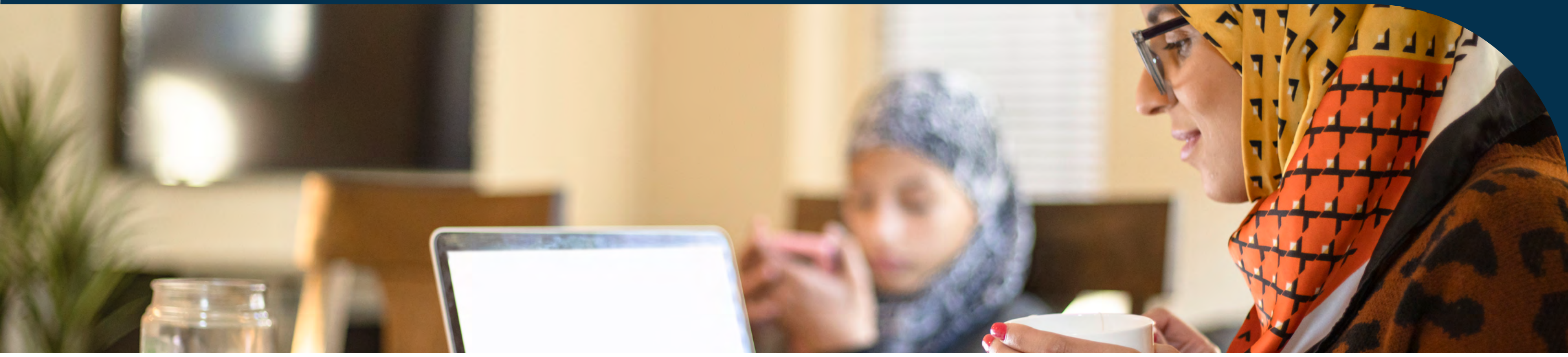

Reverification Tracking is a Powerful QC Review Tool

Reverifications during the post-closing QC review process are critical to validating the accuracy of the data used to support the loan decision. They help to confirm that a quality loan was originated and that the loan meets your organization's lending standards and that of any investor. Reverifications serve as a detective and preventive control in the QC process. They significantly contribute to the identification of potential misrepresentation, highlighting areas where there may be an increased risk requiring additional oversight and manufacturing controls.

Reverifications provide useful information about a subject transaction, and aggregated reverification data creates a powerful tool that provides insights to help you build a more effective QC process. Aggregating reverification data can highlight trends and potential risks that you cannot see on a loan-by-loan basis.

A reverification tracking system is a highly recommended best practice and can be a very effective tool to help optimize your overall reverification success rate. Even capturing a couple of unique data elements from the reverification process can provide important data for your organization.

> A reverification tracking system... can be a very effective tool to help optimize your overall reverification success rate.

A tracking system should capture the following data:

- Date the reverification was sent
- Target receipt date based on average turn times (based on internal data)
- Follow-up date based on the average number of days needed for processing
- Second attempt sent date, if applicable
- Date each reverification was received
- Optional information: name of underwriter, processor, loan officer, branch, third-party originator, employer, and financial institution

Loan-level reverification information can be summarized to show the overall success rate, as well as to highlight potential reverification inconsistencies or anomalies, which can be investigated and corrected.

Ask yourself:

- Are there discrepancies from a certain branch, loan officer, underwriter, or employer?
- Are there reasons for any discrepancies?
- What other patterns are revealed in the summarized data?

Answering those questions will help you focus on the irregularities and perform root cause analysis.

Example of a reverification tracker summary report

(see Resources section for template)

	A	B	C	D	E	F	G	H	I	J	K
1	Reverification Tracking	Oct-20					Rolling 3-Month				
2		Ordered	Received	Success Rate	Discrepancy*	Discrepancy Rate	Ordered	Received	Success Rate	Discrepancy	Discrepancy Rate
3	Asset Documentation	184	152	82.61%	4	2.63%	389	303	77.89%	9	2.97%
4	Gift Letters	13	9	69.23%	1	11.11%	27	22	81.48%	5	22.73%
5	Income Documentation	196	187	95.41%	11	5.88%	553	514	92.95%	18.00%	3.50%
6	Employment	190	175	92.11%	2	1.14%	537	494	91.99%	13.00%	2.63%
7	IRS Transcripts	87	83	95.40%	3	3.61%	235	224	95.32%	13.00%	5.80%
8	Credit Reports	101	101	100.00%	0	0.00%	286	276	100.00%	1.00%	0.35%
9	Field Reviews	11	11	100.00%	4	36.36%	29	29	100.00%	6.00%	20.69%
10	*The more granularity you can use to track specific reverification types, the easier it is to identify outliers.										

Example of a discrepancy tracker report

(see Resources section for template)

	A	B	C
1	October Discrepancies:		
2	Reverification Types	Total Issues	Details
3	Assets	4	Assets Not Supported (3); Account Does Not Belong to Borrower (1)
4	Gift Letters	1	Donor Did Not Sign Gift Letter
5	Income Documentation	11	Income Not Supported (9); Income Statements Fraudulent (2)
6	Employment	2	Borrower No Longer Employed (2); Borrower time on Job Inaccurate- Missing Full Two-year History (1)
7	IRS Transcripts	3	IRS Code 10 Reject
8	Field Reviews	4	Value Not Supported- CURS 3.5 (1); Use of Dissimilar Comparable Sale(s)- CURS 4.5 & 5 (2); Subject view of Location Reported Inaccurately- CURS 1.5 (1)

Track the success rate for all entities involved in the loan manufacturing process

In addition to capturing reverification data points, create an aggregate view to identify potential areas of risk, such as:

- Do certain branches have a higher percentage of reverifications that are not returned compared to other branches?
- Do certain loan officers have a lower percentage of returned reverifications?
- Does one channel of your originations have a lower than average reverification return rate?
- Does one type of reverification have a lower than average reverification return rate?

By tracking the reverification success rate and capturing key data points, the QC department can more easily spot outlier return rates that may indicate a need for more scrutiny.

Extrapolated loan-level reverification information can show the overall success rate, as well as highlight potential reverification inconsistencies or anomalies, which can be investigated and corrected.

Next steps

Do you have a reverification tracking system in place? If not, why not? If you have a tracking system in place:

- What is the overall success rate?
- Do you have target rates in place?
- Do you have indicators to alert you to anomalies?
- Do you have an action plan in place in case of poor results?

Aggregating your reverification results will help to increase your QC program's efficiency and effectiveness. It can provide valuable insights into the potential risks facing your organization and enable your QC department to proactively implement mitigation measures.

Resources:

- Reverification Tracker Templates (Excel)

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