. To ensure that appraisals meet appraiser independence and generally accepted appraisal standards;
19. Management will ensure that branch offices or employees are not engaging in false or misleading advertising practices.

### **GOVERNANCE AND SENIOR MANAGEMENT:**

Limitless Mortgage Senior Management team believes that loan quality is fundamental to the success of the Company. Limitless Mortgage has built into its risk culture a commitment to produce loans with file data that is accurate, complete, meets Wholesale Lender eligibility and supports the Wholesale Lender's sound credit decisions. In order to measure the quality of loans originated, Limitless Mortgage Senior has developed loan defect target rates for both pre-funding and post-closing.

### **DEFECT RATE**

Limitless Mortgage Senior Management has established a 1% pre-funding<sup>1</sup> gross target defect rate, <.5% post-closing gross target defect rate and a zero post-closing net target defect rate in the "material" severity level defect category based on Limitless Mortgage credit risk needs and loss reserves. The target defect rates will be reevaluated as needed, or at a minimum annually, to ensure that it continues to meet Limitless Mortgage needs.

### **DEFECT SEVERATING RATINGS**

Senior management has approved the following rating system to monitor the severity of adverse quality control (QC) findings:

- **Material/Significant** – Material/Significant ratings are the highest severity level issued when defects are found. Material findings represent an unacceptable level of risk. Material defects include:
  - Failing to ensure that the borrower meets applicable eligibility requirements in accordance with the Wholesale Lender, FHA, VA or Agency requirements.
  - Failing to verify the credit worthiness, income and/or employment of a borrower in accordance with the Wholesale Lender, FHA, VA or Agency requirements.
  - Failing to verify the assets used by the borrower for down payment and/or closing costs, or to meet applicable reserve requirements, in accordance with the Wholesale Lender, FHA, VA or Agency requirements.
  - Failing to address property deficiencies identified in the appraisal affecting the health and safety of the occupants or the structural integrity of the property in accordance with the Wholesale Lender, FHA, VA or Agency requirements; and

For any finding which must be reported, Limitless Mortgage will identify what actions, if any, have been taken to attempt to mitigate or resolve each finding, determine the root cause and report any planned or pending follow-up corrective activities.

After properly investigating, Limitless Mortgage will report material deficiencies to the  
Wholesale

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<sup>1</sup> The term "pre-funding" is used throughout this Plan and is considered synonymous with pre-closing.

Lender.

- Any findings of fraud or material misrepresentation will be immediately reported to the Wholesale Lender.
- Limitless Mortgage will report all other material findings no later than 30 days after Limitless Mortgage has completed its own internal evaluation of the findings, or within 60 days of initial disclosure of the findings, whichever occurs first.
- Senior Management will review and respond to each instance of fraud, material misrepresentation, or Material Finding. Limitless Mortgage will identify the corrective and curative actions being taken, the timetable for completion, and any planned follow-up activities. Senior Management will discuss with responsible party(ies) in order to ensure correct action and to prevent similar Findings from occurring in the future.
- **Moderate** – Moderate exceptions are defects that could cause Wholesale Lender’s suspense but are typically alleviated or not severe enough to make the loan unsellable if unresolved.
  - Management will discuss all findings with the responsible party(ies) in order to determine root cause, ensure corrective actions are taken to prevent similar findings from occurring in the future.
- **Minor/Insignificant/Low** – Minor/Insignificant/Low exceptions are the lowest severity level issued. These defects are small enough that they would not typically result in an investor suspense or eligibility violation. They do present an opportunity for Senior Management to determine procedure gaps and training needs. Minor deficiencies will be tracked and included in Limitless Mortgage QC trend analysis.
- **Informational/Acceptable** – Acceptable exceptions are informational and are used to clarify. An Informational/Acceptable finding indicates no perceived risk exist and is used for information purposes.

Once the quality control review has been conducted, initial review of the findings will be reported to the individual charged with Quality Control (QC Manager)<sup>2</sup> within 30 days of completion of the initial findings report.

The QC Manager will monitor the monthly defect rate and issues identified by both Limitless Mortgage internal QC Reviewer and Limitless Mortgage QC Vendor (if applicable). The QC Manager will review and provide to Senior Management monthly reports pursuant to this rating system and put into effect any actions necessary to investigate, resolve and report any deficiencies noted.

The QC Manager along with Executive Management will review and respond appropriately to each instance of fraud, material misrepresentation, or other material finding. Senior Management records will identify the actions taken by responsible managers, the timetable for completion and any planned follow-up activities. Limitless Mortgage has “zero tolerance” for any fraud discovered.

Should monthly QC reporting or review functions fall outside timeframes, Senior Management will allocate the appropriate resources to bring quality control review up to date.

### **COMPLIANCE WITH THE LAWS:**

In addition to the Fair Lending laws stated in the Purpose section of this Quality Control Plan; Limitless Mortgage is aware of, and in full compliance with federal, state, and local laws that apply to any of its origination, or other business practices.

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<sup>2</sup> The QC Manager and Senior Management may be one in the same.



Limitless Mortgage complies with any applicable law that addresses wrongful discrimination, appraiser independence, appraisals, real estate settlement procedures, borrower privacy, data/cyber security, escrow account administration, mortgage insurance cancellation, debt collection, credit reporting, electronic signatures or transactions, predatory lending, anti-money laundering (BSA/AML), terrorist activity (OFAC), ability to repay and the enforcement of any of the terms of the mortgage.

### **Strengthening Counterparty Risk Management**

In accordance with the "Helping Families Save their Homes Act of 2009" (HFSH Act), Limitless Mortgage will not allow participation in FHA programs any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator of Limitless Mortgage:

- Currently suspended, debarred, under a limited denial of participation (LDP), or otherwise restricted under similar provisions of any other Federal agency.
- Under indictment for, or has been convicted of, an offense that reflects adversely upon Limitless Mortgage's integrity, competence or fitness to meet the responsibilities of an approved mortgagee.
- Subject to unresolved findings contained in a Department of Housing and Urban Development or other governmental audit, investigation, or review.
- Engaged in business practices that do not conform to generally accepted practices of prudent mortgagees or that demonstrate irresponsibility.
- Convicted of, or who has pled guilty or nolo contendere to, a felony related to participation in the real estate or mortgage loan industry.
  - During the seven (7) year period preceding the date of the application for licensing and registration; or
  - At any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust, or money laundering.
- In violation of provisions of the S.A.F.E. Mortgage Licensing Act of 2008 (12 U.S.C. 5101 et seq.) or any applicable provision of State law; or
- In violation of any other requirement as established by the Secretary of Housing and Urban Development.

### **EXCLUSIONARY LISTS:**

#### **Fraud Prevention**

**EMPLOYEES.** For all new employees and on an annual for all employees, including management, Limitless Mortgage will enter and search through the government's FHFA, LDP and SAM websites to determine if they are part of the exclusionary list. The websites described herein are:

1. U.S. General Services Administration (GSA) Excluded Parties (EPL) List
  - a. <https://www.sam.gov/SAM/>
2. HUD Limited Denial of Participation List (LDP List)
  - a. [https://www5.hud.gov/Ecpcis/main/ECPCIS\\_List/main/ECPCIS\\_List.jsp](https://www5.hud.gov/Ecpcis/main/ECPCIS_List/main/ECPCIS_List.jsp)
3. Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) list

- a. <https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>

**ALL INTERESTED PARTIES.** All interested parties in any given transaction will be entered and searched through the government's OFAC list, LDP and SAM websites to determine if they are part of the exclusionary list. Loan Participants in a mortgage transaction may include, but are not limited to, the:

- Real estate agents,
- Borrowers,
- Sellers,
- Title companies,
- Attorneys,
- Builders,
- Appraisal Management Companies (AMC), and
- Real estate companies

The websites described herein are:

1. U.S. General Services Administration (GSA) Excluded Parties (EPL) List
  - a. <https://www.sam.gov/SAM>
2. HUD Limited Denial of Participation List (LDP List)
  - a. [https://www5.hud.gov/Ecpcis/main/ECPCIS\\_List/main/ECPCIS\\_List.jsp](https://www5.hud.gov/Ecpcis/main/ECPCIS_List/main/ECPCIS_List.jsp)
3. Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) list
  - a. <https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx>
4. Office of Foreign Assets Control (OFAC)
  - a. <https://sdnsearch.ofac.treas.gov>

Limitless Mortgage will maintain documentation that supports each participant's eligibility.

### **TRAINING PROGRAM:**

Each new company employee will read and acknowledge Limitless Mortgage Policy Guide before participating in any lending activity.

Policies and procedures of Limitless Mortgage will be made available to all employees. In addition, employees will be informed of changes in Wholesale Lender, and governmental agency requirements on a timely basis to assure compliance. Each branch will be provided access to all current regulations, manuals, circular letters, and program announcements for Wholesale Lenders, insurers, and government agencies under which lending activity are governed and in which the Company participates. Limitless Mortgage guidelines include all Wholesale Lender requirements, which are published and made available to all employees. Limitless Mortgage requires employees to conduct on-going training regarding Wholesale Lender guidelines, federal and state compliance requirements. Employee participation in training is

tracked and monitored by Limitless Mortgage.

In accordance with the Financial Crimes Enforcement Network's final rule, Limitless Mortgage has developed and has implemented an Anti-money Laundering (AML) training program that is attended by all associates employed by Limitless Mortgage and annually thereafter as a part of the new employee orientation process.

### **QC VENDOR:**

Limitless Mortgage management is responsible for ensuring Limitless Mortgage only does business with responsible parties.

Limitless Mortgage may choose to outsource its post-closing QC to an approved QC Vendor. The QC Vendor and QC Auditor must be proficient in knowledge and use of all automated underwriting systems utilized by Limitless Mortgage and demonstrate competency in the review originated mortgage loans.

Limitless Mortgage understands that it remains accountable for work performed by the QC Vendor. Under a written agreement, Limitless Mortgage requires that the QC Vendor comply with Limitless Mortgage QC policies and procedures, as described herein.

Limitless Mortgage has an audit process to ensure that their QC policies and procedures are followed by the QC Vendor staff, and that assessments and conclusions are recorded and consistently applied. The findings must be accurately recorded and consistent with the defects noted within Limitless Mortgage system of record.

Additionally, Limitless Mortgage will review the QC Vendor's policies and procedures annually. Limitless Mortgage will validate the QC Vendor's monthly findings.

The QC Vendor will perform the following monthly post-closing audits on behalf of Limitless Mortgage:

- Standard Post-closing Audits (Retail production)
  - Random
  - Discretionary
- Targeted Post-closing Audits

### **QC VENDOR AUDIT**

Limitless Mortgage will test 10% of those loans reviewed by the QC Vendor. The 10% sample includes both loans for which the vendor identified defects and for which no defects were identified. The internal review will be completed, and findings presented to Senior Management for review and corrective action, the QC process will be completed within 120 days.

All QC Vendor's employees are required to be fully trained in all Wholesale Lender Guidelines, HUD FHA Guidelines, HUD Handbook 4000.1 and all FHA Programs including but not limited to 203(b) and 203(k), HECM, VA Lender Handbook, FNMA and FHLMC. Lending policies and procedures of Limitless Mortgage, Wholesale Lenders, HUD, VA, FNMA and FHLMC must be made available to all QC Vendor employees. In addition, QC Vendor employees will be informed of changes in HUD, VA, FNMA, FHLMC, Wholesale Lender and governmental agency requirements on a timely basis to assure compliance.

Each QC Vendor office and employee will maintain copies of all current regulations, manuals, circular letters, and program announcements from HUD, VA, FNMA, Wholesale Lenders and government agencies

under which lending activity is governed and in which Limitless Mortgage participates. Further, the QC Vendor must maintain a full-time internal Quality Assurance program to ensure that all employees are kept up to date on any changes in policies or procedures and follow the established QC process.

Limitless Mortgage will review and validate QC findings on a monthly basis to verify that the QC Vendor:

- Follows HUD, VA, FNMA and FHLMC QC requirements and meets applicable QC time frames.
- Uses the above-referenced severity rating and definitions for exceptions found in the QC review.
- Reports a net defect rate.
- Follows Limitless Mortgage requirements for managing the severity rate, including not changing the initial findings.
- Provides trend reporting reflecting loan level categories, branch and personnel.
- Has a separate fraud investigation team that notifies Limitless Mortgage when fraud is identified through the QC review.

The QC Vendor and Limitless Mortgage Internal QC will determine whether loan documents requiring signatures (other than blanket verification releases) were signed by the mortgagee or employee(s) of the mortgagee only after completion; and that all corrections were initialed by the mortgagee or employee(s) of the mortgagee. The QC Vendor and Limitless Mortgage Internal QC will verify that all documents, on which corrections appear, have been initialed by the borrower(s).

The QC Vendor Audit Report (Due Diligence Review), including the QC Vendor's response, is provided by the QC Manager to Senior Management on a monthly basis.

### **PRE-FUNDING QC:**

Because Limitless Mortgage is a mortgage broker and does not participate in the credit decision or prepare loan closing documents, the primary QC functions rest in the pre-funding QC stage.

A monthly pre-funding random sample and discretionary review will be completed. The discretionary review will focus on higher-risk loans. Pre-funding QC audits meet the standards established in agency handbooks, guidelines and/or seller servicer guides as well as standard industry guidelines for pre-funding audits. At minimum, Limitless Mortgage pre-funding review will encompass at least 10% of the overall sample selections. Refer to Sample Selection Section for details on sampling.

Pre-funding QC reviews are expected to provide information that should prevent closing mortgage loans with significant defects such as misrepresentation, inaccurate data, or inadequate documentation.

Limitless Mortgage requires a 100% pre-funding audit on at least the first three (3) credit-qualifying loans received from a Limitless Mortgage Loan Originator.

Limitless Mortgage will utilize various third-party validation tools in identifying any fraud/misrepresentation on all loans submitted to the Wholesale Lender for underwriting.

Processors are responsible for reviewing and clearing any and all conditions pertaining to the validity of the loan information submitted to Limitless Mortgage. Failure to clear outstanding items without proper documentation violates Limitless Mortgage QC policies.

Senior Management is responsible for performing reviews all loans referred by Processing if they cannot be reasonably assured the loan is free of defect and does not contain any type of misrepresentation.

Limitless Mortgage maintains internal QC processes, including fraud checks and loan origination system

(LOS) hard stops to ensure that loans do not close with defects.

Limitless Mortgage maintains various internal QC checklists that are required to be used during the review process.

The pre-funding QC loan selection may include a sampling of loans with characteristics related to errors or defects identified in prior pre-funding and post-closing review results (for example, unsupported inaccurate disclosures). The Company will regularly re-evaluate its loan selection process to ensure its effectiveness and may change frequently as a result of findings from prior reviews or changes in Limitless Mortgage product mix, staffing, sources of business, or other risk factors.

Limitless Mortgage Discretionary Pre-Funding audit will include all loans with the following higher risk characteristics:

- unique processing techniques;
- 5-10 financed properties for Second Home and Investment transactions;
- all 3-4-unit properties;
- all 203k loans;
- any loan that has a VOE only as verification of employment/income (No paystubs or W-2's in the loan file);
- loans with complex income calculations (for example, rental income, self-employed, and short history of receipt of income);
- loans requiring use of non-standard processing (for example delayed financing, multiple financed properties, assets used as income, or manual reserve calculations);
- loans with multiple layers of credit risk, such as high LTV ratios, low credit scores, or high DTI ratios;
- When the borrower is currently employed by a party to the transaction (examples of this are when the borrower is employed by the mortgage broker, settlement agent, title company, realtor's office, etc.);
- loans originated or processed by newly hired loan officers or processors; and
- loans for which the feedback or results from third-party tools indicate potential areas of concern.

The above discretionary audit list may change depending upon decisions made by Senior Management based upon trends from reports or issues that may arise warranting a pre-funding review of a certain characteristics.

The pre-funding QC process incorporates a full file review to confirm that the following documents are present and complete to include the data relied upon in making the underwriting decision was adequately supported.

- Data entered into an automated underwriting system (AUS/Total Scorecard);
  - to include liabilities reconciliation.
- Borrower social security number(s) used to verify borrower identity.
- Income calculations and supporting documentation:
  - to include income reconciliation with AU;
  - employment - verbal verification of employment.
- Assets needed to close or meet reserve requirements:
  - to include asset reconciliation with AUS/Total Scorecard.
- Ability to Repay and QM requirements have been met.
- Appraisal or other property valuation data;

- Documentation of adequate mortgage insurance coverage; and,
- Documentation of borrowers' residency history;
- Confirm compliance with Wholesale Lender's contractual terms and agreements, and origination documentation is eligible for delivery.
- Confirm compliance with HUD Handbook 4000.1 and that loans are, in all respects eligible for FHA Endorsement.
- Confirm compliance with VA Lender Handbook and that loans are, in all respects eligible for guaranty by the Veterans Administration.
- Confirm compliance with applicable Federal, State, and local laws and regulations.
- Confirm that no Loan Participants appears on the SAM List or the HUD LDP List on all government loans.
- Confirm that no loan participants appear on the Freddie Mac Exclusionary List.
- Confirm that no borrower, key principal, or principal is a "specially designated national and blocked person" shown on the list (SDN List) maintained by Department of Treasury's Office of Foreign Assets Control (OFAC).

Limitless Mortgage will perform a data integrity check of AUS/Total Scorecard files. The Company may (dependent upon Wholesale Lender) independently verify the existence of the employer, current employment of borrowers, and data identifying the borrower, property, and mortgage. The Company may (dependent upon Wholesale Lender) also re-calculate income and assets and verify the source of funds. The liabilities on the final application will be compared with the original residential mortgage credit report. If the transaction is a refinance, occupancy of the subject property will be verified. Limitless Mortgage may (dependent upon Wholesale Lender) verify the identity of the borrower directly with the Social Security Administration (SSA), IRS, employer, financial institution, or reliable third parties.

Limitless Mortgage may (dependent upon Wholesale Lender) validate and verify condo project documentation meets Fannie Mae, Freddie Mac, FHA and VA eligibility criteria.

Limitless Mortgage will review, create and report a summary of issues and proposed corrective actions associated with any defects identified in the pre-funding QC report.

The pre-close reports will relay all defects noted within the loan file. Each defect will be rated in accordance with Senior Management approved severity levels.

Limitless Mortgage requires that all defects found during a pre-funding audit must be resolved prior to funding. Resolution of all "material" and the more severe "moderate" severity levels must be reviewed by Senior Management.

Limitless Mortgage will:

- notify the business units responsible for implementing corrective actions to resolve defects.
- document the resolution of the defects.
- report to Senior Management on any defects and the resolution of defects on a monthly basis.

Limitless Mortgage will track all defects issued, resolution of all material and highest moderate defects, and the business units responsible for resolution in order to detect trends and identify the root causes of defects found monthly. On a monthly basis, Senior Management may direct appropriate remediation of trends throughout Limitless Mortgage and within specific business units.

The scope of review will be expanded as appropriate when fraud or patterns of deficiencies are uncovered.

**POST-CLOSING QC:**

Due to Limitless Mortgage acting as a licensed mortgage broker, The Company does not participate in the underwriting or closing functions of the mortgage loan process. As such, Post-Closing quality control is a primary function of the Wholesale Lender. Limitless Mortgage will perform a limited post-closing review.

Limitless Mortgage may outsource its post-closing QC to an independent QC Vendor. The post-closing QC Vendor will be reviewed in accordance with the QC Plan and Limitless Mortgage Vendor Management Program.

**Timeliness**

- QC Selections will be made within 30 days following the loan closing and the QC review of any specific loan will be performed within 60 days of the sample selection. Reports to Senior Management will be completed within 30 days of review completion. The overall QC cycle will be completed within 90 to 120 days.

Regardless of the percentage of loans being reviewed, selections will be structured to comply with requirements of the stated in HUD Handbook 4000.1, USDA-RHS HB 1-3555 SFH Guaranteed Loan Program Technical Handbook, VA Lender Handbook as well as the Wholesale Lender.

**Frequency**

- Quality Control review will be conducted at least monthly and will address one (1) month's activity.

**SAMPLE SIZE AND LOAN SELECTION**

Limitless Mortgage will regularly re-evaluate its post-closing QC loan selection process to ensure its effectiveness and may change frequently as a result of findings from prior post-closing QC reviews or changes in Limitless Mortgage product mix, staffing, sources of business, or other risk factors.

**Random Post-Closing Audits:**

Limitless Mortgage will ensure that a sampling of loans originated during a period is of sufficient size. Each report will document how the random sample size and selections were determined.

- A 10% sample of originated and/or underwritten loans will be reviewed for quality control by either Limitless Mortgage Internal QC or QC Vendor.
- Each quality control review performed by Limitless Mortgage Internal QC or QC Vendor will document how the sample size and selections were determined.

The monthly loan selection criteria will be based on mortgage product type and the source of origination; to include:

- |                           |     |
|---------------------------|-----|
| • Conventional Conforming | 10% |
| • Conventional Jumbo      | 10% |
| • FHA                     | 10% |
| • VA                      | 10% |
| • USDA                    | 10% |

Each Limitless Mortgage Loan Originator is represented within the selection criteria above.

Within the above selection criteria, loans originated by Limitless Mortgage Loan Originators are selected first

to ensure 10% of their loans are audited.

The FHA QC sample size will comply with the following balance of pre-funding and post-closing reviews:

<b>Type of review</b>	<b>% of FHA QC Sample Size</b>
Pre-Funding Review	10% or less
Post-Closing Review	90% or more

### **Discretionary Post-Closing Audits**

The above selection criteria is also used in the monthly Limitless Mortgage discretionary audit.

### **Additional Discretionary Audits**

Senior management may require additional discretionary audits if they determine there are gross errors, patterns of underwriting deficiencies or a breach in company policy in the prior months' audits which may include the following:

- Individual Limitless Mortgage Employee(s);
- High risk loans (e.g., Self-employed borrower(s));
- Specific loan products.

Limitless Mortgage will aggressively audit and pursue any acts of misrepresentation. If a loan is transferred to another mortgagee, Limitless Mortgage will be notified by that mortgagee and Limitless Mortgage will audit the defaulted loan.

## **AUTOMATED UNDERWRITING**

- For loans underwritten through an Automated Underwriting System (AUS) or Total Scorecard, Limitless Mortgage Internal QC or QC Vendor will confirm that all AUS/Total Scorecard Verification Messages/Approval Conditions that appear in the AUS/Total Scorecard Underwriting Findings report were satisfactorily resolved and adequately supported by appropriate documentation.
- Limitless Mortgage Internal QC or QC Vendor will verify the accuracy and integrity of the information used to support the lending decision for any mortgage loans selected for a QC review.
- The Quality Control sample will include loans that fairly represent the percentage of loans underwritten through an automated underwriting system (AUS/Total Scorecard).
- Limitless Mortgage Internal QC or QC Vendor will verify that the correct information has been entered into the automated underwriting system/Total Scorecard, to include:
  - Data identifying the borrower(s),
  - Property,
  - Loan Amount,
  - Income,
  - Assets, and source of funds.
- Copies of the assessment by the automated underwriting system/Total Scorecard will be maintained within the loan file in addition to the normal documentation required for an FHA or Agency mortgage transaction.
- Whenever the automated underwriting system/Total Scorecard cannot "ACCEPT" or "APPROVE" the application, the basis of the automated underwriter system/Total Scorecard's decision on the loan



must be documented and retained.

- Referred Applications – Any FHA loan that receives a “Refer” decision, Limitless Mortgage Internal QC or QC Vendor will verify that applications are manually underwritten by the Wholesale Lender FHA DE Underwriter before a final decision is made on the application.
- Overrides – Limitless Mortgage Internal QC or QC Vendor will verify that if a manual downgrades or overrides are applied, that no patterns of illegal discrimination against loan applicants are revealed and that the downgrade or override was proper.

When information obtained through the re-verification process differs from the information utilized in the underwriting of the loan, The Wholesale Lender may re-underwrite the loan to verify that the loan remains eligible as delivered to Fannie Mae.

Additional information can be found in ADDENDUM A: Loan Prospector/Desktop Underwriter.

### **Red Flag Messages**

Red flag messages found on the Automated Underwriting System (AUS) or alerts created by sources other than the AUS are reviewed. Specifically, Limitless Mortgage Internal QC and/or QC Vendor will investigate and report to Limitless Mortgage management any finding of fraud associated with credit report red flags, including the following issues:

- active duty alerts,
- fraud alerts on the credit report,
- all credit report/supplements are not in the file,
- personal information not consistent with initial application,
- social security number is not valid or different from the loan application,
- address consistency,
- employment cannot be verified,
- employment inconsistency,
- no credit,
- credit habits are inconsistent with income/employment,
- all trade lines opened consistently or are new,
- all accounts recently paid in full,
- refinance of recently obtained loan,
- length of time on credit bureau file inconsistent with age,
- recent inquiries from other mortgage companies,
- aka or dba indicated,
- credit freeze,
- evidence of alterations,
- death index alert,
- bankruptcy liens or judgments, and
- occupancy validation.

### **STREAMLINE REFINANCES**

Streamline and VA Interest Rate Reduction Loans (IRRRL) refinances are included in the random sample selected for QC testing by Limitless Mortgage Internal QC or QC Vendor; however, Streamline Refinances and IRRRLs will comprise a very small portion of the sample unless streamline refinances and IRRRLs are

a significant proportion of Limitless Mortgage production. Reviews will be limited to the functions performed when originating such loans and confirmation that the loan was eligible for streamline processing.

## **REJECTED LOANS**

Although Limitless Mortgage does not make a credit decision to approve or deny a loan, the Company will review a random sample of the total loans rejected by the Wholesale Lenders. The rejected loan audit will be finalized within 90 days from the end of the month that the loans were rejected (denied).

Limitless Mortgage review of rejected files will concentrate on the following areas:

- Ensuring that the reasons given for rejection were valid.
- Ensuring that each rejection has the concurrence of an officer or senior staff person of the Wholesale Lender, or a committee chaired by senior staff person or officer of the Wholesale Lender with sufficient approval authority.
- Ensuring that the requirements of the Equal Credit Opportunity Act (ECOA) are met and documented in each file;
- Ensuring that no civil rights violations are committed in the rejection of applications; and where discrimination may be noted, Senior Management is advised, and immediate corrective action is taken.

Where possible discrimination is noted, Limitless Mortgage must take immediate corrective action to ensure its operations comply with applicable state and federal fair lending laws.

Limitless Mortgage will document the methodology used to review rejected applications, the results of each review, and any corrective actions taken as a result of the review Findings.

## **EARLY PAYMENT DEFAULT**

In addition to the loans selected for routine quality control reviews Limitless Mortgage Internal QC or QC Vendor will review on a monthly basis all loans that are originated by Limitless Mortgage that become 60 days or more past due in the first six months following the Note Date or within 60 days from the end of the month in which Limitless Mortgage was notified of the delinquency. The loan will be carefully evaluated to determine the presence of any fraud or other deficiency.

The primary objectives of the early payment default review are to identify loans that are "non-investment" quality, determine the reason for default, and identify possible fraud issues. Limitless Mortgage Internal QC or QC Vendor will determine the reason the loan went into default and report to Limitless Mortgage Senior Management. Limitless Mortgage has chosen to retain documentation for a period of at least three (3) years regarding the early payment default review, including a review by Limitless Mortgage Internal QC and/or QC Vendor's findings, corrective actions taken, along with procedural information (as specified in HUD Handbook 4000.1 and Fannie Mae 2019 Selling Guide.) Additional information on Early Payment Default reviews is located in ADDENDUM E: Early Payment Defaults.

## **AREAS OF INVESTIGATION FOR POST-CLOSING**

### **Required Documentation**

All loan files must contain the proper credit documents (including, but not limited to):

- Automated Underwriting System (AUS)/Total Scorecard data;

- Summary of loan features;
- Certificate of Eligibility (COE), DD214, 1880 and VA Exempt Status on VA loans;
- IRRRL Worksheet on VA Streamline refinance program;
- VA Interest Rate Comparison on VA IRRRL program;
- Net Tangible Benefit worksheet on cash out refinances, including IRRRLs, or as required by state law;
- Uniform Residential Loan Application (URLA);
- Credit report(s) (tri-merge format unless program allows a different format);
- Validation of outstanding debt obligations;
- Verification of employment for at least two (2) years;
- Validation of Self-employed Borrowers income calculations;
- Executed 4506-T on all files;
- Verification of down payment, closing costs, and reserve funds;
- Borrower's source of funds (to include validation of gift letters and donor ability);
- Borrower Occupancy;
- Applicable VA eligibility documents (VA loans);
- Appraisal, except for Homepath or non-credit qualifying refinance transactions;
- Property Flipping restrictions;
- Escrow instructions;
- Purchase agreement (if applicable);
- Title documents;
- Signed explanation letters;
- Evidence of repairs completed;
- Regulatory documentation;
- FHA or VA disclosures; and
- Nearest Living Relative disclosure (VA).

### **Documentation Review and Verification**

#### **Credit Report**

- Unless required by the Wholesale Lender, it is the responsibility for the Wholesale Lender to obtain a new credit report in the same form as the original credit report used to approve the Mortgage, including a Residential Mortgage Credit Report (RMCR), a Tri-Merged Credit Report (TRMCR), or, when appropriate, a business credit report for each Borrower whose loan is selected for QC review. Limitless Mortgage will not have access to this new credit report.

#### **Credit Documents**

- Documents maintained within the loan file are to be reviewed for sufficiency and subject to re-verification.
- All re-verification documentation will be retained in by Limitless Mortgage or QC Vendor. If re-verification is obtained by the QC Vendor, the QC Vendor will provide Limitless Mortgage with the results of the re-verification findings and make the documents assessable to Limitless Mortgage along with the re-verification documentation for at least three (3) years from the date of the review.
- For all post-closing reviews, Limitless Mortgage must analyze the validity and sufficiency of all documents contained in the loan file. Limitless Mortgage must re-verify, in writing or electronically if available. Examples of items that must be re-verified include, but not limited to:
  - Borrower(s) employment or other income.

- **Use of IRS Form 4506-T** - Transcripts may be obtained during the loan origination process for all income types used in the Wholesale Lender's underwriting process (personal and business, if applicable). If the appropriate IRS transcripts were obtained during processing these transcripts may be used. Ordering new transcripts will not be necessary.
- Limitless Mortgage Internal QC or QC Vendor must reconcile the transcript information received from the IRS with the income documents in the loan file.
  - Assets;
    - Deposits,
  - Gift letters;
  - Other sources of funds.
    - Sources of funds must be acceptable as well as verified.
  - Alternate credit sources, and
  - Mortgage Payments or rental payments.
- If the written re-verification is not returned to Limitless Mortgage Internal QC or QC Vendor, a documented attempt will be made to conduct a telephone re-verification. If the original information was obtained electronically or involved alternative documents, a written re-verification will still be attempted.
- Any discrepancies will be explored to ensure that the original documents (except blanket verification releases) were completed before:
  - Being signed,
  - Were as represented,
  - Were not handled by interested third parties, and
  - All corrections were proper and initialed.
- All conflicting information in the original documentation should have been resolved before the complete file was submitted to the underwriter.
- Discrepancies in documentation during pre-funding reviews must be resolved prior to closing.

### **Appraisals**

Limitless Mortgage adheres to Appraiser Independence Requirements (AIR). Limitless Mortgage will follow the requirements of the Wholesale Lender. At no time will any production employee of Limitless Mortgage. Employees neither directly nor indirectly influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner.

Compliance with Appraisal Independence Rule is validated through post-closing QC by Limitless Mortgage Internal QC or QC Vendor. If Limitless Mortgage has reason to believe that an AMC or Appraiser is violating applicable laws or otherwise engaging in unethical conduct, Limitless Mortgage will promptly refer the matter to the applicable State AMC or Appraiser licensing agency or other relevant regulating body.

Refer to ADDENDUM C: Appraisals for details on Desk and Field Reviews.

### **Occupancy**

- For all loans secured by a principal residence that are selected via the random selection process (and for loans selected through the discretionary selection process, as applicable) the post-closing QC review will include verification of owner-occupancy.
- Occupancy of the property as a primary or secondary residence, which is a lower risk loan, is verified through fraud databases to determine if the mortgagor transferred the property; a possible indication

of a "straw buyer" or "flip."

- Limitless Mortgage Internal QC or the QC Vendor will review the property insurance policy and other documentation contained within the file (for example, appraisal, income tax returns or transcripts) to confirm that there are no indicators that the property is not the borrower's principal residence.
- In cases where the occupancy of the subject property is suspect, Limitless Mortgage Internal QC or QC Vendor will attempt to determine whether the mortgagor is occupying the property. In cases where Limitless Mortgage Internal QC or QC Vendor is unable to obtain sufficient documentation regarding occupancy of the property, a third party will be contracted to perform an occupancy inspection.
  - Failure of the mortgagor to occupy the property may be an indication that the loan contains other problems. If it is found that the mortgagor is not occupying a property mortgaged as owner-occupied, Limitless Mortgage will report in writing, to the Wholesale Lender.
  - Other similar loans with unclear occupancy will be flagged for review.

### **Underwriting Decisions**

As a licensed mortgage broker Limitless Mortgage does not participate in the underwriting function of the mortgage loan process. As such, Post-Closing quality control review of underwriting decisions is a primary function of the Wholesale Lender. Limitless Mortgage will perform a limited post-closing review.

- **FHA** - Direct Endorsement loans selected for a quality control review must be reviewed by the Wholesale Lender for compliance with HUD underwriting requirements, sufficiency of documentation and the soundness of underwriting judgments.
- **VA** – VA Automatic and LAPP loans selected for a quality control review must be reviewed by the Wholesale Lender for compliance with VA underwriting requirements, sufficiency of documentation and the soundness of underwriting judgments.
- **Agency (FNMA or FHLMC) or Investor Delegated** - Loans selected for a quality control review must be reviewed by the Wholesale Lender for compliance with Agency underwriting requirements, sufficiency of documentation and the soundness of underwriting judgments
- **Data integrity** - Underwriting decisions are reviewed to ensure conformity, accuracy and ability to repay:
  - For loans underwritten through an Automated Underwriting System (AUS) (DU, LP or Total Scorecard), determine whether discrepancies are within tolerance permitted.
  - If discrepancies are outside AUS tolerances, the Wholesale Lender must manually perform a comprehensive risk assessment using the documentation required by the AUS to determine if the loan meets the Agency, FHA and VA manually underwritten loans.
  - Calculation of house payments/monthly income ratio.
  - Calculation of total monthly debt/monthly income ratio.
  - Two (2) years verified employment.
  - Likelihood of continued employment.
  - Whether additional credit was granted and considered in qualifying when the Borrower's credit report reveals inquiries within the previous 90-day period;
  - Adequate mortgage insurance coverage was obtained.
  - Loan amount not to exceed maximum allowable amount.
  - Loan to value (LTV) ratio not to exceed maximum allowed for loan type.
  - Sufficiency of original documentation and reliability of underwriting judgments.
  - Determine if the loan was processed and closed according to the details provided in the real estate purchase contract, reflected on the Closing Disclosure and according to the Closing Instructions;

- Ensure that all conflicting information and discrepancies in the areas of employment, source of funds, liabilities, and credit were resolved and properly documented in writing.
- For origination and underwriting, the Wholesale Lender must validate all data elements submitted through the AUS/Total Scorecard, and FHA Connection, and validate that documentation exists in the loan file to support all data used to underwrite the Mortgage.
- For endorsement, the Wholesale Lender must validate all data elements submitted through FHA Connection and validate that documentation exists in the loan file to support all data used to endorse and insure the Mortgage.
- Limitless Mortgage Internal QC or QC Vendor will report all Findings to Senior Management, and to the Wholesale Lender where appropriate.
- Limitless Mortgage will retain the results of each review and corrective actions taken as a result of review Findings.
- Limitless Mortgage Internal QC or QC Vendor will confirm:
  - That adequate support for the underwriting decision is contained in the loan file;
  - That all applicable supporting documentation is in the loan file and validated for accuracy, completeness, signatures, dates and evidence that document was not handled by any interested third party:
    - Verifications of employment,
    - Verification of deposit,
    - Verification of mortgage or rental history,
    - Gift letters are reviewed to assure there is a relationship to the Donor, a statement that no repayment is required, and funds are deposited into the Borrower's account.
    - Credit reports- copies of each credit report obtained on the borrower(s) will be maintained within the loan file.
  - Limitless Mortgage Internal QC or QC Vendor will also verify Social Security Numbers through a third-party source or directly with the SSA to validate the borrowers' identity
  - Self –Employed Borrowers:
    - Documentation required by AUS or loan program will be maintained within the file, to include but not limited to financial statements, tax returns, and the appropriate type of credit report for a self-employed individual.
  - Loan file has properly documented the source of funds for the required investment, the acceptability of that source, and any obligation to repay the funds.
  - Confirms that appropriate requirements made by the Wholesale Lender Underwriter were obtained prior to closing.
    - If debt ratios exceed Wholesale Lender product limits, confirm a review was conducted to ensure that there were sufficient and properly documented compensating factors.
  - The original loan application (FNMA 1003/URLA) is reviewed for completeness, accuracy, omissions, Government Monitoring Information signatures, NMLS numbers and dates.
    - Information on the original application will be compared against the final application and all credit reports to determine that all required information was provided and utilized in the underwriting of the loan including all assets, liabilities and judgments.
  - HECM transactions - for those borrowers who choose to forego the face-to-face interview loan application, HECM Counseling or both, may be performed by telephone.
  - HECM transactions - Documentation is examined to confirm that:
    - the expiration date on the Certificate of HECM Counseling has not expired.
    - any referral fees paid are reasonable for the service provided and disclosed in the loan file;

- and
  - the potential HECM borrower was given a list of five HECM counseling agencies in their area, and one was within driving distance, if applicable; and
  - the toll-free phone numbers for the following agencies were given to the borrower at the time of application:
    - AARP Foundation Network,
    - National Foundation for Credit Counseling, and
    - Money Management International
- Positive evidence of any required counseling will be required on all low to moderate income loans. This evidence will be a certificate showing the borrower(s) have completed such education and/or the copies of the appropriate pages from the workbook.

### **Condition Clearance and Closing**

All loans will be closed in the name of the Wholesale Lender. All documents will be reviewed for strikeouts, alterations, and whiteouts; none of which are permitted. Any technical corrections made by a borrower(s) must be initialed. Changes to the APR, finance charge, loan terms and the rescission notice are not acceptable changes.

Each loan selected for a quality control review will be reviewed to determine whether:

- Conditions which were required to be satisfied prior to closing were in fact met prior to closing.
- The Seller was the owner of record or was exempt from the owner of record requirement in accordance with HUD or Agency regulations.
- The closing and legal documents are accurate and complete (subject to Wholesale Lender providing complete copies). The following list reflects the most common closing documents reviewed. The following list is not intended to be all-inclusive, additional documents will be reviewed based on loan level complexity. The Wholesale Lender is responsible for each document, Limitless Mortgage will review the available documents for due diligence purposes.
  - **NOTE** - reviewed to verify the accuracy of the loan amount, interest rate, amount of monthly payment, date of first payment, date of last payment, late charge amount, date of rate change (if adjustable), address and signatures of borrowers.
  - **MORTGAGE or DEED OF TRUST** - reviewed to verify the accuracy of the loan amount, interest rate, date of first payment, maturity date, address, legal description, borrower name, signatures of the borrower(s), acknowledgments, consistency with other documents in the file and recording date.
  - **RIDERS TO NOTES AND MORTGAGES (when applicable)** - reviewed for dates, rate, P&I, Limitless Mortgage name and address, first payment date, maturity date, loan amount, mortgagors name (typed and signed), initialed corrections, consistency with all other documents in the file and all other items specific to the particular Rider used.
  - **CLOSING DISCLOSURE** – reviewed for accurate loan terms, proper fee placement and accuracy, license information.
  - **SUBORDINATIONS** – reviewed to verify that a Subordination Agreement was prepared on any subordinated second mortgage. The Subordination Agreement must be prepared, approved by the Title Company and properly recorded. QC will review the loan to determine CLTV limitations are properly applied and meet Agency/Investor guidelines.

- **DEED** - reviewed for name, proper execution, address, legal description, acknowledgments and recording date. In the case of an assumption, the Assumption Agreement and closing statement are reviewed for proper execution, legal description, balance being assumed, date of assumption, acknowledgments and recording date.
- **MORTGAGE INSURANCE CERTIFICATES, LOAN GUARANTY CERTIFICATES and PRIVATE MORTGAGE INSURANCE CERTIFICATES** – Each particular Certificate shall be reviewed for correct case/loan number, names reflected exactly as they appear on mortgage, address, loan amount, Limitless Mortgage 's name and address, program type (PMI) and correct renewals.
- **TITLE INSURANCE BINDER and/or POLICY** - reviewed to assure the correct amount, Limitless Mortgage is properly insured, the countersignature of issuer, the correct legal description, encroachments, easements, the title currently in Borrowers' names, liens removed-released, any unexpected and all taxes paid for latest year payable.
- **FLOOD CERTIFICATION/INSURANCE** - To ensure that appropriate flood insurance requirements have been met; flood determination, certificates, surveys, appraisals and lender certifications are reviewed to verify that Flood Maps were checked.
- **UNDERWRITER APPROVAL** - reviewed for accuracy as well as any conditions of closing.
- **OCCUPANCY** – Determine that occupancy is clear and consistent throughout the documents.
- **EXPIRED DOCUMENTATION** – The QC review will verify that at the time the loan closed, all documents were current, including credit and appraisal documents. Expiration periods may vary based on applicable to loan program and/or document. The QC Reviewer must be versed on expiration criteria.

### **PROCEDURAL COMPLIANCE IN PRODUCTION:**

In addition to a review of a loan documentation (credit, property and closing), other areas of Limitless Mortgage operations will be reviewed, reported to Senior Management and corrected if deficient.

#### **Fair Lending**

Limitless Mortgage Internal QC or QC Vendor will verify that Limitless Mortgage operations are in compliance with the various fair lending laws including the following:

- Fair Housing Act;
  - Fair housing violations or instances of discrimination must be reported to HUD's Office of Fair Housing and Equal Opportunity (FHEO) immediately.
  - Fair housing violations and complaints may be reported online using the HUD Form 903 Online Complaint, contacting HUD's local FHEO Regional Office or by calling the Fair Housing Complaint Hotline at 1-800-669-9777.
- Equal Credit Opportunity Act (15 U.S.C. §1691 et seq.);
- Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.); and
- Federal Truth in Lending Act (15 U.S.C. §1601 et seq.).

Refer to ADDENDUM L: Fair Lending Procedural Requirements for additional information.

#### **Tiered Pricing, Overages, and Premium Pricing**

The QC review will ensure that Limitless Mortgage is in compliance with the Department's requirements concerning Tiered Pricing, Overages and Premium Pricing. Refer to ADDENDUM O: Tiered Pricing Procedural Requirements for additional information



**Minimum Loan Amounts**

Limitless Mortgage is prohibited from setting minimum loan amounts.

**Fair Housing Poster and Equal Housing Opportunity Logo**

Limitless Mortgage must verify that a fair housing poster is prominently displayed in Limitless Mortgage corporate office and any branch offices that deal with Borrowers and the general public. Limitless Mortgage must verify that the Equal Housing Opportunity logo is prominently displayed on all documents, including both hard copy and electronic documents, distributed by Limitless Mortgage to the public.

**Advertising**

Limitless Mortgage must review all advertisements generated by Limitless Mortgage or on its behalf to verify compliance with Federal, State, Agency, HUD/FHA, USDA-RHS and VA advertising requirements. Limitless Mortgage must take prompt corrective action upon discovering any violation of advertising requirements.

Limitless Mortgage must maintain copies of any advertising device Limitless Mortgage produces, or that is produced on Limitless Mortgage behalf. Limitless Mortgage must retain samples of the advertising reviewed as well as the results of each review, and any corrective actions taken as result of the review. Material will be retained for a period of two (2) years.

**Home Mortgage Disclosure Act (HMDA)**

Limitless Mortgage does not make credit decisions and does not file an annual HMDA Report. The Company will ensure that data is collected and provided to the Wholesale Lender for their accurate HMDA reporting.

**Ineligible Participants**

Limitless Mortgage Internal QC or QC Vendor will verify that Limitless Mortgage is ensuring that none of the participants in a mortgage transaction (excluding the seller of a principal residence) is debarred or suspended or is under an LDP for the program and jurisdiction. Limitless Mortgage will at least on a semi-annual basis verify that no current Limitless Mortgage employee is shown on the LDP, SAM or FHFA SCP list. Should it be determined that a mortgage applicant is found to have a delinquent federal debt, additional review and processes are necessary in order to be eligible for a new mortgage debt (eligibility is influenced by repayment arrangements, extenuating circumstances and the age of the debt).

**DISCLOSURES/COMPLIANCE:**

The following disclosures are reviewed for completeness, compliance, accuracy, errors or omissions, signatures and dates:

- Integrated Disclosures and RESPA notices (Loan Estimate, Changed Circumstance, Closing Disclosures (Seller Included) Initial Escrow Account Disclosure),
- Right of Rescission (refinance),
- ARM disclosures,
- Balloon disclosures,
- Flood Notice,
- State specific disclosures,
- Required FHA and VA disclosures.

**Real Estate Settlement Procedures Act (Regulation X)**

Limitless Mortgage Internal QC or QC Vendor will verify that Limitless Mortgage is in compliance with the provisions of RESPA (Regulation X) including, but not limited to:

- Distributing the “Your Home Loan Toolkit” to mortgage applicants.
- Providing applicants with Loan Estimate (based on agreement with Wholesale Lender) of settlement costs relating to obtaining a mortgage no later than three (3) business days after gathering the six (6) pieces of information that constitutes an application.
- Disclosing business relationships with affiliated entities.
- It is the responsibility of the Wholesale Lender to disclose the transfer of servicing.

Refer to ADDENDUM N: Real Estate Settlement Procedures Act (RESPA) for additional information.

**Truth in Lending Act (Regulation Z)**

Limitless Mortgage Internal QC or QC Vendor will verify that Limitless Mortgage is in compliance with the provisions of TILA (Regulation Z) including, but not limited to:

- Verifying that appropriate ARM Disclosure has been provided, if applicable.
- Testing loan to determine if loan is considered a High Cost and High-Priced Mortgage Loan;
- Validating loan has met requirements of Ability to Repay and Qualified Mortgage.
- Verifying that Appraiser Independence Rules have been followed.
- It is the responsibility of the Wholesale Lender to provide applicants with their Closing Disclosure no later than three (3) specific business days prior to consummation; and
- It is the responsibility of the Wholesale Lender to ensure the Right of Rescission disclosure has been provided correctly, if applicable.

**Electronic Signatures in Global and National Commerce Act (ESIGN)**

The ESIGN Act defines electronic signatures as “any electronic sound, symbol, or process attached to or logically associated with a contract or record and executed or adopted by a person with the intent to sign the record.” Limitless Mortgage will follow this definition of electronic signature with the exception that FHA will not accept an electronic signature that is solely voice or audio. Digital signatures are a subset of electronic signatures.

The electronic signature process is outsourced to Limitless Mortgage Document Vendors and will be used by Limitless Mortgage for electronically signing authorized documents in order to ensure the document is presented to the signatory before an electronic signature is obtained.

Limitless Mortgage Internal QC or QC Vendor will validate that all required steps of the electronic signature process were followed:

- Intent to sign was established; the signer certified the document as true, accurate, and correct at the time of execution.
- Authentication requirements were met by validating the identity of the individuals as a part in the transaction with borrower provided data or with data maintained by an independent source.
- Attribution was performed to verify the identity of the individual with their signature through established means.
- Credential Loss Management is maintained using an acceptable loss management control to ensure the security of all issued credentials.

- Integrity of records is maintained using industry standards encryption to ensure that documents cannot be altered once signed electronically. An audit trail showing any alterations will be maintained.

### **REPORTING OF POST-CLOSING QC:**

Limitless Mortgage will review all the QC Vendor post-closing QC reports, and create a summary of issues identified by the QC Vendor and proposed corrective actions associated with any defects identified in the QC vendor's report. If material errors are found, the errors must be corrected, and all affected documents and systems must be updated and resubmitted to AUS, as applicable.

Business units responsible for implementing corrective actions to resolve defects will be notified by Senior Management. Limitless Mortgage will document the resolution of the defects.

Senior Management is responsible for notifying the Wholesale Lender if a loan is found to be ineligible or has AUS/Total Scorecard data errors. Additionally, Senior Management must notify the Wholesale Lender immediately of any discovery of material misrepresentation. Limitless Mortgage will track all QC issues identified, corrective actions, and business units responsible for remediation on a master spreadsheet that is updated on a monthly basis in order to detect trends and root cause(s) of defects. Limitless Mortgage will report on any such trends to Senior Management on a monthly basis so that management may direct appropriate remediation of trends throughout Limitless Mortgage and within specific business units.

Quality Control reports will incorporate:

- A measure of quality of originations,
- evaluate performance against requirements and goals,
- confirm compliance with policies and procedures,
- address the effectiveness of processes and controls,
- identify actionable items,
- track effectiveness of actions taken,
- feed individual compensation and performance plans, and
- predict Limitless Mortgage risk exposure.

### **RISK MITIGATION REPORTING:**

Limitless Mortgage Senior Management handles all quality assurance, early payment default (EPD), and repurchase audits requested by Wholesale Lenders. Senior Management is responsible for retrieving the 60 day seriously delinquent information from Wholesales Lenders to identify all new EPDs. All findings resulting from quality assurance audits are reported to Senior Management.

### **ACTION PLAN TO REMEDIATE RISKS:**

Each defect noted in the QC Review will be reviewed and either cleared or appropriately explained and documented. In either case, corrective action will be taken to prevent recurring defects, repurchase requests or other risks.

In order to appropriately address each defect, it is necessary to identify the root cause of each defect. Should the root cause be the result of untrained personnel, Limitless Mortgage will provide either group or one-on-one training.

A loan quality performance scorecard will be provided to each origination channel, origination unit (branch, region) and department. Each individual in the origination process (loan officer, processor, underwriter, appraiser, closer and funder) will be provided an individual loan quality performance scorecard.

Should errors be the result of a process, policy, control or system issue; Limitless Mortgage will look at the possibility of system wide changes in controls, processes, or policy.

### **AUDIT REVIEW OF THE QC PROCESS:**

Limitless Mortgage has an audit process to ensure that their QC policies and procedures are followed by the Company, and that assessments and conclusions are recorded and consistently applied. Limitless Mortgage must review its loan performance data to identify any patterns of non-compliance. The findings must be accurately recorded and consistent with the defects noted in Limitless Mortgage system of record.

### **Reporting**

Limitless Mortgage must document the methodology used to review patterns of non-compliance, the results of each review, and any corrective actions taken as a result of review Findings. Limitless Mortgage may use Wholesale Lender Scorecards to assist with identifying patterns.

Pre-funding and post-closing findings are reported to business units and Senior Management within 30 days of the review. Reports are useful internal management tools for evaluating and monitoring the quality of the mortgage loan production. The final report must be issued within 60 days from the date the initial review Findings were reported to Senior Management. The QC Reports are designed to:

- Distinguish between defects related to compliance with Federal, State, or local laws and regulations and underwriting and eligibility defects.
- Cover pre-funding and post-closing QC findings and trends while identifying loan defects that require specific corrective action.
- Report results of the resolution efforts to Senior Management and others within the Limitless Mortgage operations.
- Identifying sample sizes, time period covered, and applicable volumes which support sample size.
- Documenting the resolution of the defects.
- Identify Limitless Mortgage defect rate for each severity rating.
- Identify the defect rate trending over time.
- Identify the root cause trending by categories and sub-categories.

Reports include:

- Management Summary of subject loan;
- copies of all documents in question;
- copies of all re-verification and responses;
- Management Summary;
- Severity Code Recap;
- Discrepancy Summary by:
  - Branch
  - Originator
  - Processor
  - Underwriter (if information is provided by Wholesale Lender)

- Closer (if information is provided by Wholesale Lender)
- Funder (if information is provided by Wholesale Lender)
- Appraiser (if information is provided by Wholesale Lender)
- Loan Type

A master report package will be maintained which contains the Loan Audit Reports. Loan level management summaries will be distributed to the business unit responsible to obtain a written response to the findings. Actions taken to correct deficiencies will be fully documented on the management summary provided for each loan. Management will modify policies and procedures to address identified patterns of deficiencies or fraudulent activities. Limitless Mortgage will report to the investor, government agency (HUD or VA), Fannie Mae or Freddie Mac any violation of law or regulation, false statements, material defect or program abuses within 30 days of discovery.

### **Material Finding Action Plan**

Limitless Mortgage Senior Management must review and respond to each instance of fraud, material misrepresentation, or other Material Finding. Limitless Mortgage final report will be provided monthly and must identify the corrective and curative actions required to be taken, the timetable for completion and any planned follow-up activities.

Limitless Mortgage will immediately self-report to the Wholesale Lender, Agency, FHA, USDA-RHS or VA any findings of fraudulent activity.

### **Follow up**

Limitless Mortgage must discuss all Findings with responsible party(ies) in order to ensure corrective action and to prevent similar Findings from occurring in the future.

## **CALIBRATION**

Post-acquisition, Endorsement or Guaranty of file reviews by Wholesale Lender provide opportunities to leverage Limitless Mortgage QC results but also to augment Limitless Mortgage review results. Limitless Mortgage seeks to ask the question "In our QC review, did we find the same thing that our Investor or one of the Agencies found." This question can be answered through the calibration of loan file reviews.

Calibration of loan file review provides Limitless Mortgage with a level of certainty about financial exposure from loan process quality errors. When highly calibrated, Limitless Mortgage internal QC results will provide an early warning system about what other secondary market investors, insurers or guarantors might think about the quality of a specific transaction or population of loans. Calibration also provides a greater degree of certainty in Limitless Mortgage QC results and allows greater flexibility in reviewing different samples.

Limitless Mortgage complete this process through either Transaction-Level or Sample Level. Which process will be used will be a decision based upon risk levels established by Senior Management.

### **Transaction-Level Calibration**

- Loans that both originations review - Should Limitless Mortgage QC loan file review incorporate a loan that was also reviewed by Agency, FHA or VA; no further review will be necessary. The results of each review will be compared, and any differences noted. If necessary, correction in the QC review process may be necessary.
- Intentionally selecting files to review - A QC review will be performed on a population of loans that

the Agency, FHA or VA has selected for review and then the results are compared. Where necessary, the QC review process may be corrected.

**Sample-Level Calibration**

- Consideration will be given to the loan file reviews Limitless Mortgage completes on a monthly basis and the loan review data provided by outside investors and Agencies. The aggregated data will be reported to Senior Management.

**RECORD KEEPING:**

Limitless Mortgage will retain all quality control review results, including all selection criteria, review documentation, findings, and actions taken to mitigate or resolve findings, for a period of three (3) years from the initial QC review or from the last action taken to mitigate findings. Records will be maintained at the Corporate Office in a manner that will allow documentation to be provided to the Wholesale Lender or Examiner upon request.

**ADDENDUM A: Loan Prospector/Desktop Underwriter**

## Special Requirements for Loan Prospector/Desktop Underwriter

The quality control auditor will meet the below mentioned requirements for this Plan with respect to automated underwriting systems (AUS). This includes sampling, data integrity, reverification, underwriting, and appraisal requirements.

The quality control auditor will complete a ten (10%) percent representative sample of all government backed loans and ten (10%) percent of conventional loans from the entire closed loan population of the Company. This selection shall include traditional underwriting files and AUS files.

When a file is identified as AUS "Accept" in the selected sample, the following steps will be completed by the quality control auditor:

- Data submitted to the investors is checked for accuracy, even though the actual data received by the investor is not available to the Company at the time of the quality control audit. The quality control auditor will use a data source the Company warrants as being the final data electronically submitted to the investor. This data source could be a computer-generated loan application and transmittal, a "screen-print," or a data file from the Company's exporting software. The information from this data source will be compared to data in the file and reverification documents obtained by the quality control auditor. Furthermore, the quality control auditor will use reasonable efforts to determine that accuracy of data that has been submitted to the investor in connection with a loan transaction subject to quality control auditing. Information categories that will be checked include, but are not limited to, borrower, property, transaction, financing, capacity and other miscellaneous items required by the investor. Any discrepancies or inconsistencies shall be reported as findings in the quality control report.

When files are identified as AUS "Refer" and "Caution," the Plan's quality control audit procedures are to be implemented and any discrepancies or inconsistencies shall be reported as findings in the quality control report.

## **ADDENDUM B: Credit Reports**

Reverification of the borrower's credit history will be performed by the Wholesale Lender.



### **ADDENDUM C: Appraisals**

- At minimum, Limitless Mortgage will include the following areas in their QC review of the property appraisal:
  - The appraisal data.
  - The overall quality of the appraisal.
  - Validation of Appraiser Independence Rule
- Each appraisal will be reviewed for flood zone information (map number and date). All reviews of an appraisal will be documented

#### **Field Review**

Field Reviews will be performed by Wholesale Lender.

**ADDENDUM D: HUD/FHA QC Elements**

The Company shall implement the following elements as part of this Plan:

**Independence / Qualified Staff**

Personnel (Limitless Mortgage and QC Vendor) must be properly trained & qualified to conduct the QC reviews. Staff will be independent of all Loan Administration process and have no direct loan processing, origination, or underwriting responsibilities or any chain of reporting or management directly connected to Loan Administration staff. (4000.1 V A2)

Limitless Mortgage and QC Vendor will maintain a list of all training provided to staff, including a summary of the content covered. (4000.1 V A 2b)

Limitless Mortgage assumes full responsibility for QC Vendor's compliance with FHA requirements, will ensure a valid contractual agreement is in place defining the roles and responsibilities of each party and complies with FHA requirements. (4000.1 V A 2a)

Access to FHA Guidance – Limitless Mortgage and QC Vendor will provide all Loan Administration and QC staff with access to current FHA guidance including Handbooks, Mortgagee Letters, Frequently Asked Questions, and other guidance issued by FHA. (4000.1 V A2b)

**Restricted Participation**

On a semi-annual basis, Limitless Mortgage will confirm it verified, through each of the following systems, that the designated employees and/or Affiliates listed below were permitted to participate in FHA programs. If any of the designated employees and/or Affiliates are found to be ineligible, they are restricted from participating in FHA programs.

Limitless Mortgage will verify employee eligibility for all Officers, Partners, Directors, Principals, Managers, Supervisors, Loan Processors, Loan Originators, and all other employees and Affiliates participating in HUD programs for or on behalf of Limitless Mortgage, using the System for Award Management System (SAM) Excluded Parties List and the Limited Denial Participation (LDP) list. (4000.1 V A2b)

Limitless Mortgage will verify that all employees and Affiliates participating in HUD programs for or on behalf of Limitless Mortgage are registered under the National Mortgage Licensing System and Registry (NMLS), unless excluded from NMLS requirements by law or regulation.

Limitless Mortgage will maintain documentation that supports each employee's eligibility.

**Rejected Mortgage Applications**

Limitless Mortgage will review a random statistical sample of rejected applications within 90 days from the end of the month in which the decision was made. Reviews must be conducted monthly and ensure that:

- reasons given for rejection were valid,
- each rejection has the concurrence of an officer of someone with sufficient approval authority,
- requirements of the ECOA are met and documented in each file, and
- no civil rights violations were committed in the rejections of the application.

Limitless Mortgage will take immediate correction action to ensure its operations comply with applicable state and federal fair lending law where any possible discrimination is discovered. (4000.1 V A2iiiA1)

**Fair Housing and Fair Lending**

Limitless Mortgage will comply with applicable state and federal fair lending laws. Limitless Mortgage management will verify that the Fair Housing Poster and the Equal Housing Opportunity Logo are prominently displayed in Limitless Mortgage home office and any branch offices that deal with borrowers and the general public. (4000.1 V A2iiiB)

Limitless Mortgage will ensure that the equal housing opportunity logo is prominently displayed on all documents, including both hard copy and electronic documents to the public. (4000.1 V A2iiiB)

**Fair Housing or Discrimination Violations**

Potential fair housing violations or instances of discrimination will be reported to HUD's office of FHEO immediately. (4000.1 A2iiiC)

Fair housing violations and complaints may be reported online using the HUD Form 903 Online Complaint, contacting HUD's local FHEO Regional Office or by calling the Fair Housing Hotline at 1-800-669-9777. (4000.1 A2biiiC)

**Escrow Funds**

Limitless Mortgage will verify that funds received from borrowers have only been used for the purpose for which they were received, Limitless Mortgage will comply with Consumer Financial Protections Bureau (CFPB) escrow requirements. (4000.1 A2biv)

**Mortgage Insurance (MI) Premiums**

It is the responsibility of the Wholesale Lender to verify that MI Premiums have been remitted to FHA within the required time period or, if not, the remittance included late charges and interest penalties. (4000.1 V A2b)

**Timely and Accurate Submission for Insurance**

It is the responsibility of the Wholesale Lender to verify that mortgages are being submitted to FHA for insurance within the required time frames. (4000.1 V A2b)

**Advertising**

Limitless Mortgage will ensure that all advertisements generated by Limitless Mortgage or on its behalf have been reviewed to verify compliance with HUD/FHA advertising requirements. Limitless Mortgage will retain copies of any advertising device Limitless Mortgage produces, or that is produced on Limitless Mortgage behalf, that is related to FHA programs. (4000.1 V A2bv)

**Reporting & Corrective Action**

The QC Manager will report Findings identified through the QC process to Senior Management. The initial review findings will be reported to Senior Management within 30 days of completion of the initial Findings Report. Limitless Mortgage final report will be issued within 60 days from initial review.

Senior Management will review and respond to each instance of fraud, material misrepresentation, or other Material Finding. Limitless Mortgage final report must identify the corrective and curative actions being taken, the timetable for completion and any planned follow-up activities. (4000.1 V A2diii)

Limitless Mortgage management will discuss all Findings with responsible parties in order to ensure corrective action and to prevent similar Findings from occurring in the future.

**Notification to HUD**

Limitless Mortgage will report any findings of fraud or material misrepresentation to FHA immediately. All other material findings not mitigated must be reported no later than 90 days after completion of the initial report. (4000.1 V A3ivD)

**Corrective Action Plan**

For all Findings that must be reported, Limitless Mortgage must identify what actions have been taken to attempt to mitigate each Finding and report any planned or pending follow-up activities. (4000.1 V A3ivE)

**Method of Reporting**

Limitless Mortgage will use the Self-Report feature in the Loan Review System (LRS) to report Findings to FHA. (4000.1 V A3ivF)

**Suspected HUD Involvement**

Should Limitless Mortgage suspect HUD employees or contractors were involved in fraud or material misrepresentation, Limitless Mortgage will refer the matter directly to HUD's Office of Inspector General (OIG) through the HUD OIG website, by sending a written referral to the HUD OIG Hotline at 451 7<sup>th</sup> Street, SW, Room 8254, Washington, DC 20410 or by fax (202) 708-4829. (4000.1 V A3ivG)

**File Retention**

QC Review results, including all selection criteria, review documentation, findings, and actions taken to mitigate findings will be retained for three (3) years from the initial QC review or from the last action taken to mitigate findings, whichever is later. Limitless Mortgage will follow the record retention requirements for QC documentation and maintain records for a period of three (3) years.)

**Timeliness****Pre-Closing Reviews**

- The Pre-Closing Sample will be reviewed on a monthly basis. (4000.1 V A3ai(A))

**Post-Closing Reviews**

- Limitless Mortgage will select loans closed in the prior one-month period. Closed loans will be reviewed on a monthly basis. Closed loans will be reviewed within 60 days from end of prior month. (4000.1 V A3ai(B))

**Early Payment Default Reviews**

- Limitless Mortgage will review on a monthly basis those loans that are identified as an Early Payment Default (EPD). The EPD loans will be reviewed within 60 days from end of month in which loan became an EPD. (4000.1 V A3ai(C))

**Scope and Sampling**

Limitless Mortgage has addressed the scope and sampling within this Plan. Procedures exist for expanding the scope of the QC review when fraud or patterns of deficiencies are uncovered. (4000.1 V A3aii)

### **Sample Size**

The sample size will be based on the number of closed loans and is either:

- 3,500 or fewer FHA loans per year - 10% of all loans closed; or
- More than 3,500 FHA loans per year – either 10% of all loans OR a random sample that provides 95% confidence level with 2% statistically valid confidence interval.

Combination of both pre-closing and post-closing reviews.

- Pre-closing reviews - 10% or less of sample size.
- Post-closing reviews – 90% of more of sample size.
- Should Limitless Mortgage close nine (9) or fewer loans during the prior one-month period, Limitless Mortgage will select a minimum of one (1) loan each month for pre-closing review. (4000.1 V A3aiiiC)

### **Sample Composition Standard**

Limitless Mortgage post-closing QC review will be comprised of a random selection, discretionary sample selection and EPD loans.

- **Random Sample** – Each FHA-insured mortgage has an equal chance of being selected. The sample will be drawn from all FHA mortgages regardless of origination source or program type. Limitless Mortgage Internal QC or QC Vendor will document how the sample size and selections were determined. (4000.1 V A3aiv(A))
- **Discretionary Sample** - Limitless Mortgage or QC Vendor will focus discretionary samples on programs, participants, or sources that represent a high level of risk, which may include disproportionate loan volume, default rates, new relationships, or concentration in soft market areas. (4000.1 V A3aiv(C))
- **Early Payment Defaults (EPD)** – An EPD is defined as an FHA mortgage that becomes 60 days delinquent within the first six (6) payments. Limitless Mortgage will review all EPDs identified by the Wholesale Lender.

### **Loan Sample Risk Assessment Methodology**

Limitless Mortgage has a method for evaluating loans selected for QC on the basis of the severity of the violations found during QC reviews. Limitless Mortgage and QC Vendor will compare one (1) month's QC sample to previous QC sample in order to conduct trend analysis. (4000.1 V A3b)

Limitless Mortgage or QC Vendor will document the methodology used to establish the loan sample risk assessment and conduct trend analysis. The methodology will include the following risk categories:

- Insignificant or Informational (Minor) Risk – No issues or minor variances were identified.
- Moderate Risk – Records contained unresolved questions or missing documentation. Issues were identified pertaining to processing, documentation, or decisions made, but none were material.
- Significant (Material) Risk – Material findings which represent an unacceptable level of risk.

### **Origination and Underwriting Loan File Compliance Review**

At minimum Limitless Mortgage QC review will include the following areas (4000.1 V A3ci):

REQUIREMENT	PRE-CLOSING REVIEW	POST-CLOSING REVIEW
Appraisal	X	X
Mortgage application, eligibility, and underwriting documents	X	X
Disclosures and legal compliance	X	X
Mortgage origination documents	X	
Handling of mortgage documents	X	X
Borrower occupancy		X
Credit Reports	X	X
Outstanding debt obligations	X	X
Verification of employment and deposit	X	X
Self-employed Borrowers	X	X
Borrower's source of funds	X	X
Underwriting accuracy and completeness, including compensating factors	X	X
Property Flipping restrictions	X	X
Prohibited restrictive covenants	X	X
Qualified Mortgage	X	X
Loan Estimate	X	X
Discrepancies in the loan file	X	X
Condition clearance	X	X
Closing procedures and documents		X
Closing Disclosure or other similar legal document		X
Pre-endorsement review		X
Timely submission for insurance		X

### **Credit Report**

A new credit report is obtained by the Wholesale Lender on all post-closing loans in the QC sample (using a RMCR, TRMCR, or a business credit report when appropriate). (4000.1 V A3cii(A))

### **Income, Employment, Asset, and Housing Expense Information Reverification**

Documents contained in the loan file should be analyzed for validity and sufficiency. The following items will be re-verified in writing or electronically if available:

- Employment;
- Income;
- Assets;
- gift Funds;
- source of funds; and
- mortgage payments or rental payments

If the written or electronic re-verification is not returned to Limitless Mortgage or QC Vendor, a documented attempt will be made to conduct a telephone re-verification. All discrepancies will be evaluated to ensure that the original documents were completed before being signed, were as represented, were not handled

by interested third parties and that all corrections were proper and initialed. (4000.0 A3cii (B))

Limitless Mortgage Internal QC or the QC Vendor will document any discrepancies and retain copies of information used to resolve such discrepancies.

### **Appraisals**

A review of the property appraisal will be conducted on all loans chosen for QC review. The following areas will be included in the review:

- appraisal data;
- validity of comparable;
- value conclusion (as required by FHA guidance);
- any changes made by the Underwriter; and
- the overall quality of the appraisal

### **Field Reviews**

Targeted field reviews will be performed by the Wholesale Lender.

### **Specialized Mortgage Programs**

Limitless Mortgage will monitor compliance with FHA requirements specific to specialized mortgage programs (e.g., 203(k), Home Equity Conversion Mortgages (HECM), Energy Efficient Mortgages (EEF), etc.). (4000.1 V A3d)

### **Ineligible Participants – Origination and Underwriting Reviews**

Limitless Mortgage and/or QC Vendor will verify none of the participants in the Mortgage transactions reviewed were debarred, suspended, under an LDP for the FHA program and jurisdiction, or otherwise ineligible to participate in an FHA transaction. This included participants in an assumption transaction. Limitless Mortgage and or QC Vendor will verify participant eligibility using the SAM Excluded Parties List, the LDP list, and the NMLS, as applicable. (4000.1 V A3fi)

- seller (excluding the seller of a principal residence);
- listing and selling real estate agent;
- loan originator;
- loan processor;
- underwriter (if information provided by Wholesale Lender);
- appraiser (if information provided by Wholesale Lender);
- closing agent (if information provided by Wholesale Lender);
- title company (if information provided by Wholesale Lender);
- 203(k) consultants.

### **Data Integrity**

Limitless Mortgage and QC Vendor will review completeness and accuracy of the information obtained for each mortgage for all aspects of the Loan administration process for which the QC sample is selected. All findings will be reported internally to Senior Management and to FHA where appropriate. (4000.1 V A4a)

**Origination and Underwriting Information**

Limitless Mortgage Internal QC and QC Vendor will validate all data elements submitted through AUS, TOTAL Mortgage Scorecard, and validate that documentation exists in the loan file to support all data used by the Wholesale Lender to underwrite the Mortgage.



## **ADDENDUM E: Early Payment Default**

The guidelines stated in this paragraph are not mandatory.

Limitless Mortgage shall ensure that all loan officers, processors and branches are subject to review. A more thorough review will include emphasis on those individuals (including real estate agents) who are large producers, newly employed, or concentrating in soft market areas. In addition, all loans going into default within the first six (6) months must be reviewed.

### ***Loan Characteristics***

- Mortgagors owning other real estate
- 2-4-unit properties
- Non-occupying co-mortgagors or multiple mortgagors
- Sweat equity
- Excessive seller concessions
- Identity of interest between buyer and seller
- New construction or rehab loans
- Soft market areas
- Rent credit
- Properties transferred within the last 12 months.

### ***Mortgagors Characteristics***

- No credit history
- No or new bank account
- Large or multiple earnest money deposit(s)(money orders)
- Large increase in bank account
- Little cash remaining after closing
- Housing expenses increasing by 1.5 times
- Front ratio >29%
- Back ratio >41%
- <18 months with current employer
- Gift letter, or loan of funds to close
- Self employed
- Sale of personal property for funds to close

## ADDENDUM F: Specific FHA Procedural Requirements

Limitless Mortgage QC Plan provides for a review of the loan origination functions in order to:

1. Determine whether the information in the preliminary loan application, final application and all credit documents is consistent or reconciled.
2. Determine whether loan documents requiring signatures (other than blanket verification releases) were signed by the mortgagor or employee(s) of the mortgagee only after completion; and that all corrections were initialed by the Borrower(s) or employee(s) of Limitless Mortgage.
3. Determine whether verifications of employment, verification of deposit or credit reports are suspect due to handling by any interested third party or the mortgagor.
4. Determine whether the loan file contains a financial statement, tax returns and appropriate type of credit report if the mortgagor is self-employed.
5. Determine whether more than one credit report was ordered and whether all credit reports were submitted with the loan package to the Wholesale Lender's Direct Endorsement Underwriter.
6. Determine whether the loan file contains pertinent documentation of the mortgagor's source of funds for the required investment, the acceptability of that source.
7. Determine whether there are sufficient and documented compensating factors if the debt ratios exceed FHA limits.
8. Determine whether all conflicting information or discrepancies in the application file were resolved and properly documented in writing prior to submission of the loan for underwriting.
9. Determine whether all conditions were cleared prior to closing.
10. Determine whether the Closing Disclosure or Settlement Statement (as applicable) was accurately prepared and properly certified. Assure that only FHA allowable fees and charges were paid by the Borrower. The CD or Settlement Statement (as applicable) should be compared with other relevant loan documents to determine whether the mortgagor made the required minimum investment and whether any credits resulted in an over-insured mortgage.
11. Determine whether the loan file contains all required loan processing documentation.
12. Determine whether seller acquired the property at the time of or soon before closing, indicating a possible property "flip".
13. If possible, determine whether the mortgagor transferred the property at the time of closing or soon after closing, indicating the possible use of a "straw buyer" in the transaction.
14. Determine whether all items requiring documentation have been properly evidenced and retained in the file.

### FHA LOANS – Additional policies and procedures

The following are additional specific policies and procedures adopted by Limitless Mortgage with regard to the origination of FHA Loans. These are in addition to the other policies and procedures outlined in other sections of this plan.

1. Management will ensure that our offices are sufficiently staffed with trained personnel and all personnel are exclusive employees of the Company, or contract employees to whom FHA allows services to be outsourced, and no employee or contract employee is under debarment, suspension, or limited denial of participation (LDP/SAM). Management will perform this check at time employees are hired and will check the employee list at least semi-annually.
2. Management will take prompt and effective corrective measures when deficiencies are identified. All corrective measures will be documented.

3. One hundred percent (100%) of Early Payment Default Loans, which go into default within the first six (6) months, will be audited. Early Payment Defaults are defined as loans that become 60 days past due.
4. At least annually, management will have its representatives review all offices, including traditional and non-traditional branches, direct lending offices engaged in the origination of FHA loans to determine they are in compliance with HUD requirements. These reviews will ensure that each office is located in a commercial space, conducive to mortgage lending and separated from any other entity by walls or partitions, and will have the Fair Housing poster displayed, accessible to persons with disabilities if open to the public or will provide an alternate means of accommodation. If located in a non-commercial space, the office will have adequate space and equipment.
5. Management will conduct on-site quality control reviews of high-risk offices annually. Other offices will be reviewed remotely, and the criteria used to justify frequency of on-site reviews will be available in writing for review by HUD. Reasons for not reviewed any branch office will be available in writing.
6. All loans originated will be subject for audit, including alternative document loans.
7. The information in the preliminary loan application, final application, and all credit documents will be reconciled and checked for consistency.
8. As part of their quality control program, the Wholesale Lender will obtain a new credit report in the same form as the original credit report used to approve the Mortgage, including a Residential Mortgage Credit Report (RMCR), a Tri-Merged Credit Report (TRMCR), or, when appropriate, a business credit report for each Borrower whose loan is selected for QC review. The report must comply with the credit report standards described in HUD Handbook 4000.1.
9. Management has procedures in place to ensure compliance with the Home Mortgage Disclosure Act (HMDA), including verifying that the information being reported to the Wholesale Lender is accurate.
10. Management has in place procedures to determine if the mortgage applicants are ineligible due to a delinquent federal debt.
11. Management has in place procedures to ensure compliance with the Real Estate Settlement Procedures Act (RESPA). Such procedures include the distribution of the Special Information Booklet to mortgage applicants, providing Good Faith Estimates or Loan Estimates (as applicable) to applicants within three (3) business days of Initial Applications with fee estimates bearing a reasonable estimation of the actual charges that will be charged per the Closing Disclosure (CD) or Settlement Statement (as applicable), disclosing transfer of servicing, disclosing business relationships with affiliated entities and providing mortgage applicants with their CD or Settlement Statement (as applicable).
12. All rejected FHA loans are given a second opinion review. Limitless Mortgage will determine if referral to a credit counseling agency may be appropriate for rejected minority applicants.
13. A face-to-face interview will be performed by a Limitless Mortgage and FHA-approved branch with the borrower prior to signing the HUD 92900, unless otherwise exempt, such as in the case of refinances.
14. If loans are underwritten by using an automated underwriting system, the documentation will be reviewed to ensure that correct data was entered into the automated system. Also, all applications receiving a "Refer" will be reviewed by a DE underwriter before final decision is made. If a manual override or downgrade is applied, a check will be made to ensure that no patterns of illegal discrimination have occurred.
15. A determination will be made to ensure sufficient and documented compensating factors are present if debt ratios exceed FHA Limits.
16. If more than one credit report is ordered, all credit reports will be submitted with the package to the underwriter.

17. Initial Loan Applications will list each outstanding debt and asset that was used to qualify the mortgagor.
18. Outstanding judgments on the credit reports will be listed and explained on the HUD Form 92900LT.
19. All loan files will contain documentation supporting the source of funds for the required investment, the acceptability of that source. Obligations to repay the funds will be included on HUD Form 92900LT. This is especially important in cases where the source was other than the applicant's accounts at a financial institution.
20. If the borrower is self-employed, the file will contain financial statements, tax returns, and a business credit report.
21. All gift funds will be properly documented to show that the funds were deposited into the borrower's account and that the Gift Letter will include the relationship of the donor and a statement of no repayment.
22. A determination will be made as to whether the Borrower(s) or employee(s) of Limitless Mortgage signed loan documents requiring signature (other than blanket verification releases) only after completion; and that the Borrower(s) or employee(s) Limitless Mortgage initialed all corrections.
23. Management will ensure that all escrow funds received from the Borrower(s) are not used for any purpose other than that for which they were received and are maintained in an account separate from the general operating account.
24. A determination will be made to ensure that all conflicting information or discrepancies in the application file were resolved and properly documented in writing, prior to submission of the loan to the underwriter.
25. Management will ensure that the mortgagee is in compliance with HUD's requirements concerning Tiered Pricing.
26. It is against Limitless Mortgage policy to set minimum loan amounts.
27. Limitless Mortgage reviews its lending programs periodically to determine if outreach to a particular geographic area is appropriate, considers the establishment of a marketing plan to serve underserved and minority populations, and ensures that branch offices or employees do not engage in false or misleading advertising practices.

## **ADDENDUM G: Branch Office Review Procedural Requirements**

Limitless Mortgage does not have any non-traditional branches and intends to have only traditional offices engaged in origination of FHA-insured loans.

All site reviews are conducted on the following basis:

### **Basic Checklist - Review Items**

- The office is properly registered with FHA and the address is current.
- Operations are conducted in a professional, business-like environment.
- If located in commercial space, the office is properly and clearly identified for any walk-in customers, has adequate office space and equipment, is in a location conducive to mortgage lending, and is separated from any other entity by walls or partitions (entrances and reception areas may be shared).
- If located in non-commercial space, the office has adequate office space and equipment, displays a fair housing poster if the public is received, if it is open to receive the public, it must be accessible to persons with disabilities, including those with mobility impairments, if it is not open to the public, but used occasionally to meet with members of the public, alternate means of accommodation may be used to serve persons with disabilities.
- Ensure that branch offices or branch office employees are not engaging in false or misleading advertising practices.
- The office is sufficiently staffed with trained personnel.
- Office personnel have access to relevant statutes, regulations, HUD issuances and Handbooks, either in hard copy or electronically.
- Procedures are revised to reflect changes in HUD requirements and personnel are informed of the changes.
- Personnel at the office are all employees of the mortgagee or contract employees performing functions that FHA allows to be outsourced.
- The office does not employ or have a contract with anyone currently under debarment or suspension, or a Limited Denial of Participation.
- The branch does not violate HUD's definition of a Prohibited Branch Arrangement:
  - Separate legal entities cannot operate as a branch office of Limitless Mortgage.
  - All branch operating expenses must be paid by Limitless Mortgage and not the branch manager, any other employee, or by a third party.
  - All branch contractual arrangements must be in the name of the approved mortgagee and cannot be in the name of an employee or branch.
  - Branch employees cannot be required to indemnify the approved mortgagee for damages.
  - Branch employees cannot issue a personal check to cover operating expenses.

### **Frequency**

Site visits are conducted at least once annually for offices that are involved in certain higher risk criteria such as high early default rates, new branches or new key personnel, sudden increases in volume, and past problems.

- Other offices are continually reviewed to assure compliance with FHA's requirements at a frequency and in a manner determined appropriate by the mortgagee. The criteria used to determine the frequency of on-site reviews shall be kept in writing and available for review by HUD at the corporate office and any branch office that is not being reviewed annually.

**Staffing**

When it is not feasible for quality control staff to visit each branch office, qualified personnel from another office of the mortgagee must be conducted – personnel from another office may not be involved in the day-to-day processes they are reviewing. Alternatively, an outside and independent firm may conduct the site review.

**ADDENDUM H: Direct Endorsement Lender Review Approval Processing  
(DELRAP) Procedural Requirements**

Limitless Mortgage does not make credit decisions and does not participate in the DELRAP process.

## **ADDENDUM I: Mortgage Quality Control Agreement**

The Mortgage Quality Control Outsource Service Agreement is maintained by Limitless Mortgage and is available upon request.



### **ADDENDUM J: FHA Affiliates Review Procedural Requirements**

All contractors and agents must be acceptable to Limitless Mortgage and FHA. Each must operate in compliance with FHA requirements, pursuant to the Department of Housing and Urban Development.

Limitless Mortgage does not originate loans through contractors or agents.

## ADDENDUM K: VA Loan Procedural Requirements

The following are additional specific policies and procedures adopted by Limitless Mortgage with regard to the origination of VA Loans. These are in addition to the other policies and procedures outlined in other sections of this plan.

1. Management will conduct on-site branch office reviews of each retail origination office at least annually.
2. Limitless Mortgage procedures are revised in a timely and accurate manner to reflect changes in VA requirements, and all employees are informed of the changes.
3. Each office of Limitless Mortgage maintains copies of all VA publications, including current regulations, Handbooks, Circulars, and Bulletins, and are accessible to employees as well as reviewed periodically with employees.
4. Management ensures that all loans submitted to Wholesale Lender for VA guaranty are processed by employees of the Company or its authorized agents.
5. Management ensures that all escrow funds received from borrowers are not excessive and are not used for any other purposes other than that for which they are received.
6. Management will ensure that no individuals are employed who have been debarred or suspended.
7. In order to ensure that underwriting conclusions and loan documentation are complete and accurate, the QC Vendor's standard audit program makes a determination on the following items:
  - a. Does the loan file contain all required loan processing, underwriting and legal documents?
  - b. Were all relevant loan documents not signed in blank by the borrower or employees of the Company, and were all corrections initialed by the borrower or employees of the Company?
  - c. Were verifications of employment, verifications of deposit and credit reports not handled by the borrower or any interested third party or if they were, were they processed in an accurate and unbiased manner?
  - d. Do the credit reports conform to RMCR standards and if more than one credit report was ordered, were all credit reports submitted with the loan package to VA?
  - e. Were all assets and outstanding liabilities of the borrower and co-borrower included on the initial application? If discrepancies exist, were they explained or resolved?
  - f. Were outstanding judgments on the credit report listed on the application with an explanation and documentation?
  - g. If the borrower is self-employed does the file contain two (2) years' tax returns, a profit and loss statement for year-to-date since the end of the last fiscal year and a current balance sheet showing all assets and liabilities?
  - h. Limitless Mortgage will maintain an effective QC system which ensures the adequacy and quality of its staff appraisal reviews. The QC system will be independent of Limitless Mortgage loan production operation. Upon request, Limitless Mortgage will furnish to VA with findings and information about the system.
  - i. Was the Closing Disclosure accurately prepared and properly certified?
  - j. Were fees charged to the borrower appropriate and accurate?
  - k. Was the loan properly documented and submitted in accordance with VA's standardized loan file set-up procedure?
  - l. Did the borrower transfer the property at the time of closing or soon after, indicating a possible misuse of the veteran's loan entitlement?
  - m. Were all conflicting information or discrepancies resolved and properly documented in writing prior to submission of the loan to VA for guaranty?

## **ADDENDUM L: Fair Lending Procedural Requirements**

In addition to a review of Limitless Mortgage case files, there are certain other areas of Limitless Mortgage operation that will be reviewed and corrected if deficient.

### **Fair Lending**

Limitless Mortgage will ensure operations are in compliance with fair lending laws. The following are the minimum procedural requirements Limitless Mortgage QC Plan has implemented in order to ensure compliance with Fair Lending laws:

- Reasons given for declining a loan application are valid.
- Ascertain that each loan declined has the concurrence of an officer or senior staff person of Limitless Mortgage.
- Implementation of the Equal Credit Opportunity Act (ECOA).
- Assurance that no civil rights violations are committed in declining applications.
- Corrective actions, taken immediately, if there is evidence of possible discrimination.

Possible violations or incidences of discrimination shall be reported to the office of Fair Housing and Equal Opportunity in HUD's Headquarters in a timely manner.

## **ADDENDUM M: Home Mortgage Disclosure Act (HMDA) Procedural Requirements**

Limitless Mortgage does not make credit decisions and does not file an annual HMDA Report. Limitless Mortgage will ensure that data is collected and provided to the Wholesale Lender for their accurate HMDA reporting.

## **ADDENDUM N: Real Estate Settlement Procedures Act (RESPA) Procedural Requirements**

Limitless Mortgage shall implement all disclosure and other requirements, pursuant to the provisions of the Real Estate Settlement Procedures Act (RESPA).

RESPA compliance shall include, but not be limited to:

- Distribution to applicants of the Special Information Booklet or Home Loan Toolkit (as applicable).
- Distribution of a list of Third-Party Service Providers.
- Distribution of Loan Estimate or Good Faith Estimate (as applicable) not later than three (3) general business days after the application is received or prepared (Based on agreement with Wholesale Lender).
- Distribution of revised Loan Estimates or Good Faith Estimates (as applicable) no later than three (3) general business days after a valid change of circumstance occurs (Based on agreement with Wholesale Lender).
- A Change of Circumstance statement will be maintained with each revised Loan Estimate or Good Faith Estimate (as applicable).
- Disclosure of affiliated business relationships.

## **ADDENDUM O: Tiered Pricing Procedural Requirements**

The customary lending practices of Limitless Mortgage do not include Tiered Pricing (the setting of mortgage interest rates based on the amount of the mortgage and the variations of fees charged based on geographic area).

The Consumer Financial Protection Bureau (CFPB) issued regulations to implement the new Dodd-Frank Act requirements in January 2013 (CFPB's Loan Originator Rule). CFPB provided further clarifications to this rule through the October 2013 Final Rule. The regulations expand upon and refine earlier regulations adopted by the Board of Governors of the Federal Reserve System (that became effective in April 2011 and were recodified by CFPB in December 2011) to restrict certain compensation practices.

### **Tiered Pricing**

Limitless Mortgage will ensure that aggregate fees and charges do not violate the following Tiered Pricing rule.

### ***Definitions***

- **Tiered Pricing Area** - refers to a metropolitan statistical area (MSA) as established by the Office of Management and Budget.
- **Mortgage Charge** - refers to the interest rate, discount points, origination fee, and any other amount charged to the Borrower for an insured Mortgage.
- **Mortgage Charge Rate** - refers to the total amount of Mortgage Charges for a Mortgage expressed as a percentage of the initial principal of the Mortgage.
- **Tiered Pricing** - refers to any variance in Mortgage Charge Rates of more than two percentage (2%) points from Limitless Mortgage reasonable and customary rate for insured Mortgages for dwellings located within the area.

### ***Required Documentation***

- Limitless Mortgage must document that any variation in the Mortgage Charge Rate is based on actual variations in fees or costs to Limitless Mortgage to make the Mortgage.

### ***Standard***

- Limitless Mortgage may not make a Mortgage with a Mortgage Charge Rate that varies more than two percentage (2%) points from the Limitless Mortgage reasonable and customary rate for insured Mortgages for dwellings located within the area.
- To determine whether a Mortgage exceeds the two percentage (2%) point variation limit, Limitless Mortgage must compare Mortgage Charge Rates for Mortgages of the same type, from the same area, and made on the same day or during some other reasonably limited period. (4000.1 II A 6 (a)(x))(Section 203(u) of the National Housing Act (12 U.S.C. § 1709(u)), 24 CFR § 200.12).