Issue Date November 13, 2008	
Audit Report Number 2009-KC-1001	

TO: Brian D. Montgomery, Assistant Secretary for Housing – Federal Housing Commissioner, H

//**signed**//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: CitiMortgage Did Not Follow HUD Requirements When Underwriting 20 Loans and Performing Its Quality Control Program

HIGHLIGHTS

What We Audited and Why

We reviewed 60 Federal Housing Administration (FHA) loans underwritten by CitiMortgage, Incorporated (CitiMortgage), of St. Louis, Missouri. Our audit objectives were to determine whether CitiMortgage followed U.S. Department of Housing and Urban Development (HUD) requirements for underwriting loans and performing its quality control program for single-family production.

We audited CitiMortgage due to its volume of FHA loans and because of its above-average default-to-claim rate. During the two-year period ending December 2007, CitiMortgage underwrote more than 5,000 FHA loans. Of the loans that later defaulted, 7.76 percent became claims.

What We Found

CitiMortgage did not properly underwrite 20 of the 60 defaulted loans reviewed. These loans had material underwriting deficiencies that affected the insurability of the loans. In addition, CitiMortgage did not meet HUD's quality control requirements.

What We Recommend

We recommend that the Assistant Secretary for Housing – Federal Housing Commissioner require CitiMortgage to indemnify HUD against future losses for 19 loans[1] with unpaid principal balances totaling more than $3 million and reimburse HUD for two loans for which HUD incurred losses totaling more than $100,000 when it sold the properties.

Further, we recommend that HUD verify that CitiMortgage implements

- Adequate controls that allow managers to identify, mitigate, and prevent underwriting problems and
- A revised quality control plan that complies with HUD requirements.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the draft report to CitiMortgage on October 20, 2008, and requested a response by November 4, 2008. CitiMortgage provided written comments on November 4, 2008. It generally agreed with our conclusions.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

[1] This includes 18 of the loans with material underwriting deficiencies (see finding 1, recommendation 1A) and one loan improperly submitted for late endorsement (see finding 2, recommendation 2B).

TABLE OF CONTENTS

BACKGROUND AND OBJECTIVES

CitiMortgage, Incorporated (CitiMortgage), is a nonsupervised direct endorsement lender based in St. Louis, Missouri. CitiMortgage received approval from the Federal Housing Administration (FHA) in May of 1981 and currently operates branch offices in 10 states.

FHA's mortgage insurance programs help low- and moderate-income families become homeowners by lowering some of the costs of their mortgage loans. FHA mortgage insurance also encourages lenders to approve mortgages for otherwise creditworthy borrowers and projects that might not be able to meet conventional underwriting requirements by protecting the lender against default. The direct endorsement program simplifies the process for obtaining FHA mortgage insurance by allowing lenders to underwrite and close the mortgage loan without prior HUD review or approval. Lenders are responsible for complying with all applicable HUD regulations and are required to evaluate the borrower's ability and willingness to repay the mortgage debt.

From January 2006 through December 2007, CitiMortgage approved more than 5,000 FHA loans, valued at more than $700 million. During this same period, 795 of the loans (14.3 percent) were at least 30 days delinquent. Additionally, CitiMortgage's rate of defaults to claims is above the national average with 7.76 percent of its defaulted loans later becoming claims.

Our audit objectives were to determine whether CitiMortgage followed HUD requirements for underwriting loans and performing its quality control program for single-family production.

RESULTS OF AUDIT

Finding 1: CitiMortgage Did Not Properly Underwrite 20 Loans

CitiMortgage did not properly underwrite 20 of 60 loans reviewed. This condition occurred because CitiMortgage did not have adequate controls over FHA underwriting. As a result, the lender placed the FHA insurance fund at an increased risk of loss on 20 loans with original mortgage amounts totaling more than $3.2 million.

Underwriting Did Not Meet HUD Standards

CitiMortgage did not properly underwrite 20 of 60 loans reviewed. The following table summarizes the material deficiencies identified.

Area of noncompliance	# of loans
Credit history/liabilities	10
Assets	8
Income	8
Miscellaneous	9

Appendix C contains a schedule of the material deficiencies identified in each of the 20 loans. Appendix D contains detailed narratives for each of the 20 loans.

<u>Credit History/Liabilities</u>
CitiMortgage did not properly assess the credit history and/or liabilities of borrowers for 10 loans. In some cases, the lender failed to obtain explanations for derogatory credit, document payment of outstanding judgments, adequately verify child support obligations, or follow up on credit report inquiries. In other cases, the lender omitted debts without proper documentation.

For example, in sample #52, CitiMortgage failed to include the borrower's Chapter 13 bankruptcy payments as an ongoing liability despite having evidence that the payments would continue for several years after closing. When including this liability, the borrower's total debt ratio grossly exceeded HUD's limit of 43 percent.

<u>Assets</u>
CitiMortgage did not properly evaluate the assets used to qualify for eight loans. In several cases, the lender failed to evidence the source of funds used by gift donors or document proper transfer of gift funds. In other cases, the lender did not adequately document and support borrower assets needed to close or claimed as reserves when submitted for automated underwriting.

For example, in sample #35, the lender submitted $9,861 in reserves from three asset accounts to the automated underwriting system. However, only one account totaling $1,910 was properly supported. The documentation provided for one of the other accounts showed a large unexplained deposit, and the other account showed a significantly lower balance than claimed.

Income

CitiMortgage did not properly evaluate the income used to compute qualifying ratios on eight loans. In many cases, the lender overstated or improperly included income from self-employment or commissions. In other cases, the employment documents in the file contained inconsistencies or cast doubt on the stability of the borrower's income.

For example, in sample #50, while a verification supported the coborrower's current employment, she had only been employed for two months before closing. The file did not contain documentation covering one of her two previous employers or an explanation for the eight-month period of unemployment listed on her application.

Miscellaneous

CitiMortgage also failed to follow HUD rules in other areas for nine loans. For example, it did not properly

- Verify prior mortgage payments for refinance transactions,
- Evaluate nonpurchasing spouse transactions,
- Document manual underwriter approval, and
- Verify information submitted to automated underwriting systems.

CitiMortgage Did Not Have Adequate Controls

CitiMortgage did not have adequate controls over FHA underwriting. While underwriting management staff frequently evaluated group performance, their reviews did not necessarily include FHA loans because these loans comprised such a small portion of the company's workload. Further, the review process did not evaluate individual underwriter performance. These factors, combined with a compensation structure based upon group performance, created an environment in which underwriters were not held responsible for their FHA loan approvals.

In addition, because CitiMortgage's quality control review process did not fully meet HUD requirements (see finding 2), management was not made aware of underwriting problems that would have indicated a need for additional training and accountability.

Loans Placed the FHA Insurance Fund at an Increased Risk of Loss

CitiMortgage placed the FHA insurance fund at an increased risk of loss for 20 loans with original mortgage amounts totaling more than $3.2 million. The following table summarizes the status of the loans as of September 9, 2008.

Loan status	# of loans
Claim	9
Currently in default	10
No longer in default	1

These loans unnecessarily placed the FHA insurance fund at risk for more than $1.25 million in potential losses and losses already incurred. Additionally, HUD had paid nearly $33,000 for loss mitigation on eight of the loans.

Recommendations

We recommend that the Assistant Secretary for Housing – Federal Housing Commissioner

1A. Require CitiMortgage to indemnify HUD for 18 loans for which HUD has not yet incurred a loss with unpaid principal balances totaling $2,946,632. The projected loss is $1,149,186 based on the FHA insurance fund average loss rate of 39 percent for fiscal year 2007.

1B. Require CitiMortgage to reimburse HUD for two loans for which HUD incurred losses totaling $109,315 when it sold the properties.

1C. Verify that CitiMortgage implements adequate controls that allow managers to identify, mitigate, and prevent underwriting problems.

Appendix E contains a detailed schedule of our recommendations and lists the current status of the 20 loans with material underwriting deficiencies.

Finding 2: CitiMortgage Did Not Meet HUD's Quality Control Requirements

CitiMortgage did not meet HUD's quality control requirements. This condition occurred because the lender misunderstood HUD's quality control requirements and did not have adequate controls over its review process. As a result, CitiMortgage was unable to ensure the accuracy, validity, and completeness of its loan origination operations.

The Quality Control Process Did Not Meet HUD Standards

CitiMortgage did not meet HUD's quality control requirements. Specifically, it did not

- Perform reviews of all early payment default loans,
- Consistently address all required evaluation elements for loans it reviewed,
- Consistently follow the required reverification process for loans it reviewed,
- Obtain new credit reports when required for loans it reviewed, and
- Check all employees against restricted participation lists.

<u>Early Payment Default Loans Not Reviewed</u>
HUD Handbook 4060.1, REV-2, section 7-6D, requires lenders to review all early payment default loans, which include loans that become 60 days or more delinquent within the first six payments. Of the loans approved by CitiMortgage during our audit period, at least 194 became 60 days or more delinquent within the first six payments. CitiMortgage reviewed less than 60 percent of these early payment default loans.

<u>Required Evaluation Elements Not Addressed</u>
HUD Handbook 4060.1, REV-2, section 7-7, requires lenders to address specific evaluation elements when performing quality reviews of loans. Of the 40 quality control reviews examined, the majority of the review files did not adequately document that staff had reviewed all required evaluation elements. In some cases, review files contained a checklist of required elements, but the checklist was not completed. In other cases, the file did not contain a checklist, and the review form used did not address all required evaluation elements.

<u>Appropriate Reverification Process Not Followed</u>
HUD Handbook 4060.1, REV-2, section 7-6E-2, requires lenders to follow a process for attempting reverification of income and funds needed to close when performing quality control reviews of loans. This process includes attempting written reverification of documents, followed by attempts at telephone reverification. Of the 40 quality control reviews examined, 33 of the review files did not document that

staff followed the proper reverification process. In some cases, review files did not document an attempt at the required reverifications. In other cases, review files documented some level of reverification but did not evidence that staff followed the proper reverification process.

New Credit Reports Not Obtained

HUD Handbook 4060.1, REV-2, section 7-6E-1, requires lenders to obtain new credit reports for certain loans when performing quality control reviews of loans. Of the 40 quality control reviews examined, CitiMortgage failed to obtain new credit reports for three of the loans when required.

Employee List Not Checked

HUD Handbook 4060.1, REV-2, section 7-3L, requires lenders to check employees involved in FHA transactions against restricted participation lists at least semiannually. While CitiMortgage performed this step quarterly, its practice was to only check a sample of new employees against the lists.

CitiMortgage Misunderstood Requirements

CitiMortgage misunderstood HUD's quality control requirements and did not have adequate controls over its review process.

For example, while HUD requires lenders to review all early payment default loans, CitiMortgage thought it was acceptable to skip certain loans, such as streamlined refinances and loans it identified as having an acceptable reason for default.

In other cases, while CitiMortgage understood HUD's rules, it did not have adequate controls in place to ensure that employees followed the requirements. For example, while CitiMortgage's written policy demonstrated an understanding of HUD's requirement to perform reverifications, its system allowed regular quality control reviews to be closed out before completed reverifications were received.

CitiMortgage Was Unable to Ensure Proper Loan Originations

Without a properly implemented quality control program, CitiMortgage was unable to ensure the accuracy, validity, and completeness of its loan origination operations.

In addition, the lender might not identify potential deficiencies and make needed corrections in a timely manner, resulting in an increased risk to the FHA insurance fund. For example, CitiMortgage's quality control review failed to identify an improper late endorsement loan (sample #23), which was ineligible for endorsement. Additionally, there were significant underwriting deficiencies in 17 of the 40 loans with quality control reviews and in three additional early payment default loans which CitiMortgage should have reviewed (see appendix C).

Recommendations

We recommend that the Assistant Secretary for Housing – Federal Housing Commissioner

2A. Verify that CitiMortgage implements a revised quality control plan that complies with HUD requirements.

2B. Require CitiMortgage to indemnify HUD for the loan improperly submitted for late endorsement (sample #23, case number 105-2718946). The projected loss for this loan is $64,343 based on the FHA insurance fund average loss rate of 39 percent for fiscal year 2007 and the $164,981 unpaid principal balance.

SCOPE AND METHODOLOGY

To accomplish our objectives, we

- Reviewed HUD's and CitiMortgage's policies and procedures,
- Interviewed HUD and CitiMortgage staff,
- Reviewed HUD and CitiMortgage loan files,
- Reviewed quality control reports and related review files,
- Reviewed payment histories, and
- Obtained reverifications as appropriate.

From January 2006 through December 2007, CitiMortgage approved more than 5,000 FHA loans, valued at more than $700 million. To select our underwriting review sample of 60 loans, we first selected all 31 loans in claim or foreclosure status as of April 9, 2008. We then selected 23 early payment default loans, including

- the five purchases or non-streamline refinance loans with the largest original mortgage amounts that were at least three months delinquent, had at least a 90 percent loan-to-value ratio, and had not been reviewed by CitiMortgage's quality control staff;
- the five streamline refinance loans with the largest original mortgage amounts that were at least three months delinquent, had at least a 90 percent loan-to-value ratio, and had not been reviewed by CitiMortgage's quality control staff;
- the six loans that were at least three months delinquent, had at least a 90 percent loan-to-value ratio, and had been post-close reviewed by CitiMortgage's quality control staff; and
- the seven loans with the largest original mortgage amounts that were at least three months delinquent, had at least a 90 percent loan-to-value ratio, and had been reviewed by CitiMortgage's quality control staff as early payment defaults.

To aid in our review of CitiMortgage's quality control process, we also selected six loans that CitiMortgage had identified significant issues with during its quality control reviews. We selected these six because of their default records and to obtain a mix of findings which appear to represent an increased risk to the FHA insurance fund.

When identifying underwriting deficiencies, we assessed whether the deficiencies were material and should have caused the lender to disapprove the loan. We considered any deficiencies that affected the approval and insurability of the loans as significant and recommend that HUD take appropriate action on these loans.

When reviewing the 40 quality control reviews that CitiMortgage performed on our sample loans, we determined whether CitiMortgage obtained new credit reports when required; properly reverified employment, income, and funds needed to close; and addressed the required review elements in its review files.

We relied on computer-processed data contained in HUD's Single Family Data Warehouse system and provided by CitiMortgage. During the audit, we assessed the reliability of the data and found the data to be adequate. We also performed sufficient tests of the data, and based on the assessments and testing, we concluded that the data were sufficiently reliable to be used in meeting our objectives.

We assigned a value to the potential savings to HUD if it implements our recommendations to require CitiMortgage to indemnify loans with material deficiencies. For those loans for which HUD had not yet incurred a loss, we applied FHA's average loss experience for fiscal year 2007 provided by HUD.

We performed audit work from February through July 2008 at CitiMortgage's office at 1000 Technology Drive, O'Fallon, Missouri.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Controls to ensure that FHA loans met HUD underwriting requirements.
- Controls to ensure that the lender's quality control program for single-family production met HUD requirements.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

- CitiMortgage did not have adequate controls in place to ensure that FHA loans met HUD underwriting requirements (see finding 1).
- CitiMortgage did not have adequate controls in place to ensure that its quality control program met HUD requirements (see finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1A		$1,149,186
1B	$109,315	
2B		$64,343

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.

2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. This includes reductions in outlays, deobligation of funds, withdrawal of interest subsidy costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings which are specifically identified.

Implementation of our recommendations to require CitiMortgage to indemnify HUD for materially deficient loans will reduce the risk of loss to the FHA insurance fund. The amount above reflects that, upon sale of the mortgaged property, FHA's average loss experience is about 39 percent of the unpaid principal balance based upon statistics provided by HUD. [$2,946,632 x .39 = $1,149,186]

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation	**Auditee Comments**

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CitiMortgage

November 4, 2008

Mr. Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of Inspector General
Region VII Office of Audit
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400 State Avenue
Kansas City, KS 66101-2406

Re: Response to Audit Report

Dear Mr. Hosking:

As requested in your letter dated October 20, 2008, CitiMortgage, Inc. ("CMI") is providing written comments to the draft audit report (the "Audit Report") prepared by the Office of Inspector General ("OIG"). The Audit Report resulted from an extensive on-site review regarding CMI's compliance with HUD's underwriting and quality control requirements for single-family loan production. We appreciate the opportunity to respond to the issues raised in the Audit Report.

Rationale for the Audit

The OIG audited CMI due to its volume of FHA originations and because of its above average default-to-claim rate. CMI underwrote 5,309 FHA-insured loans in the 24 months ending December 31, 2007. As a result, CMI was the 26th largest FHA originator in the United States for the two-year audit period. CMI's default-to-claim rate for loans originated during the audit period was 7.76%, compared to the national average of 6.11%. The default-to-claim rate is the number of claims paid divided by the number of loans defaulting within the first two years of origination.

Comment 1

CMI asserts that the default to claim rate is not a true indicator of underwriting performance if the default rate is better than average. CMI's default rate of 4.37% is superior to the national default rate of 5.45% for loans originated in the audit period. CMI's claim rate (which is about average) divided by its better than average default rate produces a higher than average claim-to-default rate because a smaller denominator produces a higher rate.

Also, the default-to-claim rate is not the primary indicator HUD uses in measuring underwriting performance. HUD uses the compare ratio as the measure for terminating lenders for poor performance in the Credit Watch initiative. CMI's compare ratio of defaults and claims for loans underwritten during the audit period, measured against all FHA loans originated in the same period, is better than average. CMI's compare ratio for these loans is a very good 74% (100% is average).

Summary - CMI's Response

Comment 2

Although CMI's overall default and claim rate is better than average, we agree that the number of underwriting errors identified during the audit was unacceptable. While we believe our quality control program substantially complied with HUD's requirements, we appreciate the clarification provided by the OIG regarding early payment default ("EPD") reviews and other quality control issues. We have already made or will make the suggested changes to the quality control process. We think the enhanced underwriting and quality control processes and intensified underwriter training

Ref to OIG Evaluation **Auditee Comments**

Mr. Ronald J. Hosking
November 4, 2008
Page 2

implemented within the last year have produced positive results. These efforts are reflected in a compare ratio for CMI that continues to be better than average and an improved default-to-claim rate of 5.28% compared to a national average of 5.16% for all FHA loans originated during the two-year period ending September 30, 2008.

Finding 1: CitiMortgage Did Not Properly Underwrite 20 Loans

CitiMortgage did not properly underwrite 20 of 60 loans reviewed. This condition occurred because CitiMortgage did not have adequate controls over FHA underwriting. As a result, the lender placed the FHA insurance fund at an increased risk of loss on 20 loans with original mortgage amounts totaling more than $3.2 million.

CMI Response:

Comment 3

As acknowledged in the Audit Report, the loans that OIG selected for review were early payment defaults with high risk characteristics. Over half of the sample loans were in foreclosure or claim status and all but one of the other loans were seriously delinquent.

Although it can be expected that selecting sample loans from a population of early payment defaults with high risk characteristics that were foreclosed would produce a higher than usual underwriting error rate, CMI agrees that the number and type of errors found in the sample loans are unacceptable. The purpose of our response is to analyze the reasons for the high error rate and to describe the steps taken to improve underwriting quality and identify, mitigate and prevent future underwriting problems.

Background of Wholesale Operation

All but one of the loans with serious underwriting deficiencies identified in the Audit Report were originated by mortgage brokers in CMI's Wholesale Channel. Mortgage originations for the Wholesale Channel were highly decentralized during the audit period, with twelve regional offices performing underwriting functions. CMI acquired the bulk of these regional offices through the acquisition of Principal Residential Mortgage, Inc. ("PRMI") in early 2005. Fifteen of the nineteen wholesale loans cited by the OIG were underwritten in former PRMI offices. We believe that the decentralization of underwriting and complex integration of the PRMI acquisition contributed to the underwriting errors identified in the Audit Report.

During the audit period, FHA loans represented a minor portion of CMI's mortgage origination volume. As a result, DE underwriters reviewed relatively few FHA loans and underwriter incentive plans were based on group quality scores rather than individual performance. We think these factors contributed to the underwriting errors identified in the Audit Report.

Corrective Changes Made to Enhance Control

- The Wholesale Channel consolidated twelve regional offices to four core sites from May to October 2008 and is in the process of further centralizing the operation.
- As of October 7, 2008, the number of brokers eligible to do business with CMI has been reduced from over 9,000 to about 1,000 of the best performing brokers. This will assist in evaluating broker performance and improve quality.
- The Wholesale Channel's FHA processing and underwriting operation was centralized in one location in November 2007. Underwriters in this central location are dedicated to underwriting only FHA and VA loans. However, a few underwriters remain at other sites.
- Performance is reviewed on an individual level (rather than being tracked at the group level) to better instill individual accountability. The underwriter performance review ("UPR") process implemented to review files and report findings for each underwriter each month was established in May 2008.

Ref to OIG Evaluation **Auditee Comments**

Mr. Ronald J. Hosking
November 4, 2008
Page 3

- Incentive plans for all underwriters were changed to focus on underwriter quality scores at an individual level. As part of the development of the UPR process, incentive plans were adjusted in the second quarter 2008 to incorporate individual scores. Prior to this, the quality incentive was paid based on group compliance.
- Increased interaction between Credit Risk Underwriting staff and individual underwriters to review defects identified through various reviews was established in June 2008. Monthly underwriting meetings occur with government underwriters reviewing changes to processes, policies, procedures and to cover issues relating to FHA insurability issues.

Renewed Focus on Underwriter Training

Overall credit training has intensified with refresher courses provided to underwriters on key components of the credit process (e.g. analyzing income, analyzing assets, appraisal review, and fraud red flags).

Following is a list of training completed by all DE underwriters in the Wholesale Channel:

- Appraisal Refresher: March-April 2008
- Analyzing Assets: May-June 2008
- Analyzing Income: June-July 2008
- FHA Stimulus and Risk Based MIP: June-July 2008
- FHA System Input: June-July 2008
- Debt/Liabilities Validation: June-July 2008
- Fraud Red Flag Training for all credit personnel: February-September 2008

Training sessions provided to all underwriters entitled "Putting the Pieces Together" in March and April 2008 focused on reviewing the file by evaluating the entire transaction before making a decision. "Effective Communications" training provided in April and May 2008 focused on effectively documenting underwriter rationale.

A new training program called "Hot Topics FHA Refresher" is currently being developed to cover key elements of the FHA program identified by the OIG review. This program is scheduled to be provided to all FHA underwriters across all channels beginning January 2009. This comprehensive training effort has been designed to address the underwriting issues identified in the Audit Report.

Finding 2: CitiMortgage Did Not Meet HUD's Quality Control Requirements

CitiMortgage did not meet HUD's quality control requirements. This condition occurred because the lender misunderstood HUD's quality control requirements and did not have adequate controls over its review process. As a result, CitiMortgage was unable to ensure the accuracy, validity and completeness of its loan origination operations.

OIG Finding: Early Payment Default Loans Not Reviewed

HUD Handbook 4060.1, REV-2, section 7-6D, requires lenders to review all early payment default loans, which include loans that become 60 days or more delinquent within the first six payments. Of the loans approved by CitiMortgage during our audit period, at least 194 became 60 days or more delinquent within the first six payments. CitiMortgage reviewed less than 60 percent of these early payment default loans.

CMI Response

HUD Handbook 4060.1 section 7-6D does not specify the level of review required for EPD loans. Section 7-6D states: "In addition to the loans selected for routine quality control reviews, mortgagees must review all loans going into default within the first six payments." No other instructions are provided for reviewing EPD loans. HUD requirements that provide specific details of the quality control review of underwriting, documentation and reverification are directed toward "loans selected

Ref to OIG Evaluation | **Auditee Comments**

Mr. Ronald J. Hosking
November 4, 2008
Page 4

for review". CMI believed that because the review and reverification requirements were specifically applicable to loans selected, as opposed to EPD loans that are not selected, the EPD review process was not subject to the review requirements specified for selected loans.

During the audit period, CMI performed at least a limited review of all EPD loans. CMI reviewed the collection and servicing notes of all EPD loans to determine the borrower's reason for default. For those borrowers that had experienced life events, such as loss of job or death of mortgagor, CMI did not perform an additional file review. For other EPD loans, CMI performed a review of the underwriting decision and in 10% of the cases, reverified documentation.

Comment 4

As soon as the OIG clarified the actual requirement as interpreted by HUD, CMI immediately began performing the same complete review and reverification process on EPD loans as is specified on loans selected from the closed loan production. This full review process on EPD loans began on April 14, 2008. Based on the results of the underwriting portion of the OIG audit, CMI agrees that a full review of all EPD loans is a prudent practice.

OIG Finding: Required Evaluation Elements Not Addressed

HUD Handbook 4060.1, REV-2, section 7-7, requires lenders to address specific evaluation elements when performing quality reviews of loans. Of the 40 quality control reviews examined, the majority of the review files did not adequately document that staff had reviewed all required evaluation elements. In some cases, review files contained a checklist of required elements, but the checklist was not completed. In other cases, the file did not contain a checklist, and the review form used did not address all required evaluation elements.

CMI Response

As stated above, prior to April 2008 EPD reviews did not receive the same level of review as loans selected for routine post close review. The OIG sample included 15 loans selected for post close review and 25 loans that received EPD reviews. In April 2008, the Quality Control Director held training with the staff instructing them to complete the entire checklist on all loans reviewed or indicate on the checklist that certain sections were not applicable to the loan under review. Quality Control policies and procedures have been revised to reflect this requirement.

OIG Finding: Appropriate Reverification Process Not Followed

HUD Handbook 4060.1, REV-2, section 7-6E-2, requires lenders to follow a process for attempting reverification of income and funds needed to close when performing quality control reviews of loans. This process includes attempting written reverification of documents, followed by attempts at telephone reverification. Of the 40 quality control reviews examined, 33 of the review files did not document that staff followed the proper reverification process. In some cases, review files did not document an attempt at the required reverifications. In other cases, review files documented some level of reverification but did not evidence that staff followed the proper reverification process.

CMI Response

All loans selected for post-close reviews and 10% of EPD loans selected for review had origination documentation reverified during the audit period. This includes credit reports (when applicable), income, employment and asset documentation. Underwriters can order reverifications on any loan at their discretion. We reviewed our reverification process and began reverifying income, asset, gift and other required documentation for all EPD loans on April 14, 2008. Additional procedures will be implemented and training performed to ensure the HUD reverification requirements are fulfilled.

OIG Finding: New Credit Reports Not Obtained

HUD Handbook 4060.1, REV-2, section 7-6E-1, requires lenders to obtain new credit reports for certain loans when performing quality control reviews of loans. Of the 40 quality control reviews examined, CitiMortgage failed to obtain new credit reports for three of the loans when required.

Ref to OIG Evaluation **Auditee Comments**

Mr. Ronald J. Hosking
November 4, 2008
Page 5

CMI Response

Procedures were implemented and training performed in April 2008 to ensure the new credit reports are obtained in every case where required.

OIG Finding: Employee List Not Checked

HUD Handbook 4060.1, REV-2, section 7-3L, requires lenders to check employees involved in FHA transactions against restricted participation lists at least semiannually. While CitiMortgage performed this step quarterly, its practice was to only check a sample of new employees against the lists.

CMI Response

The HUD quality control requirement in Section 7-3L of HUD Handbook 4060.1 REV-2 states: "Determine that no one is employed for HUD origination, processing, underwriting or servicing who is debarred, suspended, subject to a Limited Denial of Participation (LDP) or otherwise restricted from participation in HUD/FHA programs. Mortgagees must periodically check employee lists, at least semi-annually".

To fulfill the requirement, persons must be checked one name at a time against the online excluded parties list maintained by the U.S. General Services Administration. CMI has approximately 9,000 employees. Because quality control processes almost universally involve sampling, CMI considered quarterly testing of a statistical sample of employees an adequate control to ensure no one was employed who is on the restricted participation lists. CMI also performs an extensive background check of new employees during the hiring process.

In response to clarification of this requirement by the OIG, CMI has initiated a project to check every employee against the restricted participation lists by using a third party vendor to check the lists semi-annually. Completion of this project and the first comprehensive checking of all employees are targeted for the first quarter 2009. Thereafter, searches of all employees against the restrictive lists will occur semi-annually.

Conclusion

We hope that HUD will recognize the commitment CMI has made to ensure compliance with HUD requirements, as demonstrated by the corrective actions described in this response. We trust that the actions taken within the last year have improved underwriting performance and accountability, as well as enhancing CMI's quality control program. Again, we appreciate this opportunity to respond to the findings cited in the Audit Report.

Sincerely,

Cindy Manser

Cindy Manser
Senior Vice President
Head of Fulfillment Operations

cc: Pat Courtney
Robert Langston

OIG Evaluation of Auditee Comments

Comment 1 OIG acknowledges that CitiMortgage's default rate was less than the national average. However, we selected CitiMortgage because it was the third largest lender in the region and because its default-to-claim rate was above average. Additionally, its home office had not been reviewed by HUD in approximately three years.

While CitiMortgage may partially disagree with our rationale for performing this audit, it agrees that the number of underwriting errors identified during the audit was unacceptable (see auditee comments, "Summary – CMI's Response").

Comment 2 CitiMortgage generally agreed with the draft report findings. We commend CitiMortgage for taking steps, including additional training, to enhance its underwriting and quality control processes.

Comment 3 We have revised our highlights section to acknowledge that the loans reviewed were defaulted loans. We also revised the scope and methodology section to better explain our sample selection.

Comment 4 CitiMortgage indicates that it is now performing the full review process on early payment default loans. This should include not only loans it identifies as having an acceptable reason for default, but also all streamline refinances which default within the first six payments.

Appendix C

SCHEDULE OF SIGNIFICANT UNDERWRITING DEFICIENCIES

Sample number	Case number	Underwriter type	Original mortgage amount	Credit history/liabilities	Assets	Income	Other	Qualifying ratios and compensating factors [3]
1 [2]	011-5540866	Automated	$128,397	x				
2 [1]	011-5582128	Manual	$141,382	x	x		x	x
3 [1]	011-5630173	Manual	$108,202			x		x
8 [2]	052-4061296	Automated	$127,382				x	
10 [1]	091-4050096	Automated	$207,303		x			
15 [1]	093-6021602	Manual	$176,001	x				
16 [1]	093-6061472	Automated	$203,162			x		
19 [1]	094-5152234	Manual	$167,475	x				x
29 [2]	151-8064846	Automated	$153,589	x			x	
31 [1]	151-8163546	Automated	$77,647		x	x		
33 [1]	201-3607534	Automated	$81,023		x			
34 [1]	249-5066109	Automated	$324,800	x		x	x	
35 [1]	251-3253052	Automated	$326,830		x	x	x	
37 [1]	261-9074387	Manual	$119,059	x	x	x	x	x
42 [1]	361-3016830	Automated	$183,092	x				
44 [1]	371-3555645	Manual	$126,996	x			x	x
50 [1]	481-2573751	Automated	$152,506		x	x		
51 [1]	483-3622021	Manual	$150,045		x			
52 [1]	483-3673682	Manual	$116,725	x			x	x
58 [1]	501-7299082	Automated	$163,922			x	x	
Total			$3,235,538	10	8	8	9	6

1 - Quality control reviews for these loans were also reviewed (see finding 2).
2 - These early payment defaults should have been reviewed by CitiMortgage (see finding 2).
3 - These deficiencies are related to income/liability issues cited on manually underwritten loans.

Appendix D

CASE NARRATIVES

Sample number: 1
Case number: 011-5540866
Closing date: July 19, 2006
Underwriter type: automated
Original mortgage amount: $128,397
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $126,462

Credit History/Liabilities
CitiMortgage failed to document the required payoff of a $10,247 outstanding judgment listed on the borrower's credit report. While the file contained a partial release of judgment for $5,209, the document was not fully legible and did not evidence that the judgment was fully satisfied.

Criteria
Condition #18 of the automated underwriting report required evidence of payoff of any outstanding judgments shown on the credit report.

Sample number: 2
Case number: 011-5582128
Closing date: November 17, 2006
Underwriter type: manual
Original mortgage amount: $141,382
Loan status as of September 9, 2008: claim
Actual loss on sale of property: $57,708

Credit History/Liabilities
The underwriter failed to support its omission of a mortgage for the borrower's current residence and explain the source of funds used to pay off an auto loan during the months preceding closing.

While the underwriting worksheet indicated that the borrower's current residence was sold, the file did not contain documentation to evidence the sale and subsequent payoff of the mortgage. According to the credit report, the mortgage account had a $92,593 balance and $834 monthly payment. Further, bank statements indicated that the borrower had made recent payments on the account. During our audit, CitiMortgage indicated that it requested documentation of a sale from the settlement company.

While the borrower's credit report and related update indicated that he paid off an auto loan with a $12,908 balance during the months preceding closing, the underwriter failed to document the source of the payoff.

Criteria
HUD Handbook 4155.1, REV-5, paragraph 2-11A, states that the borrower's liabilities include real estate loans and all other continuing obligations.

Assets
The underwriter failed to verify $2,689 of the borrower's total cash investment in the property. The borrower's assets included $324 in a depository account plus proceeds from the sale of his previous residence. While the file adequately documented the depository assets, it did not contain documentation to support the sale of the borrower's previous residence. According to the settlement statement, the borrower's total cash investment in the property was $3,013 after applying gift funds. The borrower was $2,689 short of meeting his cash investment in the property.

Criteria
HUD Handbook 4155.1, REV-5, paragraph 2-10E, states that a fully executed settlement statement must be provided as satisfactory evidence of the cash sales proceeds accruing to the property. Lenders must document both the actual sale of a currently owned property and the net proceeds required for settlement.

Qualifying Ratios and Compensating Factors
The underwriter understated the borrower's qualifying ratios and failed to present significant compensating factors to justify approval of this loan. Using the recomputed liabilities, the borrower's total fixed payment-to-effective income ratio would increase to 73.93 percent. While the underwriting worksheet noted several potential compensating factors, these factors were inadequate and unsupported.

Criteria
HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Other

The underwriter failed to consider the income, debts, and credit history of a purchasing spouse. According to the application and underwriting worksheet, there was only one borrower on this loan. However, based on the loan file documentation, both the borrower and his spouse were purchasing borrowers. In addition to signing the mortgage, the borrower's spouse signed the purchase agreement and addendum, the earnest money check, and the settlement statement. Further, she was listed on the title insurance commitment and on the warranty deed from the sellers. Based on these documents, the underwriter should have considered the income, debts, and credit history of both the borrower and his spouse when approving this loan.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 2-2D, states that unless required by state law, a nonpurchasing spouse is not to appear on the security instrument or otherwise take title to the property at loan settlement.

Sample number: 3
Case number: 011-5630173
Closing date: May 16, 2007
Underwriter type: manual
Original mortgage amount: $108,202
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $107,102

Income

The underwriter did not adequately evaluate the borrower's income and employment history. According to the underwriting worksheet, the borrower earned $2,912 in base monthly income. An employment verification supported this pay rate. However, borrower paystubs, Internal Revenue Service (IRS) Forms 1099-MISC, and tax return summaries indicated that the borrower may have been be self-employed and averaged only $1,674 over 21 months after subtracting known business expenses. The underwriter failed to resolve these inconsistencies.

Criteria

HUD Handbook 4000.4, REV-4, CHG-1, paragraph 2-4C, states that underwriters are required to perform underwriting decisions with due diligence in a prudent manner. Underwriters must have an awareness of warning signs that may indicate irregularities and the ability to detect fraud.

HUD Handbook 4155.1, REV-5, paragraph 2-7, states that the income of each borrower must be analyzed to determine whether it can reasonably be expected through at least the first three years of the loan.

HUD Handbook 4155.1, REV-5, paragraph 2-9B, states that tax returns and business credit reports (for certain business types), along with a profit-and-loss statement and balance sheet, are required for self-employed borrowers.

Qualifying Ratios and Compensating Factors

The underwriter understated the borrower's qualifying ratios and failed to present significant compensating factors to justify approval of this loan. Using the recomputed income, the borrower's qualifying ratios would increase to 55.15 and 74.93 percent. While the underwriting worksheet noted several potential compensating factors, these factors were inadequate.

Criteria

HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Sample number: 8
Case number: 052-4061296
Closing date: March 16, 2007
Underwriter type: automated
Original mortgage amount: $127,382
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $125,275

Other

The underwriter failed to consider the income, debts, and credit history of a purchasing spouse. According to the application and underwriting worksheet, there was only one borrower on this loan. However, based on the loan file documentation, both the borrower and his spouse were purchasing borrowers. In addition to signing the mortgage, the borrower's spouse signed the purchase agreement, counterproposal, and settlement statement. Further, she was listed on the title insurance commitment and on the warranty deed from the sellers. Based on these documents, the underwriter should have considered the income, debts, and credit history of both the borrower and his spouse when approving this loan.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 2-2D, states that unless required by state law, a nonpurchasing spouse is not to appear on the security instrument or otherwise take title to the property at loan settlement.

Sample number: 10
Case number: 091-4050096
Closing date: February 24, 2006
Underwriter type: automated
Original mortgage amount: $207,303
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $201,216
Loss mitigation: $8,578

Assets
CitiMortgage did not properly state funds required, funds available, and reserves after closing when submitting the loan for automated underwriting.

According to the automated underwriting report, the borrower needed $0 to close and would receive $122 cash back at closing. However, the settlement statement indicated that the borrower received $0 at closing and needed $2,800 to close.

According to the automated underwriting report, the borrower had $3,000 in retirement assets available. However, according to the settlement statement, underwriting worksheet, and application, the borrower's assets also included a $2,800 gift.

According to the automated underwriting report, the borrower had $3,000 in reserves after closing. However, because the $2,800 gift was not properly documented, the borrower would have needed the $3,000 to close and would not have had the reserves submitted to the automated underwriting system.

Criteria
Chapter 1 of the TOTAL Mortgage Scorecard User Guide indicates that the lender is responsible for the integrity of the data used to obtain the risk assessment and for resubmitting the loan when material changes are discovered or otherwise occur during loan processing.

Sample number: 15
Case number: 093-6021602

Closing date: May 24, 2006
Underwriter type: manual
Original mortgage amount: $176,001
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $172,291

Credit History/Liabilities

The underwriter did not adequately assess the borrower's credit history and evaluate the transaction. Because the borrower was discharged from a Chapter 7 bankruptcy in 2003, he was required to have reestablished good credit (or have chosen not to incur new credit obligations) and to have demonstrated a documented ability to responsibly manage his financial affairs. Additionally, because the purpose of this loan was to consolidate more than $37,000 in debt with the borrower's current mortgage, the underwriter was required to carefully evaluate the transaction as it represented considerable risk.

While the borrower had reestablished good credit, he had not demonstrated an ability to responsibly manage his financial affairs. During the 40 months after the bankruptcy was discharged, the borrower built up approximately $31,000 in unsecured debt. Further, while he had recently taken out more than $40,000 in equity from his home, he had only $1,818 in available assets. Combined with the previous bankruptcy, the borrower had demonstrated an inability to live within his means, instead continuously building up unsecured debt to the point that he requested a second significant cash-out refinance in just over a year.

Further, the borrower's qualifying ratios were 44.95 and 50.25 percent, which significantly exceed HUD's guidelines. The high mortgage payment-to-income ratio of 44.95 percent was especially troubling, considering the borrower's documented history of building up unsecured debt. While the underwriting worksheet noted several potential compensating factors, these factors were inadequate and unsupported.

In summary, the underwriter did not adequately assess the borrower's ability to manage financial affairs and evaluate the transaction.   Based on the analysis documented above, the underwriter should not have approved this debt-consolidation cash-out refinance.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 1-11B, states that "cash-out" refinances for debt consolidation represent considerable risk, especially if the borrowers have not had an attendant increase in income. Such transactions must be carefully evaluated.

HUD Handbook 4155.1, REV-5, paragraph 2-3E, states that a Chapter 7 bankruptcy does not disqualify a borrower if at least two years have elapsed since the date of discharge. Additionally, the borrower must have reestablished good credit or chosen not to incur new credit obligations. The borrower must have demonstrated a documented ability to manage his or her financial affairs.

HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Sample number: 16
Case number: 093-6061472
Closing date: October 20, 2006
Underwriter type: automated
Original mortgage amount: $203,162
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $198,681
Loss mitigation: $7,144

<u>Income</u>
CitiMortgage did not properly evaluate the eligibility of the $5,892 monthly commission income submitted to the automated underwriting system. Specifically, the income did not meet HUD requirements for projected or hypothetical income or commission income. The application and employment documents indicated that the borrower had been with the employer for less than one month as of closing. While a note on the verification of employment indicated that the borrower was expected to earn $75,000 per year, the verification figures and paystub did not support this income amount. CitiMortgage failed to resolve these inconsistencies and ensure that the income met applicable requirements.

A reverification performed by CitiMortgage quality control staff found that an unauthorized manager had improperly estimated the $75,000 income on the original verification. The reverification also stated that the borrower's employment ended 10 days after closing.

<u>Criteria</u>
Condition #26 of the automated underwriting report required the lender to verify the borrower's commission income.

Chapter 2 of the TOTAL Mortgage Scorecard User Guide indicates that the lender is responsible for documenting that income meets the stability of income requirements and is otherwise acceptable according to chapter 2 of HUD Handbook 4155.1, REV-5.

HUD Handbook 4155.1, REV-5, paragraph 2-7D, states that commissions earned for less than one year are not considered effective income.

HUD Handbook 4155.1, REV-5, paragraph 2-7R, states that projected or hypothetical income is not acceptable for qualifying purposes. However, exceptions are permitted for income from cost-of-living adjustments, performance raises, bonuses, etc., which are both verified by the employer in writing and scheduled to begin within 60 days of loan closing.

Sample number: 19
Case number: 094-5152234
Closing date: January 18, 2006
Underwriter type: manual
Original mortgage amount: $167,475
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $162,262
Loss mitigation: $8,386

Credit History/Liabilities
The underwriter did not properly evaluate the borrower's credit history and liabilities.

First, the borrower's credit report listed several collection accounts. While HUD does not require that collection accounts be paid off as a condition of mortgage approval, the borrower must explain in writing all collections. There was no explanation from the borrower in the file.

Second, the underwriter improperly omitted student loan payments from the borrower's total monthly debt. According to the application and credit report, the borrower had $62,248 in student loans with monthly payment amounts totaling $303. The file included documentation showing that payments were not scheduled to begin until June 2006 and a letter from the borrower's school stating that she was reentering school. However, because the letter was forwarded by the borrower and did not contain conclusive evidence that the borrower was eligible for continued deferment of the student loans through at least January 18, 2007, the $303 in monthly student loan payments should have been included in the borrower's credit analysis. A reverification indicated that the borrower did not enter into an in-school deferment in June 2006.

Criteria
HUD Handbook 4155.1, REV-5, paragraph 2-3C, states that the borrower must explain all collections in writing.

HUD Handbook 4155.1, REV-5, paragraph 2-11C, states that if a student loan is scheduled to begin within 12 months of closing, the lender must include the anticipated monthly obligation in the underwriting analysis, unless the borrower provides written evidence that the debt will be deferred to a period outside this timeframe.

Qualifying Ratios and Compensating Factors

The underwriter understated the borrower's qualifying ratios and failed to present significant compensating factors to justify approval of this loan. According to the underwriting worksheet, the borrower's qualifying ratios were 45.16 and 48.33 percent. Using the recomputed liabilities, the borrower's total fixed payment-to-effective income ratio would increase to 58.66 percent. While the underwriting worksheet noted several potential compensating factors, these factors were inadequate and unsupported.

Criteria

HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Sample number: 23
Case number: 105-2718946
Closing date: June 16, 2006
Underwriter type: automated
Original mortgage amount: $169,342
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $164,981

Late Endorsement (see finding 2)

CitiMortgage improperly submitted the loan for late endorsement. This loan closed on June 16, 2006. While the file contained a November 3, 2006, late request for endorsement letter certifying that "no mortgage payment is currently unpaid more than 30 days," a payment history showed that the borrower did not make the October 2006 payment until 2007. Therefore, the loan was not eligible for late endorsement. Further, because the borrower has not been current on the loan since first becoming delinquent with the October 2006 payment, the loan is still not eligible for endorsement.

Criteria

HUD Mortgagee Letter 2005-23 states that when lenders are unable to submit applications for mortgage insurance within 60 days of closing, they must certify that no payment is more than 30 days overdue.

Sample number: 29
Case number: 151-8064846
Closing date: April 21, 2006
Underwriter type: automated
Original mortgage amount: $153,589
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $149,403
Loss mitigation: $300

<u>Credit History/Liabilities</u>
CitiMortgage did not resolve a potential obligation revealed during the loan process. According to a letter of explanation present in the auditee file, the borrowers were in consumer credit counseling. The file did not contain verification of the obligation. Additionally, the file did not document that one year of the payout period had elapsed, that the borrowers had a satisfactory payment history, and that the borrowers had received written permission from the counseling agency to enter into the mortgage transaction.

<u>Criteria</u>
Condition #23 of the automated underwriting report indicated that when a debt or obligation was revealed during the loan process that was not listed on the loan application and/or credit report that was not considered by the automated underwriting system, the lender was required to verify the actual monthly payment amount and resubmit the loan if the liability was greater than $100 per month.

Chapter 2 of the TOTAL Mortgage Scorecard User Guide indicates that in the event that derogatory credit items are revealed during processing that are not reflected on the credit report and, thus, were not considered by the automated underwriting system, the lender must downgrade the loan to a refer decision and manually underwrite the loan.

HUD Handbook 4155.1, REV-5, paragraph 2-3F, states that participation in a consumer credit counseling plan does not disqualify a borrower provided the lender documents that one year of the payout period has elapsed under the payment plan and the borrower's payment performance has been satisfactory. In addition, the borrower must receive written permission from the counseling agency to enter into the mortgage transaction

<u>Other</u>

CitiMortgage did not resolve significant discrepancies between the automated underwriting report and the underwriting worksheet. For example, the documents listed different interest rates (6 percent versus 6.5 percent), expenses ($732 versus $1,626), total expense ratios (28.46 percent versus 42.97 percent), and approval dates (April 18, 2006, versus April 11, 2006). Further, because the last page of the automated underwriting report was missing, we were unable to determine the funds required and reserves used in the underwriting analysis. The file did not contain an explanation for these inconsistencies.

Criteria

Chapter 1 of the TOTAL Mortgage Scorecard User Guide indicates that the lender is responsible for the integrity of the data used to obtain the risk assessment and for resubmitting the loan when material changes are discovered or otherwise occur during loan processing.

Sample number: 31
Case number: 151-8163546
Closing date: September 1, 2006
Underwriter type: automated
Original mortgage amount: $77,647
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $76,011

Assets

CitiMortgage did not properly state funds available and reserves after closing when submitting the loan for automated underwriting. According to the automated underwriting report, the borrowers had $1,172 in funds available and reserves after closing. However, according to verifications of deposit, the borrowers' account balances totaled only $233. While the borrowers did not need funds to close this loan, the automated underwriting system considers reserves in its analysis.

Criteria

Condition #28 of the automated underwriting report required the lender to verify depository assets.

Chapter 2 of the TOTAL Mortgage Scorecard User Guide indicates that the cash reserves are considered in the automated underwriting analysis.

Income

CitiMortgage did not properly evaluate the $820 coborrower disability income submitted to the automated underwriting system. While the file contained a verification letter, the letter documented only $631 in monthly income, was dated one year before closing, and indicated that the borrower was only expected to be disabled for five months. The file did not contain additional documentation evidencing that the coborrower was receiving the income at the time of closing and was expected to continue receiving the income for the next three years. Without this income, the borrowers' qualifying ratios increase significantly to 51.40 and 61.07 percent.

Criteria
Condition #11 of the automated underwriting report required verification documents to be dated within 120 days of the closing date.

Condition #21 of the automated underwriting report required the lender to verify the coborrower's Social Security/disability income and indicated that if the income would expire within three years, it could be used as a compensating factor only.

Sample number: 33
Case number: 201-3607534
Closing date: June 30, 2006
Underwriter type: automated
Original mortgage amount: $81,023
Loan status as of September 9, 2008: claim
Actual loss on sale of property: $51,607

Assets
CitiMortgage failed to verify $2,469 of the borrower's total cash investment in the property. According to the settlement statement, the borrower's total cash investment was $2,469, which was to be paid by a gift from a nonprofit received at closing. However, a wire confirmation indicated that the funds were not received by the settlement agent until July 5, 2006, approximately one week after closing. Without these funds, the loan should not have closed.

Criteria
Condition #31 of the automated underwriting report required verification of the transfer of gift funds available for closing.

Sample number: 34
Case number: 249-5066109
Closing date: March 23, 2007
Underwriter type: automated
Original mortgage amount: $324,800

Loan status as of September 9, 2008: active (in default)
Unpaid balance: $319,586

Credit History/Liabilities
CitiMortgage failed to support its omission of nine liabilities from the automated underwriting analysis, including an $18,776 collection for a previous mortgage debt.

Criteria
Condition #13 of the automated underwriting report required that accounts omitted from the underwriting analysis during liability reconciliation be supported by documentation.

Income
CitiMortgage overstated the base income submitted to the automated underwriting system. The automated underwriting analysis was performed using $4,087 in monthly base employment income for the borrower. However, paystubs indicated that the borrower was using a large amount of leave without pay and earned only $2,334 over four weeks.

A reverification indicated that the borrower's employment ended within three months of closing and confirmed that during the weeks leading up to and after closing, the borrower earned only a fraction of the income used to qualify.

Criteria
Condition #21 of the automated underwriting report required the lender to verify the borrower's employment income.

Other
CitiMortgage failed to properly evaluate the borrowers' eligibility for a cash-out refinance. The lender was required to document that the borrowers had made the March 2006-February 2007 payments within the month due. While the credit report did not list late payments, the previous mortgage accounts were last active in November 2006, and the file did not contain additional documentation to evidence payments for the full 12-month period as required. Further, based on the current balance shown on the credit report ($315,676) and the payoff amount listed on the settlement statement ($317,444), it appeared that the borrowers were not current for the month due and would not have been eligible for a 95 percent cash-out refinance.

Criteria
Condition #11 of the automated underwriting report required the lender to verify that the borrowers had not been more than 30 days late on their previous mortgage for the past 12 months.

Sample number: 35
Case number: 251-3253052
Closing date: February 13, 2007
Underwriter type: automated
Original mortgage amount: $326,830
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $321,259

Assets

CitiMortgage overstated cash reserves when submitting the loan for automated underwriting. The automated underwriting analysis was performed using $9,861 in cash reserves, which included $3,401 checking, $4,550 money market, and $1,910 retirement account balances. While the retirement account was adequately documented, the documentation provided for the checking account showed a large unexplained deposit, and the money market documentation showed a significantly lower balance than claimed.

Criteria

Condition #25 of the automated underwriting report required verification of all assets used to underwrite this case.

Condition #27 of the automated underwriting report required explanation and documentation for recent large deposits.

Chapter 2 of the TOTAL Mortgage Scorecard User Guide indicates that the cash reserves are considered in the automated underwriting analysis.

Income

CitiMortgage improperly submitted the borrower's base income to the automated underwriting system. The automated underwriting analysis was performed using $3,768 in monthly base employment income for the borrower. While the file submitted to HUD contained a verbal verification and various paystubs and IRS Forms W-2 supporting the base income, the auditee file contained a faxed employer verification indicating that the borrower's employment had ended. Because the fax was received on January 30, 2007, the income information should have been removed when the loan was submitted for automated underwriting on January 31, 2007. A reverification confirmed that the borrower's employment ended on January 12, 2007.

Criteria

Condition #19 of the automated underwriting report required the lender to verify the borrower's employment income.

Other

CitiMortgage failed to properly evaluate the borrowers' eligibility for a cash-out refinance. The lender was required to document that the borrowers had made the February 2006-January 2007 payments within the month due for both their first and second mortgages. While the credit report did not list late payments, the previous mortgage accounts were last active in October 2006. The file did not contain payment histories to document the remainder of the 12-month period. However, payoff statements indicated that the January 2007 payment for the first mortgage and December 2006 payment for the second mortgage had not yet been made. CitiMortgage failed to document that the borrowers were eligible for a 95 percent cash-out refinance.

Criteria
Condition #11 of the automated underwriting report required the lender to verify that the borrowers had not been more than 30 days late on their previous mortgage for the past 12 months.

Sample number: 37
Case number: 261-9074387
Closing date: May 5, 2006
Underwriter type: manual
Original mortgage amount: $119,059
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $116,551

Credit History/Liabilities
The underwriter did not adequately evaluate the borrowers' credit history. The borrowers were discharged from Chapter 7 bankruptcy in 2003. The file contained a positive rental verification, and the credit report showed several accounts with a positive payment history. However, the credit report listed several late payments on an automobile lease and indicated that several collection accounts had been opened since the bankruptcy was discharged. While the file contained some explanations, they did not satisfactorily explain all significant negative credit and all recent inquiries listed on the credit report.

Criteria
HUD Handbook 4155.1, REV-5, paragraph 2-3B, states that the borrower must explain all inquiries shown on the credit report in the last 90 days in writing.

HUD Handbook 4155.1, REV-5, paragraph 2-3C, states that the borrower must explain all collections in writing.

HUD Handbook 4155.1, REV-5, paragraph 2-3E, states that a Chapter 7 bankruptcy does not disqualify a borrower if at least two years have elapsed since the date of discharge. Additionally, the borrower must have reestablished good credit or chosen not to incur new credit obligations.

The borrower must have demonstrated a documented ability to manage his or her financial affairs.

Assets

The underwriter failed to verify $6,610 of the borrower's total cash investment in the property, including $6,150 in gift funds and $460 in earnest money and prepaid expenses.

According to the settlement statement, the borrowers needed $797 before closing for the earnest money and hazard insurance. While the file contained bank statements and a copy of the earnest money check, the check was dated after the statements, and the statements only showed $337 in available assets.

The settlement statement indicated that the borrowers received a $6,150 gift from a nonprofit at closing. However, the supporting documents indicated that the donor improperly wired $10,000 to the title company, despite a request to reduce the gift amount.

Without proper verification of the $6,610 in gift funds and funds needed to cover earnest money and prepaid expenses, the loan should not have closed.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 2-10, indicates that the borrower's cash investment in the property must equal the difference between the amount of the insured mortgage (excluding any upfront mortgage insurance premium) and the cost to acquire the property (including prepaid expenses and closing costs). All funds for the borrower's investment in the property must be verified and documented.

HUD Handbook 4155.1, REV-5, paragraph 2-10C, states that for gift funds to be provided at closing, the lender may document that the closing agent received funds from the donor for the amount of the purported gift.

Income

The underwriter did not establish the stability of the borrower's employment. While paystubs and a verification supported the $2,080 current income claimed, various employment documents and an IRS Form 1099-G showing unemployment income in 2005 cast doubt on the stability of income earned with the temporary staffing company. The underwriter failed to resolve these inconsistencies.

A reverification indicated that the borrower's income ended six months after closing. Further, the reverification confirmed that shortly after beginning with the temporary staffing company in December 2004, the borrower had an approximate five-month break in income. The file did not contain an explanation for this large gap in employment income. Without this income, the borrowers had only $1,761 total monthly income.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 2-6, states that lenders must verify the borrower's employment for the most recent two full years. The borrower must explain any gaps in employment spanning one month or more. To analyze and document the probability of continued employment, lenders must examine the borrower's past employment record, qualifications for the position, and previous training and education and the employer's confirmation of continued employment.

Qualifying Ratios and Compensating Factors

The underwriter understated the borrower's qualifying ratios and failed to present significant compensating factors to justify approval of this loan. Using the recomputed income, the borrower's qualifying ratios would increase to 56.12 and 94.57 percent. The underwriting worksheet did not cite potential compensating factors.

Criteria

HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Other

CitiMortgage failed to resolve discrepancies regarding which underwriter approved the loan and the type of approval given. While the direct endorsement approval and underwriting worksheet listed the same underwriter identification number, they were signed by different employees. Further, the underwriting worksheet indicated that it was only a "preapproval" and listed several conditions including verification of assets to close and further clarification of the borrower's employment status with a temporary employment company. The file did not contain an explanation for these discrepancies.

Criteria

HUD Handbook 4000.4, REV-4, CHG-1, paragraph 2-4C, states that underwriters are required to perform underwriting decisions with due diligence in a prudent manner. Underwriters must have an awareness of warning signs that may indicate irregularities and the ability to detect fraud.

Sample number: 42
Case number: 361-3016830

Closing date: April 27, 2006
Underwriter type: automated
Original mortgage amount: $183,092
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $177,504
Loss mitigation: $100

Credit History/Liabilities
CitiMortgage did not properly evaluate the borrowers' income and expenses on their current residence. According to the initial application, the borrowers had owned their manufactured home for nine years, owed $31,242 on the related mortgage, and intended to sell or rent out the property. Based on a residential lease agreement and borrower explanation letters, it appeared that the borrowers still owned the manufactured home as of closing and had decided to rent out the property. CitiMortgage failed to evaluate the actual monthly net income or loss from real estate and failed to properly submit the information to the automated underwriting system. Further, the file did not contain the documentation necessary to properly calculate the net income or loss.

Criteria
Chapter 1 of the TOTAL Mortgage Scorecard User Guide indicates that the lender is responsible for the integrity of the data used to obtain the risk assessment and for resubmitting the loan when material changes are discovered or otherwise occur during loan processing.

Sample number: 44
Case number: 371-3555645
Closing date: May 3, 2006
Underwriter type: manual
Original mortgage amount: $126,996
Loan status as of September 9, 2008: active (no longer in default)
Unpaid balance: $123,667
Loss mitigation: $5,940

Credit History/Liabilities
The underwriter did not adequately assess the borrowers' credit history and liabilities.

The underwriter did not properly evaluate the borrowers' payment history of housing obligations. While the application indicated that the borrowers had been renting the subject property for the past 10 years, the file did not contain verification documenting rental payments. Additionally, bank statements covering the period August 2005 through February 2006 did not show payments which appeared to match the $950 rent amount listed on the application and underwriting worksheet.

The underwriter failed to document the required payoff of five outstanding judgments listed on the borrowers' credit report totaling $6,733. Further, the underwriter did not obtain an explanation for the major indications of derogatory credit, including previous bankruptcy and various judgments, collections, and tax liens, listed on the credit report.

The underwriter did not properly evaluate the borrower's child support liability. The borrower's paycheck showed a deduction for child support in the amount of $32.50 on his biweekly paycheck. This would equal approximately $70.41 monthly in recurring obligations for child support. The mortgage credit analysis worksheet showed an $8 per month payment of child support. This amount was $62.41 short of the actual amount of child support. The borrower's monthly debt payment should have been increased by $62.41.

The underwriter failed to adequately evaluate coborrower liabilities. Because the credit report was run on the wrong Social Security number, there could have been additional coborrower liabilities not considered during the underwriting analysis.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 2-3, states that major indications of derogatory credit require a written explanation from the borrower.

HUD Handbook 4155.1, REV-5, paragraph 2-3A, states that the lender must determine the borrower's payment history of housing obligations.

HUD Handbook 4155.1, REV-5, paragraph 2-3C, states that court-ordered judgments must be paid off before the loan is eligible for insurance. Further, the borrower must explain all judgments in writing.

HUD Handbook 4155.1, REV-5, paragraph 2-4A3, states that the credit report must identify each borrower's name and Social Security number.

HUD Handbook 4155.1, REV-5, paragraph 2-11A, states that the borrower's liabilities include child support.

Qualifying Ratios and Compensating Factors

According to the underwriting worksheet, the borrowers' qualifying ratios were 32.74 and 46.89 percent. The underwriting worksheet did not cite potential compensating factors. Further, the total fixed payment-to-income ratios were understated due to the improperly calculated child support liability as well as the possibility of additional coborrower liabilities not considered during the underwriting analysis.

Criteria

HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Other

The underwriter did not properly evaluate the parameters of the purchase. The borrowers were purchasing the home they had been renting for the past 10 years. The file did not contain evidence confirming that the borrowers had been renting the property for at least six months immediately predating the sales contract, and the underwriter did not evaluate whether the loan was subject to inducement to purchase rules.

Criteria

HUD Handbook 4155.1, REV-5, paragraph 1-8A, states that when a current tenant purchases the property that he or she has rented for at least six months immediately predating the sales contract, a lease or other written evidence must be submitted to verify occupancy. Otherwise, the loan is only eligible for 85 percent financing.

HUD Handbook 4155.1, REV-5, paragraph 2-10N, indicates that when a current tenant purchases the property that he or she has rented, the cumulative amount of the rental payments exceeding fair market rent may be considered part of the borrower's cash investment. Conversely, if the renter has been living rent free or at a rental amount considerably below fair market value, this situation must be treated as an inducement to purchase with an appropriate reduction to the mortgage amount.

Sample number: 50
Case number: 481-2573751
Closing date: July 25, 2006
Underwriter type: automated
Original mortgage amount: $152,506
Loan status as of September 9, 2008: claim (loss not yet determined)
Unpaid balance: $150,306

Assets

CitiMortgage failed to support the funds available and reserves submitted to the automated underwriting system and failed to evidence that the borrowers met the statutory investment requirement for their loan.

According to the automated underwriting report, the borrower had $9,696 in funds available and $4,258 in reserves after closing. However, the file did not contain documentation to support a $5,600 retirement account included in the funds available and reserves.

According to the automated underwriting report, the statutory investment requirement for this loan was $4,647. This amount was equal to 3 percent of the contract sales price. As documented on the settlement statement, the borrowers only met $4,163 of the requirement. The borrowers were $484 short of meeting the statutory investment requirement for their loan.

Criteria
Condition #3 of the automated underwriting report indicated that the minimum statutory investment requirement was $4,647.

Condition #34 of the automated underwriting report required the lender to verify retirement funds to support sufficient funds to close and reserves.

Income
CitiMortgage did not establish the stability of the coborrower's employment. While the file contained a verification of employment for the coborrower's current income, she had only been employed for two months before closing. According to the application and current verification, the coborrower had two previous employers during the two-year period before closing and was unemployed for eight months immediately before her current employment. The file did not contain documentation to support one of the previous periods of employment and did not contain an explanation for the period of unemployment. Without the required documentation and explanation, 14 months of the previous two years were unaccounted for, bringing the stability of the coborrower's employment into question.

Criteria
Condition #27 of the automated underwriting report required lenders to obtain an explanation of employment gaps greater than six months that had occurred in the last two years.

Condition #29 of the automated underwriting report required lenders to verify the coborrower's employment history for the previous two years.

Sample number: 51
Case number: 483-3622021
Closing date: February 3, 2006

Underwriter type: manual
Original mortgage amount: $150,045
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $145,538
Loss mitigation: $1,500

Assets
The underwriter failed to verify $4,000 of the borrower's total cash investment in the property. According to the settlement statement, the borrower's total cash investment was $6,990, including a $4,000 gift received at closing. While the file contained a gift letter and cashier's check, a donor bank transaction history indicated that she had deposited the gift amount less than two weeks before closing. The file did not contain an explanation for the large deposit. The underwriter failed to adequately document that the gift funds ultimately were not provided from an unacceptable source. Without these funds, the loan should not have closed.

Criteria
HUD Handbook 4155.1, REV-5, paragraph 2-10C, states that for gift funds that are in the homebuyer's bank account, the lender must document the transfer of funds from the donor to the homebuyer, including documentation showing that the funds are from the donor's account.

Sample number: 52
Case number: 483-3673682
Closing date: August 25, 2006
Underwriter type: manual
Original mortgage amount: $116,725
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $114,028

Credit History/Liabilities
CitiMortgage did not properly assess the borrower's credit history and liabilities.

The underwriter failed to include the borrower's Chapter 13 bankruptcy payments as an ongoing liability, despite having evidence that the payments would continue for several years after closing. According to a letter from the Chapter 13 trustee, the borrower had more than $34,000 remaining on her bankruptcy and was required to pay $1,562 monthly. Paystubs confirmed regular garnishments covering the required monthly payment, and an employment reverification confirmed that the garnishments continued after closing. The underwriter should have included the $1,562 monthly bankruptcy garnishment when computing the borrower's liabilities.

The underwriter also failed to evidence that the borrower was granted permission by the bankruptcy court to enter in to a mortgage transaction.

Criteria
HUD Handbook 4155.1, REV-5, paragraph 2-3E, states that a Chapter 13 bankruptcy does not disqualify a borrower provided the lender documents that one year of the payout period has elapsed and the borrower's payment performance has been satisfactory. In addition, the borrower must receive permission from the court to enter into the mortgage transaction.

HUD Handbook 4155.1, REV-5, paragraph 2-11A, states that the borrower's liabilities include all recurring charges extending 10 months or more.

Qualifying Ratios and Compensating Factors
The underwriter understated the borrower's qualifying ratios and failed to present significant compensating factors to justify approval of this loan. According to the underwriting worksheet, the borrower's qualifying ratios were both 34.69 percent. Using the recomputed liabilities, the borrower's total fixed payment-to-effective income ratio would increase to 92.53 percent. The underwriting worksheet did not cite potential compensating factors.

Criteria
HUD Mortgagee Letter 2005-16 states that the borrower's qualifying ratios are currently limited to 31 percent (payment-to-income ratio) and 43 percent (debt-to-income ratio). If either or both ratios are exceeded on a manually underwritten loan, the lender must describe the compensating factors used to justify loan approval.

HUD Handbook 4155.1, REV-5, paragraph 2-13, lists various compensating factors that may be used in justifying approval of loans with excessive qualifying ratios. Underwriters must state the compensating factors used to support loan approval in the "remarks" section of the underwriting worksheet.

Other
The underwriter failed to properly evaluate the borrower's eligibility for a refinance. The lender was required to document that the borrower was paid through the July 2006 payment. However, according to the payoff statement, the borrower had only paid through the March 2006 payment. The underwriter failed to document that the borrower made the April 2006 through July 2006 payments.

Criteria
HUD Mortgagee Letter 2005-43 states that the mortgage being refinanced must be current for the month due.

Sample number: 58
Case number: 501-7299082
Closing date: April 5, 2006
Underwriter type: automated
Original mortgage amount: $163,922
Loan status as of September 9, 2008: active (in default)
Unpaid balance: $159,490
Loss mitigation: $750

<u>Income</u>
CitiMortgage did not properly evaluate the eligibility of the $2,627 monthly commission income submitted to the automated underwriting system. While a 24-month average from the 2003 and 2004 tax returns supported the commission income used, recent paystubs did not document commission income received in 2005 or 2006. Without documentation that the borrower was still receiving commission income during the 15 months before closing, CitiMortgage should not have considered the commission income when submitting the loan for automated underwriting.

<u>Criteria</u>
Condition #22 of the automated underwriting report required the lender to verify the borrower's commission income.

Chapter 2 of the TOTAL Mortgage Scorecard User Guide indicates that the lender is responsible for documenting that income meets the stability of income requirements and is otherwise acceptable according to chapter 2 of HUD Handbook 4155.1, REV-5.

HUD Handbook 4155.1, REV-5, paragraph 2-7D, states that commission income must be averaged over the previous two years. The borrower must provide copies of signed tax returns for the last two years, along with the most recent pay stub. Unreimbursed business expenses must be subtracted from gross income.

<u>Other</u>
CitiMortgage failed to properly evaluate the borrower's eligibility for a cash-out refinance. Based on the settlement statement date, the lender was required to document that the borrowers had made the March 2005-February 2006 payments within the month due. While the credit report and various verification documents indicated that all 12 payments had been made, they did not evidence whether the February 2006 payment was made within the month due.

<u>Criteria</u>
Condition #13 of the automated underwriting report required the lender to verify that the borrowers had not been more than 30 days late on their previous mortgage for the past 12 months.

Appendix E

SCHEDULE OF RECOMMENDATIONS AND LOAN STATUS FOR LOANS WITH SIGNIFICANT UNDERWRITING DEFICIENCIES

Sample number	Case number	Loan status as of September 9, 2008	Unpaid balance[1]	Actual loss on sale of property[2]	Loss mitigation cost
1	011-5540866	Claim (loss not yet determined)	$126,462		
2	011-5582128	Claim		$57,708	
3	011-5630173	Claim (loss not yet determined)	$107,102		
8	052-4061296	Claim (loss not yet determined)	$125,275		
10	091-4050096	Active (in default)	$201,216		$8,578
15	093-6021602	Claim (loss not yet determined)	$172,291		
16	093-6061472	Active (in default)	$198,681		$7,144
19	094-5152234	Active (in default)	$162,262		$8,386
29	151-8064846	Active (in default)	$149,403		$300
31	151-8163546	Claim (loss not yet determined)	$76,011		
33	201-3607534	Claim		$51,607	
34	249-5066109	Active (in default)	$319,586		
35	251-3253052	Active (in default)	$321,259		
37	261-9074387	Claim (loss not yet determined)	$116,551		
42	361-3016830	Active (in default)	$177,504		$100
44	371-3555645	Active (no longer in default)	$123,667		$5,940
50	481-2573751	Claim (loss not yet determined)	$150,306		
51	483-3622021	Active (in default)	$145,538		$1,500
52	483-3673682	Active (in default)	$114,028		
58	501-7299082	Active (in default)	$159,490		$750
Total			$2,946,632	$109,315	$32,698

1 - The unpaid principal balance is used support recommendation 1A.
2 - The actual loss on sale of property is used support recommendation 1B.