



## Your Post-Closing QC Cycle is in Arrears — Now What?

Effective quality control is a critical component of strong risk management. Timely execution of post-closing QC generates learnings on potential quality risks in the manufacturing process so they can be corrected quickly. Fannie Mae's *Selling Guide* requirements, with specific timelines for completion of the post-closing QC cycle, are designed to help drive continuous improvement to mitigate risk in all market conditions.

We are receiving industry feedback that, in the current market conditions, QC cycle times are becoming increasingly stressed, with some QC processes going into arrears. Given overall market volume and unprecedented disruptions, it is more important than ever for lenders to rely on QC risk controls to effectively provide important insights into your loan manufacturing quality.

### What can your organization do if your QC cycle falls behind?

Notify Fannie Mae per our *Selling Guide* requirements (D1-3-01) if your QC cycle becomes 30 days in arrears. Fannie Mae QC Specialists can assist with an action plan to bring your post-closing QC back into acceptable timeframes.

Here are some general suggestions to help keep your post-closing QC on track:

- Break your process into components.
  - Look for process components that can be accelerated to alleviate subsequent bottlenecks.

For example, if you normally take 30 days to select and pull your monthly sample, can you reduce that to one week, therefore providing three additional weeks of review time?

- If you outsource QC:
  - Review the service provider's statement of work to look for efficiency opportunities in the end-to-end process.
  - Consider whether there are any review components that you have the capacity to complete *in-house* (for example; selections, reverifications, obtaining tax transcripts, or completing your discretionary sample).
- Leverage component-only reviews in post-closing discretionary selections versus full-file reviews, when applicable.
- Ensure your sampling strategy is optimized and appropriate across all samples. (Are you over-selecting?)
- If you are completing a regular 10% random sample and high volume is a key factor in delays, moving to a statistical sampling methodology could be an option. Our QC Specialists can provide additional guidance.
- If possible, provide real-time results (or a summary view of in-process results) to your business partners rather than on a monthly basis. A real-time approach can accelerate the review/rebuttal of initial findings, which can ultimately speed up the final management reporting step and support prompt attention to any action items.

- Reallocate any available resources to increase prefunding reviews to help maintain an appropriate level of insight into your loan manufacturing quality.
- Establish a relationship with a back-up QC vendor to handle overflow business.
- Develop a realistic action plan with target dates to drive accountability. If you outsource QC, communicate frequently with your vendor and hold it accountable for an action plan.



### Ask yourself:

#### Is your QC cycle currently in compliance? If yes:

- Do you have process metrics and indicators to measure potential stress on your QC cycle to ensure you have proper insight into your QC timelines?
- Are there areas where you can proactively reduce your timelines to build in extra time to account for QC cycle delays?
- Do you have an action plan in place in case your QC cycle falls behind?

#### Is your QC cycle currently in arrears? If yes:

- It needs immediate attention!
- Notify Fannie Mae per our *Selling Guide* requirements.
- Develop and implement a plan that brings your QC cycle back into required timelines as quickly as possible, without sacrificing the integrity of your QC reviews and processes.

## Next Steps

It is imperative to operate QC on a timely schedule to gain key learnings from your QC reviews and to allow for more real-time reaction and course correction. In the current market environment, now is a good time to confirm that your QC processes can withstand market fluctuations.

We have resources and training to help keep you on track, and if you're a Fannie Mae Seller, contact your QC Specialist for help.

For more resources, visit [fanniemae.com/loanquality](https://fanniemae.com/loanquality).