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Introduction

Our objective in is information security plan is to identify areas of risk within our operation, understand our obligations under the law, and to have formal procedures for resolving issues that arise with respect to sensitive consumer information. The Fair and Accurate Credit Transactions Act requires all financial service firms, including mortgage companies and mortgage brokers, to have an information security plan as well as a “Red Flag” program to identify whether consumers may already be victims of identity theft.

The new regulations provide financial institutions and creditors with flexibility in developing internal programs according to their relative organizational size and complexity. However, the Program must include reasonable policies and procedures that:

- identify relevant Red Flags, and then incorporate those Red Flags into the Program;
- detect such Red Flags;
- respond appropriately to any Red Flags to prevent and mitigate identity theft; and
- ensure that the Program is updated periodically to reflect changes in risks to customers

A red flag program is useless without an information security plan. At Company Name, the information security plan works with our Red Flag program to assure that, not only will we stop identity theft when it is being perpetrated on our customers, we will do whatever we can to avoid data breaches in the first place.

The mortgage industry has always had extensive checks and balances in place to assure the identities of our customers and their records are accurate. To facilitate that the following quality control modules are incorporated by reference. Throughout this document we will reference policies and procedures that are part of our normal business operations, but rightfully belong in other areas of our organizational documentation. These areas are:

- Origination
- Processing
- Underwriting
- Closing
- Quality Control and Compliance
- Physical Operations and Human Resources
- Wholesale Operations

Information Security

We are expected to have an identity theft program in place. This is to assure that in addition to helping consumers identify risks we do not contribute to the problem. There are many areas in which Company Name collects and exchanges private financial information in the course of our daily business. The information security portion of our plan is designed to assure that we have safeguards in place to prevent loss of information and to define how we respond in the even of a data breach.

Federal Laws

The increase of identity theft as a crime in the United States has been accompanied by an increase in the number of laws designed to protect consumers. All of the credit related laws are organized under Regulation B the Equal Credit Opportunity Act. More specifically The Gramm-Leach-Bliley Financial Privacy Act, the Fair Credit Reporting Act, and the Fair and Accurate Credit Transactions Act, all guide us in our policy development. In addition, the Sarbanes-Oxley Act is applicable as it applies to document retention and destruction.

Beyond Compliance

We believe that protecting consumer's information is not only a responsibility, but can help us increase our business. By proactively reaching out to consumers and educating those consumers about information security and identity theft, we can increase the level of trust the public places in us. This will result in an increased level of business.

fraud prevention quality control plan – do not have to have separate training programs in red flag identity theft prevention.

The elements of the Company Name’s Fraud Prevention Program are incorporated by reference here. Further specific elements are addressed in subsequent sections of this plan – “Red Flag Identification” at specific stages of the origination process.

Risk from Referral Sources

In a business to business sales environment it is typical to exchange some elements of a consumer’s private information. All outside sales representatives should establish a list of referral sources and ascertain that the referral source’s firm has an information security plan and Red Flag identity theft program in place.

Section 5 - Identity Theft “Red Flags”

There are 26 red flags that the Federal trade commission has identified. They fall into five basic groups. These red flags function as guidelines. We have identified which functions these specific red flags applied to and have incorporated them into our overall fraud prevention program.

While it is clear that some of the standard red flag issues apply specifically to the credit card business, there are elements of Company Name’s business that do involve revolving credit. In addition, there are red flags that applied to the loan servicing element of our business. We have assembled this matrix, from the Federal guidelines, to determine which areas we need to incorporate red flag guidance into our own procedures.

Victim or Perpetrator?

Some of these red flags made be an indication that the consumer has been a victim of identity theft. Others may be an indication that our customer may be trying to perpetrate identity theft or other fraud.

Red flag	Description - Applicability to	Applicable
A fraud alert included with a consumer report.	If the consumer credit report indicates a fraud alert, it is possible that the customer is already aware of potential identity theft issues. Conversely, the fraud alert may indicate a possible identity theft in progress.	Origination Processing
Notice of a credit freeze in response to a request for a consumer report.	A consumer’s redress in the event of the notification of the disease that is to “freeze” his or her credit report. This means that the customer should be able to provide a “PIN” which would allow the “unfreezing” of the account for the mortgage lenders purposes. The customer who is unable to provide the “PIN” is probably attempting mortgage identity theft fraud	Origination
A consumer reporting agency providing a notice of address discrepancy.	The credit bureau reporting an address discrepancy may indicate that the borrower has multiple addresses, or is attempting to perpetrate occupancy fraud.	Origination Processing
Unusual credit activity, such as an increased number of accounts or inquiries.	Multiple inquiries are a warning sign normally addressed in the credit scoring process, but also by the processor in evaluating the creditworthiness of the applicants. Multiple inquiries must be addressed in writing. This process in itself is a red flag alert process on behalf of the borrower	Origination Processing Underwriting
Documents provided for identification appearing altered or forged.	Identification fraud will generally present itself at application. The applicant may provide documents in evidence of citizenship, Social Security identification, or other photo identification for the patriot act purposes.	Origination Processing Underwriting
Photograph on ID inconsistent with appearance of customer.		

Originator Review – Property Information

**ORIGINATION QUALITY CONTROL, RED FLAG AND FRAUD REVIEW
Checklist**

Originator Notes Regarding Property and Disclosures

APPRAISAL

- Ordered by a party to the transaction (seller, buyer, broker, etc.)
- Comps are not verified as recorded or submitted by potentially biased party (seller, real estate broker)
- Tenant shown to be contact on owner-occupied property
- Income approach not used on tenant-occupied SFR
- Appraiser uses FNMA number as sole credential (discontinued program)
- Market approach substantially exceeds replacement cost approach
- "For Sale" sign on the photos of the subject (in refinance loans)
- HUD-1 or grant deed on original purchase is less than two years old (for refinance loans)

Section I&II - Property Information Read The Sales Contract

Check the Sales Contract for

- Loan Amount/Down Payment Correct?(can you do the loan?)
- Settlement Date Reasonable?
- Contract Signed by all?
- Seller Contributions w/in Guidelines
- No Decorator/Repair Allowance
- Interest Rate/Points Available

Audit Property for

- Condo/PUD/Coop/ -is it on list? Make Sure you get PUD/Condo Docs/ Check Fee in PITI
- Property Info **If Refinance** Check Deed for Titling
- Legal Description
- Ask for Survey
- Construction Permanent - Land Cost/Value – Construction Costs Documented?
- 2nd Mortgage to be subordinated?
- New Home – Request Future addendums Changing Sales Price
- Investment Property – is current home worth more than proposed property?
- Listing Printout
- Is the Property Serviced by Well/Septic (Rural)
- Private Road (Not publicly Maintained - Rural) Need a Road Maintenance Agreement

4. Property/Contract Information –

Insert before sales contract/appraisal

Processor/Underwriter Red Flag - Application Review

Pre-Underwriting Submission Checklist	
GENERAL ITEMS	
<input type="checkbox"/>	Lock Still Valid?
<input type="checkbox"/>	LTV within Guidelines?
<input type="checkbox"/>	Within Maximum/Minimum Loan Amount?
<input type="checkbox"/>	Fee sheet completed?
<input type="checkbox"/>	Signed lock-in, financing, broker agreement in file?
<input type="checkbox"/>	Assignment letter to investor?
<input type="checkbox"/>	All borrowers occupy
<input type="checkbox"/>	Non-Occupant Co-borrower Guidelines Met
<input type="checkbox"/>	PMI Required?
<input type="checkbox"/>	Coverage Correct on Certificate?
<input type="checkbox"/>	Red Flag - No Returned Mail in File
<input type="checkbox"/>	Copy package for PMI? Correct number of packages for investor?
Loan Analysis - 1008, 92900WS, 6393	
<input type="checkbox"/>	Borrower information correct - same on initial & final 1003?
<input type="checkbox"/>	PITI correct and same as 1003 and addendum?
<input type="checkbox"/>	If ARM or buy down, Indicate qualify rate?
<input type="checkbox"/>	ARM Disclosure if ARM?
<input type="checkbox"/>	Program Specifications - Ratios different for buy downs?
<input type="checkbox"/>	All debts as listed on credit report and verifications?
<input type="checkbox"/>	1008/2900 WS ratios in line with loan program?
<input type="checkbox"/>	FHA/VA calvrs #'s
<input type="checkbox"/>	Maximum Number of Properties Financed
<input type="checkbox"/>	Is 2 nd Allowed Under Program
<input type="checkbox"/>	Is CLTV in Guidelines
<input type="checkbox"/>	Are terms of 2 nd Acceptable
FINAL TYPED LOAN APPLICATION (1003/URLA)	
<input type="checkbox"/>	Match pay stubs?
<input type="checkbox"/>	W-2
<input type="checkbox"/>	RED FLAG - Photo ID
<input type="checkbox"/>	Credit Report
<input type="checkbox"/>	Initial 1003 - Any Alterations RED FLAG
<input type="checkbox"/>	2 years employment/residency? RED FLAG
<input type="checkbox"/>	Assets/liabilities agree with initial 1003 and loan analysis - undisclosed debts?
<input type="checkbox"/>	home, time share or land owned free and clear - do you have evidence - have you counted taxes, insurance, condo, hoa, management fees as debts?
<input type="checkbox"/>	Government monitoring completed initial/final 1003?
<input type="checkbox"/>	Immigration, social security card or green card if resident alien? RED FLAG
<input type="checkbox"/>	Property Address, Legal Agree with Title, Sales Contract?

Pre-Underwriting Checklist
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 10/6/2008