



# Bankers Advisory

## COMPLIANCE MONITOR

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### *Freddie Mac Launches Loan Quality Advisor (LQA)*

By Anna DeSimone

In April 2013, Freddie Mac launched Loan Quality Advisor<sup>SM</sup> (LQA) as part of its **Greater Purchase Certainty** initiative. LQA is a web-based risk and eligibility assessment tool that gives lenders an automated way to identify credit, data, and purchase eligibility issues before loans are delivered to Freddie Mac. By helping lenders spot and fix potential problems earlier in the loan manufacturing process, Loan Quality Advisor can make Freddie Mac's purchase requirements more transparent and give lenders greater certainty in the loans they sell to Freddie Mac. Loan Quality Advisor also gives lenders Freddie Mac's view of credit risk on mortgages that were not originated on Loan Prospector.

Loan Quality Advisor marks the launch of Freddie Mac's new Greater Purchase Certainty initiative to help lenders improve loan quality while making business with Freddie Mac more efficient and transparent for all Freddie Mac customers.

Lenders will be able to use Loan Quality Advisor at any point in the loan manufacturing process, before or after the loan closes. Freddie Mac created the Greater Purchase Certainty initiative to help Freddie Mac customers take full advantage of the company's new representation and warranty framework.

Freddie Mac's Greater Purchase Certainty initiative to provide lenders with greater certainty and comprehensive support when they do business with Freddie Mac will provide them with more detailed information about Freddie Mac's assessments of mortgage risk and purchase eligibility through new tools like Loan Quality Advisor, critical enhancements to Loan Prospector, as well as industry data standardization efforts such as the Uniform Mortgage Data Program.

LQA helps assess whether loans are consistent with Freddie Mac's policy during the loan manufacturing process. By incorporating LQA into the business processes, lenders will strengthen loan quality and meet Freddie Mac's purchase requirements, which are key components to achieving success under the new representation and warranty framework.

Using LQA in the loan manufacturing process provides greater purchase certainty through detailed loan data feedback that lets lenders:

- Identify and resolve potential loan manufacturing defects and trends earlier in the loan manufacturing process.
- Validate that manufactured loans are consistent with Freddie Mac policy.
- Make changes to comply with Freddie Mac purchase requirements before the loan closes.
- Determine whether correspondent lenders have manufactured a loan according to Freddie Mac purchase requirements.
- Gain an early view of loan delivery issues.

- Reduce the time it takes to fund at loan delivery.

### ***Key Features***

**Loan Prospector Data Compare** - Provides a comparison view of current loan data submitted to LQA against loan data used in the last Loan Prospector submission. This is a complement to Loan Prospector, not a replacement.

**Risk Assessment** - For loans that were not originated using Loan Prospector, assesses the loan and provides a summary level indication of Freddie Mac's view of credit risk and associated quality of the loan.

**Purchase Eligibility** - Runs data quality and purchase eligibility rules consistent with those run at loan delivery. This allows the customer to identify and correct potential delivery errors prior to selling the loan to Freddie Mac.

### ***Key Functionality***

LQA provides value for all flow loans that are eligible for sale to Freddie Mac. To ease adoption and usage, the tool provides a customer experience consistent with other Freddie Mac tools:

- Accepts a Uniform Loan Delivery Data (ULDD) file format.
- Leverages the same single-loan or multi-loan batch file upload approach for submissions as used in the selling system.

In addition, LQA allows the user to:

- View both batch-level and loan-level results.
- Sort batch results to easily identify critical issues based on red, yellow, and green indicators.
- Export results to the desktop for further analysis.

### ***Key Benefits***

Provides the opportunity to make changes to comply with the *Freddie Mac Single-Family Seller/Service Guide* (Guide) requirements before the loan closes.

- Helps aggregators determine whether their correspondents have manufactured a loan according to Freddie Mac's Guide requirements.
- Allows an early view of loan delivery issues and reduces the time required to fund at loan delivery.
- Enables monitoring of loan manufacturing defect trends and provides the ability to proactively resolve them.

Registration for Loan Quality Advisor will be phased in for all Freddie Mac customers by mid-summer.

For more information on Loan Quality Advisor and Greater Purchase Certainty Freddie Mac customers should contact their Freddie Mac representative or visit <http://www.freddiemac.com/singlefamily/loanqualityadvisor.html>



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