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# A 5-STEP STRATEGY

## FOR MORTGAGE SERVICING QUALITY CONTROL



The Servion Group - April 2023

Prevent and detect risk in your mortgage servicing operations

# WHITEPAPER CONTENTS

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# INTRODUCTION

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The mortgage servicing industry is a critical component of the housing finance system, and as such, credit unions and community banks must take measures to maintain high-quality standards for their mortgage servicing operations. Failure to do so can result in a multitude of consequences such as legal and regulatory violations, negative member experiences, and financial losses.

Given the increased regulatory focus on mortgage servicing practices, a sound quality control (QC) program is essential. In this article, we will outline a comprehensive five-step approach to creating an efficient and effective QC program for mortgage servicing. Implementing this plan can help credit unions and community banks identify and mitigate risks while improving borrower satisfaction and driving continuous improvement throughout the organization.



**HAVE A  
PLAN**



**REVIEW  
REGULARLY**



**MONITOR &  
REPORT**



**REMEDiate &  
ACTION PLAN**



**EVALUATE &  
IMPROVE**

# PURPOSE



The purpose of this article is to provide credit unions and community banks with a five-step plan to develop a detailed and robust QC program for their mortgage servicing operations. The program will enable credit unions and community banks to monitor their mortgage servicing quality actively, identify areas for improvement, and protect their revenue by minimizing and mitigating risk.

# QUALITY CONTROL'S IMPACT ON BUSINESS



A QC program is a cost prevention and profit preservation tool. It prevents and detects non-conformance within credit unions and community banks' mortgage origination and servicing operations and is an essential component of any quality management, compliance management, and enterprise risk management system. QC helps to establish a culture of quality and provides confidence in the quality of an organization's operations while protecting hard-earned profits.

# HAVE A PLAN

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# 1

Credit unions and community banks should develop a QC plan that outlines the scope, objectives, and methodology of their quality control program. The plan should include a detailed description of the QC process, staff roles and responsibilities, timelines for completing QC activities, and reporting requirements.

Terminologies, target defect rates, sample selection procedures, and workgroup structures should also be established. Policies and procedures should prioritize quality, and the scope and objectives of the QC plan should align with the organization's overall goals, culture, and risk appetite.

# REVIEW REGULARLY

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## 2

and effective. Sample sizes should be sufficient to identify errors and ensure compliance with regulations, and review strategies and timelines should be designed to identify potential issues early.

Credit unions and community banks should conduct regular reviews of their mortgage servicing functions, such as payment processing, default management, and loss mitigation. These reviews should be conducted by an independent, unbiased internal employee or third party and should analyze all functions within the mortgage servicing operations. Effective sampling and testing strategies are critical to ensure that the QC program is efficient



# MONITOR & REPORT

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# 3

Credit unions and community banks should regularly monitor and report on the quality of their mortgage servicing operations. Reports should track key performance indicators, such as the number or types of issues identified, the progress of corrective action plans implemented, and the number of repeat or systemic issues. Additionally, reports should include a trending analysis and defect rates across different workgroups, defect severities, and defect categories. These reports should be provided to middle and senior management and used to drive continuous improvement.

# 4

If issues are identified during the QC process, credit unions and community banks should perform remediation and implement corrective action plans as soon as possible. Corrective action plans should include stakeholder analysis, specific actions to be taken, timelines for completion, and responsible parties. Open communication and frequent collaboration are integral for successful corrective action planning and tracking. Credit unions and community banks should establish controls to ensure the accuracy and completeness of data related to mortgage servicing, as reports and analysis can lead to inaccurate conclusions and wasted resources without the integrity of data.



## REMEDIATE & ACTION PLAN

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# EVALUATE & IMPROVE

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# 5

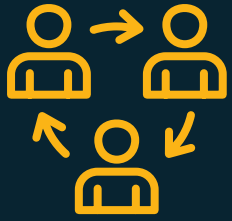
Finally, credit unions and community banks should continuously evaluate and improve their quality control program for mortgage servicing. This can be done by reviewing the effectiveness of the program against established goals and objectives, analyzing trends, and assessing the success of corrective action plans. The review process should also include an assessment of the program's efficiency and the utilization of resources, including staff time and technology.

Feedback from both internal and external stakeholders, such as business unit managers and investors, should also be sought to help identify areas for improvement. Additionally, credit unions and community banks should stay current on industry trends and regulatory changes related to mortgage servicing and adjust their quality control program accordingly.

# CONCLUSION

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Implementing a comprehensive quality control program for mortgage servicing is essential for credit unions and community banks to effectively manage risk, ensure compliance with regulations, and protect their financial performance and reputation. By following the five essential components outlined in this article, credit unions and community banks can develop and maintain a robust and effective quality control program for mortgage servicing. This will help credit unions and community banks to actively monitor their mortgage servicing quality, provide insight into areas for improvement with their mortgage operations, and protect their mortgage servicing revenue by minimizing and mitigating risk associated with their mortgage servicing operations.



# CONTRIBUTING TO YOUR CULTURE OF QUALITY

- ▶ By following the five-step approach outlined in the article, organizations can develop a comprehensive quality control program that identifies and mitigates risks, improves borrower satisfaction, and drives continuous improvement throughout the organization. A focus on quality helps prioritize the borrower experience and minimize risk, resulting in increased confidence in the organization's operations and borrower satisfaction. A commitment to and culture of quality are crucial strategies for income protection, cost prevention, and profit preservation for credit unions and community banks. Enhancing the culture of quality within an organization is critical to achieving long-term objectives.



# HOW SERVION QUALITY CONTROL CAN HELP

- ▶ Servion offers a unique approach as a QC partner. We work closely with our partners to integrate with their culture of quality and provide customized solutions that meet their specific needs. Our online remediation portal provides partners with access to real-time information, allowing them to review exceptions, conduct remediation, assign action items, and more. By doing so, our partners can actively participate in the QC review process and work collaboratively with our team to address any identified issues and mitigate any potential risk.



# ABOUT THE SERVION GROUP

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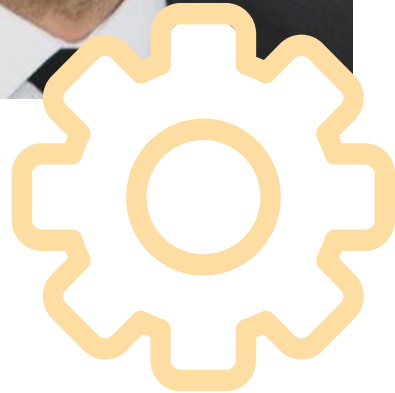
Founded in 1987, The Servion Group supports more than 500 credit unions and community banks around the U.S. Based in Minnesota, we offer solutions related to mortgage, title realty, commercial lending, and financial advisory/planning. The company was created to provide the products, services and programs community financial institutions need to compete in today's marketplace.

If you would like to learn more, please visit [myservion.com](https://myservion.com) or reach us by calling **651-631-3111**. You can also find your nearest Servion representative and contact them directly by visiting [myservion.com/ae-team](https://myservion.com/ae-team).

## THE BUSINESS UNITS:



# OUR QC EXPERT



## **BROCK MILLER**

Quality Control Manager at The Servion Group

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Brock is an accomplished and driven financial services professional who brings extensive experience to The Servion Group, with over a decade of experience in the mortgage industry. He possesses vast knowledge in several aspects of mortgage lending, including secondary operations, closing, post-closing, and origination. However, his true passion and expertise lie within quality control.

Brock holds a degree in Leadership & Business Management from the University of St. Thomas, Opus College of Business. Currently residing in Woodbury, MN with his wife, son, and their two dogs, Lady and Luca, Brock is an expert in his field. Apart from his professional endeavors, he enjoys traveling and experiencing the great outdoors in his spare time.

# WHITEPAPER

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FOR MORTGAGE SERVICING QUALITY CONTROL



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