

48.7

(4/8/01)

Documentation review

For all Mortgages included in the quality control sample, a Seller must review:

- The existence and accuracy of documentation required by applicable law
- Compliance with the eligibility and underwriting requirements and guidelines of the Seller, the Mortgage insurer and Freddie Mac, as applicable
- Compliance with the Seller's warranties regarding Freddie Mac's Exclusionary List
- The settlement statement and related documentation to determine that all conditions of closing have been satisfied

A Seller must include the following documents in its quality control review for comparison with the reverifications received:

1. Form 65, Uniform Residential Loan Application
2. Credit documentation
3. Employment and income documentation
4. Source of funds documentation
5. Appraisal or inspection documentation
6. Sales contract
7. Form 1077, Uniform Underwriting and Transmittal Summary

A Seller must also include the following applicable closing documents in its quality control review to ensure that the information is accurate, complete and consistent with other documents in the Mortgage file:

1. Notes and riders
2. Security instruments and assignments
3. Mortgage insurance certificate or policy or Mortgage guaranty certificate
4. Modification or assumption agreement
5. Title binder or final title insurance policy (both if available) or other evidence of title
6. Plat or survey
7. Settlement statements (HUD-1 or other form)
8. Leasehold estate documents
9. Hazard insurance policy or certificate

10. Flood insurance policy or certificate or flood zone determination documents
11. Underwriter's approval and any conditions of closing
12. Closing instructions

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Documenting reviews

A Seller must:

- Maintain complete records for each Mortgage file selected for quality control review
- Document and explain discrepancies or inconsistencies found in the Mortgage file that affect the eligibility of the Mortgage based on the requirements of the Seller, the Mortgage insurer or Freddie Mac

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(4/8/01)

Reporting requirements

A Seller's quality control program must provide that all quality control activities be fully documented in writing and reviewed by management on a regular basis.

The results of quality control reviews must be reported in writing to the Seller's senior management within 90 days of selection of the Mortgage files for review. The Seller must thoroughly analyze findings affecting the acceptability or eligibility of Mortgages and initiate any necessary corrective actions.

A Seller must notify Freddie Mac **3-6.8** in writing within 30 days of the Seller's determination that a quality control finding affects the eligibility of a Mortgage sold to Freddie Mac. Freddie Mac reserves the right to increase the sampling or to impose other requirements on a case by case basis.

48.10

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Retention of Seller's quality control records

For at least three years from the date of the quality control review, a Seller must retain all records of its quality control findings, along with documentation of any corrective action taken. These records must be made available to Freddie Mac upon request and must be included in the information provided to the new Servicer if a Transfer of Servicing occurs.