One Rose Consulting, LLC

MORTGAGE LICENSING &
COMPLIANCE MADE EASY!

AUDIT AND QUALITY CONTROL

by Melinda Yerkes

AUDIT & QUALITY CONTROL:

How to Pass State Exams Without Panic

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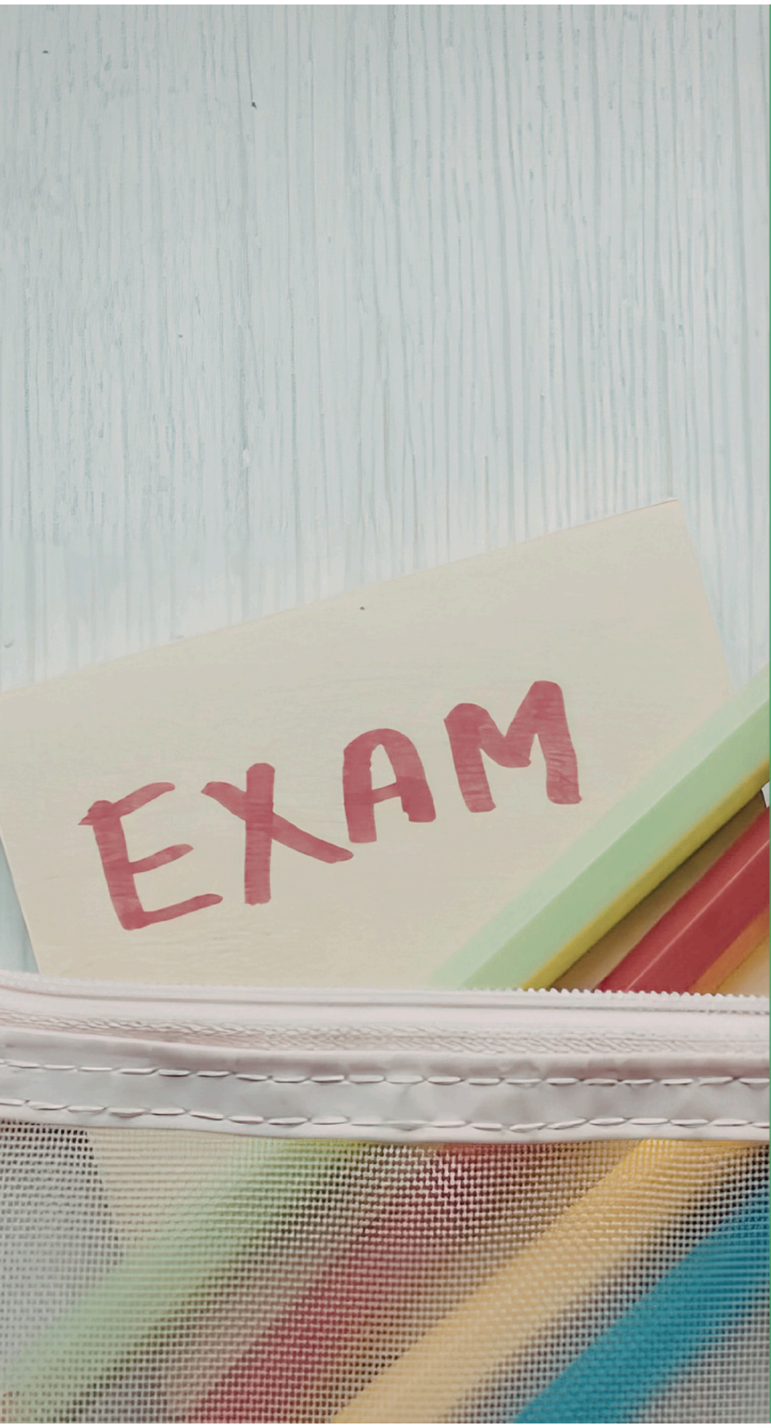
HOW TO PASS STATE EXAMS WITHOUT PANIC



State and federal regulators rely heavily on audits and quality control (QC) systems to determine whether a mortgage company is operating in a safe, compliant, and responsible manner. Regardless of company size, every licensed mortgage entity is expected to maintain internal controls that identify risk, detect errors, and prevent regulatory violations.

For many mortgage companies, audits and QC reviews are viewed as stressful, reactive events. However, when properly structured, audits become proactive tools that **protect the business**, **strengthen operations**, and dramatically **reduce regulatory exposure**.

At One Rose Consulting LLC, we often remind our

> ***Audits should uncover issues before regulators do.***

UNDERSTANDING THE ROLE OF STATE EXAMS

State regulatory examinations are designed to assess whether a mortgage company is complying with licensing laws, consumer protection regulations, financial responsibility requirements, and operational standards.

During an exam, regulators typically evaluate:

- Licensing compliance
- Loan file documentation
- Underwriting and credit decision processes
- Advertising practices
- Fair lending compliance
- Disclosure delivery and timing
- Data security and privacy safeguards
- Vendor management
- Financial reporting
- Quality control programs

The presence — or absence — of a formal QC program often determines the tone and outcome of the entire examination.

WHAT REGULATORS EXPECT FROM A QC PROGRAM

While specific requirements vary by state and federal program, regulators universally expect companies to maintain:

- A written Quality Control Plan
- Pre-funding and post-closing file reviews
- Ongoing compliance monitoring
- Management oversight
- Corrective action tracking
- Documentation of findings and resolutions

A QC program demonstrates that a company is actively managing risk rather than reacting to problems after violations occur.

CORE COMPONENTS OF AN EFFECTIVE QC PROGRAM

1. Written Quality Control Plan

A comprehensive QC Plan establishes review methodology, sampling percentages, review timing, reporting protocols, and corrective action procedures.

2. Pre-Funding Reviews

Early-stage file reviews detect errors before loans close, preventing costly cures, repurchases, and regulatory findings.

3. Post-Closing Audits

Post-close reviews ensure documentation accuracy, regulatory compliance, and adherence to investor and agency guidelines.

4. Sampling Methodology

Random, targeted, and risk-based sampling ensures both routine compliance and focused risk detection.

5. Management Reporting

Findings must be formally reported to senior management, including corrective actions and trend analysis.

6. Corrective Action Tracking

Documented remediation demonstrates proactive compliance and regulator accountability.

WHY MOST COMPANIES STRUGGLE WITH QC

Common challenges include:

- **Limited internal resources**
- **Lack of compliance expertise**
- **Time constraints**
- **Inconsistent review methodologies**
- **Poor documentation practices**
- **Reactive rather than proactive culture**

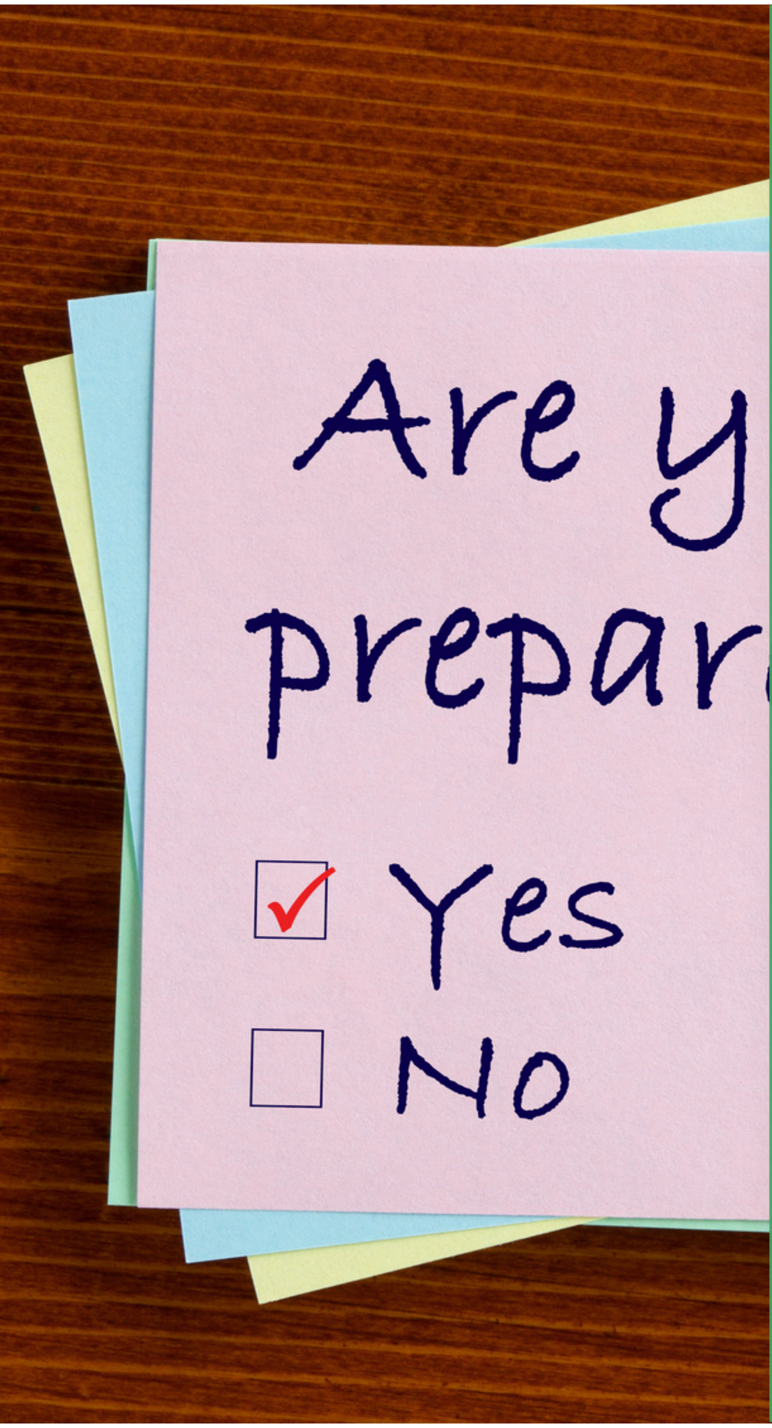
These weaknesses often surface during regulatory exams, creating unnecessary stress and regulatory exposure.

COMMON REGULATORY FINDINGS RELATED TO QC

Some of the most frequent audit and QC-related findings include:

- **Absence of a written QC Plan**
- **Failure to conduct required file reviews**
- **Inadequate sampling**
- **Missing corrective action documentation**
- **Inconsistent review processes**
- **Failure to track repeat issues**

HOW TO PREPARE FOR A STATE EXAMINATION



Preparation is the single greatest determinant of exam success. Companies that prepare proactively consistently experience smoother examinations and fewer findings.

KEY PREPARATION STEPS INCLUDE:

- Conduct internal audits before regulator arrival
- Review policies and procedures for accuracy
- Validate licensing and NMLS data
- Confirm disclosure compliance
- Perform file audits
- Validate financial reports
- Test cybersecurity safeguards
- Organize documentation

THE ORC AUDIT & QC FRAMEWORK

One Rose Consulting LLC utilizes a structured audit and QC framework designed to prepare clients for regulatory examinations while improving internal operations.

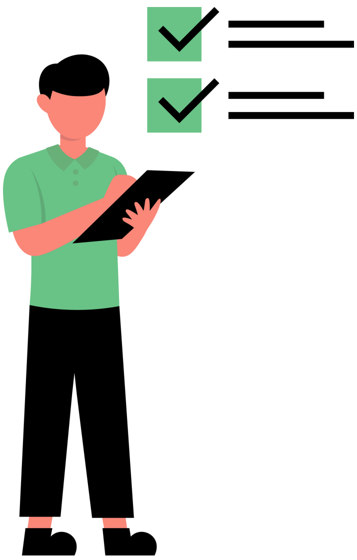
Our framework includes:

1. Risk-Based Audit Planning
2. File Sampling & Review
3. Policy & Procedure Assessment
4. Compliance Gap Analysis
5. Corrective Action Roadmapping
6. Regulator Response Strategy

AUDIT SURVIVAL CHECKLIST

Use this checklist to evaluate your exam readiness:

- QC Plan current and compliant
- File audits conducted and documented
- Findings tracked and remediated
- Licensing records accurate
- Policies updated
- Advertising compliant
- Vendor oversight documented
- Cybersecurity tested
- Financial reports current



WHY PROFESSIONAL AUDIT SUPPORT MATTERS

Professional audit and QC management provides:

- Reduced regulatory findings
- Faster exam completion
- Improved operational controls
- Lower compliance risk
- Executive peace of mind

HOW ONE ROSE LLC CONSULTING SUPPORTS AUDIT & QC SUCCESS

Our nationwide audit and QC services include:

- **Internal audits**
- **Pre-funding and post-close reviews**
- **State exam preparation**
- **Regulatory response drafting**
- **Corrective action planning**
- **Ongoing compliance monitoring**

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