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## **MQMR Counsels Mortgage Lenders to Increase Internal Audit Frequency and Compliance Resources to Safeguard Secondary Market Activities**

*Infrequent internal audits and lack of compliance support can undermine loan quality and jeopardize investor relationships*

**Los Angeles, CA, May 10, 2018** — [Mortgage Quality Management and Research, LLC](#) (MQMR) President Michael Steer today advised lenders to increase the frequency with which they conduct their internal audits to ensure secondary market activities and relationships are not negatively impacted by undiscovered risks.

“Most lenders are only conducting internal audits once or twice a year, if at all, but the GSEs are clear that internal audits should be conducted on an on-going basis. Therefore, this frequency is inadequate from both a requirements standpoint and from a total risk management perspective,” Steer said. “Without the full picture available, lenders could unknowingly be engaging in risky practices that could negatively impact loan quality and, ultimately, erode trust with investors.”

“To properly ensure that all potential risks are discovered and addressed, lenders should be conducting at least four to six audits annually,” Steer added.

Many lenders assume that a robust pre-funding and post-closing quality control (QC) program can supplement internal audit efforts, but, Steer notes, there are key differences between these two functions that make this assumption inaccurate.

“QC reviews are much more narrowly defined and only intended to assess credit and/or regulatory issues, whereas internal audits assess risk across every aspect of a lender’s organization, including credit and regulatory, but also other areas such as operational, financial and reputational risks,” Steer explained. “The purpose of these audits is to evaluate a lender’s control activities to identify process gaps, inefficiencies and potential risk – something a standard QC review is not designed or intended to uncover.”

Because compliance is one of the largest areas of risk lenders face, Steer recommends adding on-going compliance support to ensure rules and regulations are being interpreted corrected and executed compliantly.

“Lenders can never have enough compliance resources, but in today’s origination environment, acquiring the amount of staff needed to thoroughly manage compliance risk is simply cost-prohibitive,” Steer said. “If you have one compliance officer, you really need two, and if you have two, three or four would be even better. Unfortunately, this is

not realistic for lenders to achieve, but by adding a third-party resource, lenders can cost-effectively add the resources they need to shore up their compliance strategy and reduce their risk.”

MQMR conducts internal audit risk assessments and provides on-going internal audit support to help lenders of all sizes identify risk throughout their organization and improve the effectiveness of their internal risk management, control activities and governance processes. In addition, MQMR offers a suite of compliance services, including a flat-fee, monthly compliance support program that gives lenders access to MQMR’s compliance experts on an as-needed basis.

“In the December 19 update to its Selling Guide, Fannie Mae made it crystal clear that internal audit independence is a key component of seller/servicer compliance. However, lenders need not leverage multiple vendors to obtain internal audit and compliance support,” Steer said. “On the contrary, most vendors have set these services up as separate business lines and should be able to meet the GSEs’ requirements for independence while also supporting lenders in multiple areas to provide comprehensive support.”

*MQMR executives will be in New York City on May 20-23, 2018. If you’d like to set up a meeting about compliance, audit, or risk management services, contact [Info@MQMRResearch.com](mailto:Info@MQMRResearch.com).*

#### **About Mortgage Quality Management and Research, LLC (MQMR)**

MQMR bridges the gap between risk and compliance through its suite of risk-related services. Since its inception, MQMR has launched multiple products and services to assist lenders in navigating regulatory requirements, including providing mortgage compliance consulting throughout the origination process, conducting internal audit risk assessments and ongoing internal audit support, servicing QC and subservicing oversight to master servicers, and filling the void of meeting vendor management oversight requirements. With 2,000+ operational reviews of mortgage companies, subservicers, document custodians, and vendors annually, MQMR prides itself on being an industry leader in counterparty risk and compliance. To learn more, visit [mqmrresearch.com](http://mqmrresearch.com), [subsequentqc.com](http://subsequentqc.com), and [hqvendormanagement.com](http://hqvendormanagement.com).

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