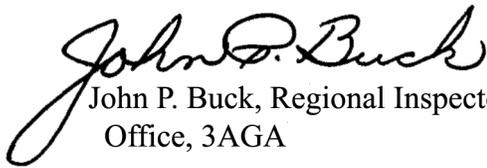


Issue Date July 19, 2006

Audit Report Number 2006-PH-1012

TO: Brian D. Montgomery, Assistant Secretary for Housing – Federal Housing
Commissioner, H

FROM:  John P. Buck, Regional Inspector General for Audit, Philadelphia Regional
Office, 3AGA

SUBJECT: Trident Mortgage Company, Devon, Pennsylvania, Issued and Submitted for
Endorsement Loans with an Increased Risk of Defaults and Claims

HIGHLIGHTS

What We Audited and Why

We audited the Devon, Pennsylvania, branch of Trident Mortgage Company (Trident), a nonsupervised direct endorsement lender approved to originate Federal Housing Administration single-family mortgage loans, because its default rate was above the state's default rate. Our objective was to determine whether Trident complied with the U.S. Department of Housing and Urban Development's (HUD) regulations, procedures, and instructions in the origination of Federal Housing Administration loans.

What We Found

Trident's Devon office did not originate all Federal Housing Administration loans in accordance with HUD's loan origination requirements. Of the 26 loans selected for review,¹ the Devon office did not fully comply with Federal Housing Administration requirements for 15 of the loans valued at just under \$2 million.

¹ Originally valued at more than \$3.5 million.

Trident did not exercise due diligence in the review of assets and liabilities, did not properly verify income, did not ensure that all borrowers met the minimum required 3 percent investment in the property, did not properly document the qualifying ratios, and did not verify rental history. These deficiencies were caused by a lack of due professional care and contributed to an increased risk to the Federal Housing Administration insurance fund.

In addition, Trident overcharged for credit reports contrary to HUD regulations. For five of the cases reviewed, fees totaling \$146 were charged to the borrowers. As a result, the borrowers incurred unnecessary costs.

Further, Trident's quality control plan did not follow HUD requirements. Trident did not perform the required number of quality control reviews of its Federal Housing Administration loans and did not ensure that all Federal Housing Administration loans that went into early default were flagged for review. As a result, HUD-required elements were not addressed when the quality control reviews were performed.

What We Recommend

We recommend that the assistant secretary for housing – federal housing commissioner

- Request from Trident an indemnification of \$487,075² on 13 loans, which it issued contrary to HUD's loan origination procedures.
- Request from Trident an indemnification of \$79,525³ on two loans that went into default, causing HUD to pay a claim.
- Require Trident to develop internal procedures to more closely monitor its underwriting procedures.
- Require Trident to reimburse borrowers \$146 in overcharges.
- Require Trident to revise and implement its quality control plan to comply with HUD requirements.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

² This amount was calculated by taking 29 percent of the total unpaid principal balance for the loans. On average, HUD loses 29 percent of the claim amount paid.

³ This amount was calculated by taking 29 percent of the total claim paid for the loans. On average, HUD loses 29 percent of the claim amount paid.

Auditee's Response

We provided a draft report to Trident on June 5, 2006. We discussed the report with Trident during the audit and at an exit conference on June 16, 2006. We requested a written response by June 30, 2006. Trident requested and was granted an extension to submit its comments. Trident provided written comments to our draft report on July 13, 2006. Trident generally agreed with our findings and recommendations. The complete text of Trident's response, along with our evaluation of that response, can be found in appendix B of this report.

TABLE OF CONTENTS

Background and Objectives	5
Results of Audit	
Finding 1: Trident Did Not Fully Comply with HUD Requirements When Originating Loans	6
Finding 2: Trident’s Quality Control Plan as Written and Implemented Did Not Follow HUD Regulations	10
Scope and Methodology	12
Internal Controls	13
Appendixes	
A. Schedule of Questioned Costs and Funds to Be Put to Better Use	14
B. Auditee Comments and OIG’s Evaluation	15
C. Schedule of Case File Discrepancies	18
D. Schedule of Overcharged Fees	19
E. Narrative Case Presentations	20

BACKGROUND AND OBJECTIVES

The U.S. Department of Housing and Urban Development's (HUD) strategic plan states that part of its mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination.

The National Housing Act as amended established the Federal Housing Administration, an organizational unit within HUD. The Federal Housing Administration provides insurance for lenders against loss on single-family home mortgages.

Beginning in 1983, HUD implemented the direct endorsement program, which authorized approved lenders to underwrite loans without HUD's prior review and approval. HUD can place them on credit watch status or terminate their approval if their rate of defaults and claims exceeds the normal rate for the area. Many sanctions are available for taking actions against lenders or others who abuse the program.

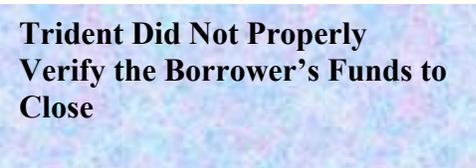
The Devon, Pennsylvania, branch of Trident Mortgage Company (Trident) is the main office and includes one additional active branch, located in Cherry Hill, New Jersey, with direct endorsement approval. Although the Devon office is responsible for the origination of the Federal Housing Administration loans, the Cherry Hill branch completes all Federal Housing Administration loan originations. Trident issued 705 Federal Housing Administration loans worth more than \$99 million between September 1, 2003, and August 31, 2005. Of the 705 loans issued, 33 loans worth nearly \$4.5 million went into default within the first two years. Of these, we reviewed 26 loans worth more than \$3.5 million that were in default status with 12 payments or fewer after closing.

The objectives of our review were to determine whether Trident originated Federal Housing Administration-insured loans in accordance with prudent lending practices and HUD requirements and whether the lender implemented a quality control plan that meets HUD's requirements. We reviewed case files from both HUD's Homeownership Center and the lender and reviewed Trident's oversight of its branches.

RESULTS OF AUDIT

Finding 1: Trident Did Not Fully Comply with HUD Requirements When Originating Loans

Trident did not always originate Federal Housing Administration-insured loans in accordance with HUD requirements. For 15 of the 26 loans reviewed, originally valued at more than \$3.5 million, Trident did not exercise due diligence in the review of assets and liabilities, did not properly verify income, did not ensure that all borrowers met the minimum required 3 percent investment in the property, did not properly document the qualifying ratios, and did not verify rental history. These deficiencies were caused by a lack of due professional care and contributed to an increased risk to the Federal Housing Administration insurance fund. Therefore, Trident should indemnify \$487,075 for 13 defaulted loans and \$79,525 for claims paid on two loans.



**Trident Did Not Properly
Verify the Borrower's Funds to
Close**

HUD requirements state that if the amount of the earnest money deposit exceeds 2 percent of the sales price or appears excessive based on the borrower's history of accumulating savings, the lender must verify with documentation the deposit amount and the source of funds.

HUD requires the lender to verify savings and checking accounts. A verification of deposit, along with the most recent bank statement, may be used to accomplish this. If there is a large increase in an account or the account was opened recently, the lender must obtain a credible explanation of the source of those funds. In addition, if gift funds are in the homebuyer's bank account, the lender must document the transfer of the funds from the donor to the homebuyer by obtaining a copy of the canceled check or other withdrawal document showing that the withdrawal is from the donor's account. The homebuyer's deposit slip and bank statement that shows the deposit are also required.

In nine of the cases reviewed, Trident did not adequately verify the borrower's funds to close. For five of those cases, the earnest money deposit exceeded 2 percent of the sales price, and Trident could not verify the source of the funds. Further, case 071-0970940 had an unexplained large deposit and a gift that could not be supported. There were no bank statements or cancelled checks showing that the gift came from the donor or that it was deposited into the borrower's bank account.

Trident Did Not Properly Verify the Borrower's Income or Employment

HUD requirements state that the lender must develop an average of overtime and commission income for the past two years and that the employment verification must not state that such income is unlikely to continue. In addition, the lender must verify the borrower's employment for the most recent two full years and explain any gaps in employment spanning one month or more.

For nine of the cases reviewed, Trident did not properly verify the borrower's income or employment. In four of the cases, overtime and commission were used to determine the borrower's income. Trident did not determine whether the overtime or commission would continue. In addition, for cases 351-4685023 and 441-7431423, Trident did not obtain an explanation for the large gap in employment.

Trident Did Not Obtain Required Documentation for Derogatory Credit

HUD regulations state that court-ordered judgments must be paid off before the mortgage loan is eligible for Federal Housing Administration insurance endorsement. The borrower must explain in writing all collections and judgments and all inquiries shown on the credit report in the last 90 days. In addition, the lender must develop a credit history from utility payment records, rental payments, automobile insurance payments, or other means of direct access from the credit provider for those borrowers who do not use traditional credit.

For six of the cases reviewed, Trident did not obtain the required documentation for the derogatory credit. For five of the cases, Trident did not obtain an explanation for either the collections, judgments, or credit inquiries found on the credit report. Further, for case 351-4627644, Trident did not obtain the required documents to show the payment history of the borrower for nontraditional credit.

Trident Did Not Ensure That the Borrower Met the Minimum Required Investment

According to HUD guidance, the property's sales price is multiplied by a loan-to-value ratio, and the resulting amount is the maximum mortgage that the Federal

Housing Administration will insure. The borrower must make a cash investment at least equal to the difference between the sales price and the resulting maximum mortgage amount. The investment must be at least 3 percent of the contract sales price. For four of the cases reviewed, Trident did not ensure that the borrower met the 3 percent minimum required investment.

Trident Did Not Properly Document the Qualifying Ratios

HUD requirements state that the ratio of total fixed payments to effective income may not exceed the benchmark guideline of 51 percent, unless significant compensating factors are provided in the “remarks” section of the mortgage credit analysis worksheet. In two of the cases reviewed, Trident included the unsupported commission and overtime income of the borrowers when calculating the qualifying ratios. When using the supportable income only (no commission or overtime), the total fixed payment-to-income ratios were above HUD guidelines with no compensating factors identified.

Trident Did Not Verify the Rental History of All Borrowers

HUD requires the lender to determine the borrower’s payment history of housing obligations through either the credit report, verification of rent directly from the landlord or mortgage servicer, or canceled checks covering the most recent 12-month period. For case 071-0968687, there was a printout from the borrower’s online bill payment history showing 11 months of rent payments. This was not an acceptable rental verification.

Miscellaneous

Although the following issues do not require an indemnification, in three of the case files reviewed, Trident did not follow the loan origination requirements of HUD. The issues include

- Not verifying the information entered into the Automated Underwriting System, and
- Not resubmitting the loan through the Automated Underwriting System when material changes were discovered.

Trident Overcharged Borrowers for Credit Report Fees

HUD regulations state that customary and reasonable fees and charges may be collected from the borrower by the lender. The cost for any item charged to the borrower must not exceed the cost paid by the lender. Trident overcharged borrowers for credit report fees in 5 of the 26 cases reviewed. The overcharges totaled \$146. After we brought the matter to Trident's attention, it agreed that the overcharges would be paid back.

Conclusion

The above cases illustrate that HUD assumed unnecessarily high risk when insuring the loans originated by Trident. The deficiencies associated with Trident's loan origination activities stem from the lack of due care in applying HUD loan requirements. Therefore, Trident should indemnify \$487,075 for 13 defaulted loans and \$79,525 for claims paid on two loans. See appendix C for the schedule of case file discrepancies and appendix E for the narrative case presentations, which contain the specific HUD regulations cited. In addition, Trident overcharged for credit reports contrary to HUD regulations. As a result, the borrowers incurred unnecessary costs. A listing of the fees is presented in appendix D.

Recommendations

We recommend that the assistant secretary for housing – federal housing commissioner

- 1A. Request that Trident indemnify \$487,075 on 13 defaulted loans in which its loan origination procedures did not comply with HUD requirements.
- 1B. Request from Trident an indemnification of \$79,525 on two loans that went into default, causing HUD to pay a claim.
- 1C. Require Trident to develop internal procedures to more closely monitor its underwriting procedures.
- 1D. Request that Trident reimburse the borrowers a total of \$146 that was erroneously charged to them for the credit report fees.

Finding 2: Trident’s Quality Control Plan as Written and Implemented Did Not Follow HUD Regulations

Trident did not establish and implement a quality control plan in accordance with HUD requirements. Trident’s quality control plan did not follow the requirements found in HUD Handbook 4060.1, “Mortgagee Approval Handbook.” In addition, Trident did not perform the required number of quality control reviews of its Federal Housing Administration loans and did not ensure that all Federal Housing Administration loans that went into early default were flagged for review. As a result, HUD-required elements were not addressed when the quality control reviews were performed.

Trident’s Quality Control Plan Did Not Follow HUD Requirements

HUD Handbook 4060.1, chapter 6, states that approved lenders must have and maintain a quality control plan for the origination and servicing of insured mortgages. The quality control plan must be a prescribed function of the lender’s operations and assure that the lender maintains compliance with HUD requirements and its own policies and procedures.

Trident’s quality control plan did not follow HUD Handbook 4060.1. Instead, it followed the Federal Home Loan Mortgage Corporation Handbook. The requirements listed in the HUD handbook were not clearly defined in Trident’s quality control plan.

Trident Did Not Implement Its Quality Control Reviews in Accordance with HUD Requirements

HUD Handbook 4060.1 states that a lender originating 7,000 or fewer Federal Housing Administration loans per year must review 10 percent of the loans it originates. In addition to the loans selected for routine quality control reviews, lenders must review all loans going into default within the first six payments.

Trident closed 240 Federal Housing Administration loans in 2005. Therefore, it was required to perform 24 (10 percent) quality control reviews of the loans. According to the listing of the quality control reviews that were performed, Trident only performed 10 quality control reviews of the Federal Housing Administration loans that closed in 2005. Before 2005, Trident outsourced its quality control reviews.

Trident's quality control manager stated that Trident uses a system to select and document its quality control reviews. It uses the system's automatic selection instead of the manual selection to select cases for review. The automatic selection does not take into account that Trident is required to review 10 percent of its Federal Housing Administration loans annually. The quality control manager stated that she was aware of the requirement but was unsure as to why the 10 percent were not reviewed. She stated that Trident will start reviewing the required number of Federal Housing Administration loans.

Further, it could not be determined whether Federal Housing Administration loans that went into early payment default were included in Trident's quality control reviews. The vice president of Trident stated that as of January 2006, Trident started to flag all early payment defaults. In March of 2006, an e-mail was sent to Trident staff informing them of retroactive policy changes, but there was no mention in the e-mail about the early payment defaults. The vice president of Trident stated that further discussion directed that Federal Housing Administration loans that went into early payment default would be reviewed, but no documentation was provided to support this statement.

Conclusion

Because Trident's quality control plan did not comply with HUD requirements, the quality control reviews were not performed in accordance with HUD's regulations.

Recommendations

We recommend that the assistant secretary for housing – federal housing commissioner

- 2A. Require Trident to revise and implement its quality control plan to comply with HUD requirements.

SCOPE AND METHODOLOGY

To accomplish our objectives, we

- Reviewed Federal Housing Administration-insured loans (26 cases) originated by Trident's Devon office between September 1, 2003, and August 31, 2005, that had gone into default at least once. The 26 loans were part of a universe of 705 loans originated by the Devon branch during that time. Although the Devon office is responsible for the origination of the loans, the Cherry Hill branch completes all Federal Housing Administration loan originations. The results of the detailed testing apply to the 26 loans reviewed only and cannot be projected to the universe of Federal Housing Administration-insured loans.
- Examined records and related documents of Trident.
- Reviewed applicable HUD handbooks and mortgagee letters.
- Conducted interviews with officials and employees of Trident and the HUD Quality Assurance Division.

In addition, we relied in part on data maintained by HUD in the Single Family Data Warehouse and Neighborhood Watch systems. We did not perform a detailed analysis of the reliability of these programs.

The audit generally covered the period from September 1, 2003, to August 31, 2005. When applicable, the audit period was expanded to include current data through March 31, 2006. We conducted our fieldwork from January through April 2006.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Loan origination process – Policies and procedures that management has in place to reasonably ensure that the loan origination process complies with HUD program requirements.
- Quality control plan – Policies and procedures that management has in place to reasonably ensure implementation of HUD quality control requirements.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following item is a significant weakness:

- Trident did not operate in accordance with HUD requirements as they relate to loan issuance and quality control.

The deficiencies are discussed in detail in the Results of Audit section of this report.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Unsupported costs 2/	Funds to be put to better use 3/
1A			\$487,075
1B		\$79,525	
1D	\$146		

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or federal, state, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.
- 3/ “Funds to be put to better use” are quantifiable savings that are anticipated to occur if an Office of Inspector General (OIG) recommendation is implemented, resulting in reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

July 12, 2006

U.S. Department of Housing and Urban Development
Wanamaker Building, Suite 1005
100 Penn Square East
Philadelphia, PA 19107

Attn: Mr. John P. Buck

Re: Trident Mortgage Company response to Audit Report dated 6/2/2006.

In review of the draft report findings, Trident Mortgage Company responds as follows:

Comment 1

1. **Finding:** Trident's quality control plan did not follow HUD requirements for the number of quality control reviews it performed on FHA loans. Trident's quality control plan did not ensure that all FHA loans that went into early default were flagged for review.
Response: When changing from a vendor based QC company, to an internally based QC department, the file selection parameters for FHA loans were not adjusted as necessary to maintain HUD compliance. Because TMC does not service its closed loans, we are not always aware of early payment default occurrences. We have adjusted our QC plan to account for the correct percentage of FHA file audits and are working with our investors so that we are notified on a monthly basis when early payment defaults occur on loans we originate.

Comment 2

2. **Finding:** Trident overcharged for credit reports contrary to HUD regulations.
Response: At the time of the audit in 2006, HUD selected 26 loans over a look-back period of 3 years. Of the 26 loans reviewed, the five loans with credit report fee overcharges were made in the summer of 2003, prior to changes in operational and accounting procedures that were implemented specifically to prevent overcharges on credit reports. The entire aggregate amount of the 5 transactions was \$146.00 and did not take into account the underwriting of these loans through automated underwriting systems for which the borrowers were not charged. HUD did not find overcharges on any loan file that closed after 9/03.

Comment 3

3. **Finding:** TMC did not originate all FHA loans in accordance with HUD's loan origination requirements.
Response: Although TMC concurs with a number of HUD findings on the individual case files audited, we do not agree that the deficiencies noted were caused by lack of professional care. In our review of the report, a number of the circumstances cited point to individual underwriter interpretation of HUD guidelines which vary by underwriter during the risk assessment process. There are several situations in which automated underwriting systems were used, and through human error, the AUS system was not updated to reflect underwriting changes. This issue is further compounded by the use of automated underwriting to determine loan eligibility, with a disparity in the required conditions depending on the underwriting process used (manual vs. automated). We would like to specifically address several case file findings:

351-4627644 – **Summary:** Trident did not verify nontraditional credit provided by the buyer.
Response: TMC provided a non traditional credit report evidencing a two year payment history for payments made to two utility companies. The credit reporting agency verified the information directly with the creditor and provided high balances, payment history, date opened, and phone numbers for the creditors. In

In addition, a two year rental history letter was obtained from the property manager of the apartment, and a paid as agreed car insurance policy was used to establish credit. Also a letter from the borrower was included in the file stating the reason for his lack of traditional credit and that he prefers to make cash purchases. Trident believes it complied with HUD Handbook 4155.1 para.2-3 for the establishment of non-traditional credit. This was the only finding for this case file, and in TMC's opinion this is a guideline that is subject to underwriter interpretation, and not a finding of lack of compliance.

Comment 4

351-4444605 – **Summary:** Source of funds for the Earnest Money Deposit was not obtained.
441-7336278 **Response:** It has not been the practice of TMC to verify the earnest money
351-4496972 Deposit in excess of 2% on every transaction, when the borrowers have
441-7335164 documented sufficient depository assets to complete the settlement and meet the statutory investment requirements. When the EMD funds are given after the borrower's assets have already been verified, it causes the borrower additional time and document burden to re-verify the same assets that are now in a different account due to the transfer of the funds. However, TMC has changed its underwriting practice going forward and will request this information on all transactions in which the earnest money deposit exceeds 2%.

Comment 5

441-7336278 – **Summary:** Borrower did not meet minimum required investment. The investment should have been \$2850, however the borrower invested less than \$2800.00.
Response: The client paid an earnest money deposit of \$2500.00 and paid \$285.03 at closing, totaling \$2785.03. In addition the borrower paid \$928.62 to Trident Mortgage to hold the rate lock prior to closing. These funds were credited to him at closing, were reflected on the HUD-1 as a credit, and were considered part of the borrower's cash investment. The statutory investment requirement was met on this file as the borrowers cash investment was \$3713.65.

Based on the findings of the report, Trident has taken action to remedy items 1 & 2 listed above. We have apprised our underwriting department, QC department and management team of the findings the report and are taking steps to align our FHA underwriting policy and procedures to better comply with HUD's requirements and any deficiencies noted within the report.

Sincerely,



Irene R. Shull
Vice President
Trident Mortgage Company

OIG Evaluation of Auditee Comments

- Comment 1** We are pleased that Trident agreed with our finding and is adjusting its quality control plan.
- Comment 2** Although Trident had in fact implemented needed controls to correct future overcharges, it still needed to ensure it repaid the overcharges the audit identified.
- Comment 3** Since this was a manual underwrite and there was insufficient credit, the borrower used non-traditional credit to develop a payment history. However, documents showing payment histories were not provided. HUD Handbook 4155.1, paragraph 2-3 states that the lender must document that providers of non-traditional credit exist and they must verify the credit information. Trident did not do so.
- Comment 4** We are pleased that Trident agreed with the finding and is adjusting its underwriting practice.
- Comment 5** HUD Handbook 4155.1 states that the borrower is required to meet a 3 percent minimum investment. Since the \$928.62 payment to lock in the rate was returned to the borrower at closing, that amount should not be included when calculating the minimum investment. Hence, the borrower did not meet the required 3 percent minimum investment.

Appendix C

SCHEDULE OF CASE FILE DISCREPANCIES

Case number	Mortgage amount	Unpaid principal balance	Claim	Inadequate rental history	Unsupported income	Unsupported assets	Credit problems	High ratios	Minimum investment not met	Other
351-4627644	\$ 111,650	\$ 110,931					X			
351-4685023	\$ 162,943	\$ 162,453			X		X			
351-4618114	\$ 106,650	\$ 0	\$115,205		X	X	X	X		
441-7375866	\$ 121,800	\$ 118,852				X			X	
071-0970940	\$ 193,471	\$ 191,039			X	X	X			
441-7491708	\$ 74,411	\$ 72,541			X					X
351-4444605	\$ 127,991	\$ 125,793			X	X		X		
441-7336278	\$ 94,254	\$ 93,647				X			X	X
351-4496972	\$ 100,207	\$ 97,413				X			X	
351-4489177	\$ 93,989	\$ 91,969			X	X				
441-7431423	\$ 163,242	\$ 159,356			X				X	
071-0968687	\$ 152,802	\$ 0	\$159,018	X	X	X	X			
441-7340707	\$ 132,914	\$ 129,706					X			
441-7335164	\$ 187,435	\$ 183,199				X				X
441-7382430	\$ 145,398	\$ 142,670			X					
Totals	\$1,969,157	\$1,679,569	\$274,223	1	9	9	6	2	4	3

Appendix D

SCHEDULE OF OVERCHARGED FEES

Case number	Mortgage amount	Amount of credit report	Amount charged the borrower	Overcharge
351-4444605	\$127,991	\$ 9.54	\$50.00	\$ 40.46
441-7336278	\$ 94,254	\$ 9.54	\$50.00	\$ 40.46
351-4496972	\$100,207	\$19.08	\$50.00	\$ 30.92
351-4489177	\$ 93,989	\$37.00	\$50.00	\$ 13.00
441-7340707	\$132,914	\$28.61	\$50.00	\$ 21.39
Total				\$146.23

Appendix E

NARRATIVE CASE PRESENTATIONS

Case number: 351-4627644

Mortgage amount: \$111,650

Date of loan closing: July 16, 2004

Status: First legal action to commence foreclosure

Payments before first default reported: Two

Unpaid principal balance: \$110,931

Summary:

Trident did not verify nontraditional credit provided by the buyer.

Pertinent Details:

Trident Did Not Verify Nontraditional Credit

The lender must develop a credit history from utility payment records, rental payments, automobile insurance payments, or other means of direct access from the credit provider for those borrowers who do not use traditional credit. To verify the credit information, lenders must use a published address or telephone number for that creditor (HUD Handbook 4155.1, paragraph 2-3). The nontraditional credit the borrower provided was payment coupons from utility companies and a status page from an automobile insurance policy. The documents did not include payment histories.

Case number: 351-4685023

Mortgage amount: \$162,943

Date of loan closing: January 28, 2005

Status: Delinquent

Payments before first default reported: Three

Unpaid principal balance: \$162,453

Summary:

Trident did not (1) properly verify the borrower's employment, and (2) obtain an explanation of the credit inquiries listed on the borrower's credit report.

Pertinent Details:

Trident Did Not Properly Verify the Borrower's Employment

The lender must verify the borrower's employment for the most recent two full years. The borrower also must explain any gaps in employment spanning one month or more (HUD Handbook 4155.1, paragraph 2-6). Trident did not obtain an explanation for the four-month gap in employment.

Credit Inquiries Were Not Explained

The borrower must explain in writing all inquiries shown on the credit report in the last 90 days (HUD Handbook 4155.1, paragraph 2-3B). Trident did not obtain an explanation from the borrower of numerous credit inquiries.

Case number: 351-4618114

Mortgage amount: \$106,650

Date of loan closing: May 26, 2004

Status: Accelerated claim disposition

Payments before first default reported: Three

Claim Paid: \$115,205

Summary:

Trident did not (1) properly verify the borrower's funds to close, (2) properly verify the borrower's income, (3) obtain required documentation for derogatory credit, and (4) properly document the qualifying ratios.

Pertinent Details:

Funds to Close Were Not Properly Verified or Supported

A verification of deposit, along with the most recent bank statement, may be used to verify savings and checking accounts. If there is a large increase in an account or the account was opened recently, the lender must verify the source of funds (HUD Handbook 4155.1, paragraph 2-10B). Trident did not verify the source of funds for the recently opened bank account. A note on the statement said that the deposit was from a tax return, but there were no documents in the file to verify it.

Trident Did Not Properly Verify the Borrower's Income

Commission income must be averaged over the previous two years. The borrower must provide copies of signed tax returns for the last two years, along with the most recent pay stub. Unreimbursed business expenses must be subtracted from gross income. Individuals whose commission income shows a decrease from one year to the next require significant compensating factors for loan approval. Borrowers with commission income received for more than one but less than two years may be considered favorably, provided the underwriter is able to make a sound rationalization for acceptance and can document the likelihood of continuance (HUD Handbook 4155.1, paragraph 2-7D). In this case, the commission earned was not guaranteed by the employer to continue. In addition, there were weeks in which commission was not earned.

Trident Did Not Obtain Required Documentation for Derogatory Credit

Collections and judgments indicate a borrower's regard for credit obligations and must be considered in the analysis of creditworthiness, with the lender documenting its reasons

for approving a mortgage when the borrower has collection accounts or judgments. The borrower must explain in writing all collections and judgments (HUD Handbook 4155.1, paragraph 2-3C). In this case, there was no explanation given for the collection accounts. Trident had asked for the explanation, but it was not received.

Qualifying Ratios Were Not Properly Documented

For ratios exceeding the benchmark guideline of 51 percent (total fixed payment-to-income), underwriters must record the compensating factors in the “remarks” section of the mortgage credit analysis worksheet, and they must be supported by documentation (HUD Handbook 4155.1, paragraph 2-12B). Trident included the commission income when calculating the qualifying ratios. When using the supportable income only (no commission), the total fixed payment-to-income ratio is 60 percent with no compensating factors identified. The new ratio is above HUD guidelines.

Case number: 441-7375866

Mortgage amount: \$121,800

Date of loan closing: November 25, 2003

Status: Delinquent

Payments before first default reported: Five

Unpaid principal balance: \$118,852

Summary:

Trident did not (1) determine the source of the earnest money deposit and (2) ensure that the borrower met the minimum required investment.

Pertinent Details:

Source of Funds for the Earnest Money Deposit Was Not Obtained

If the amount of the earnest money deposit exceeds 2 percent of the sales price, the lender must verify with documentation the deposit amount and the source of funds. Satisfactory documentation includes a copy of the borrower's cancelled check. A certification from the deposit holder acknowledging receipt of funds and separate evidence of the source of funds are also acceptable. Evidence of source of funds includes a verification of deposit or bank statement showing that at the time the deposit was made, the average balance was sufficient to cover the amount of the earnest money deposit (HUD Handbook 4155.1, paragraph 2-10A). The earnest money deposit exceeded 2 percent of the sales price; however, Trident did not determine the source of the funds. It believed it did not have to determine the source of funds since the earnest money was not included when determining whether the borrower had sufficient funds to close.

Trident Did Not Ensure That the Borrower Met the Minimum Required Investment

Trident did not ensure that the borrower met the 3 percent minimum required investment in the property as required by HUD (HUD Handbook 4155.1, paragraph 1-7). Based on the property's value, the minimum required investment should have been \$3,684; however, the borrower invested less than \$3,100 in the property. Review of the HUD-1 settlement statement shows that the borrower received more than \$1,100 back at the end of closing.

Case number: 071-0970940

Mortgage amount: \$193,471

Date of loan closing: December 30, 2003

Status: Partial reinstatement

Payments before first default reported: Nine

Unpaid principal balance: \$191,039

Summary:

Trident did not (1) properly verify the borrower's funds to close, (2) properly verify the borrower's income, (3) obtain required documentation for derogatory credit, and (4) obtain an explanation for the credit inquiries.

Pertinent Details:

Funds to Close Were Not Properly Verified or Supported

A verification of deposit, along with the most recent bank statement, may be used to verify savings and checking accounts. If there is a large increase in an account, the lender must obtain a credible explanation of the source of those funds (HUD Handbook 4155.1, paragraph 2-10B). In addition, if gift funds are in the homebuyer's bank account, the lender must document the transfer of the funds from the donor to the homebuyer by obtaining a copy of the canceled check or other withdrawal document showing that the withdrawal is from the donor's account. The homebuyer's deposit slip and bank statement that shows the deposit are also required (HUD Handbook 4155.1, paragraph 2-10C.1). Trident did not obtain an explanation for a deposit of \$1,203 made into the borrower's bank account. In addition, no documentation was provided to support the \$4,100 gift that was given to the borrower. There were no bank statements or cancelled checks showing that the gift came from the donor or that it was deposited into the borrower's bank account. The funds to close could not be supported.

Trident Did Not Properly Verify the Borrower's Income

Overtime income may be used to qualify if the borrower has received such income for the past two years and it is likely to continue. The lender must develop an average of overtime income for the past two years, and the employment verification must not state that such income is unlikely to continue (HUD Handbook 4155.1, paragraph 2-7A). In this case, regular time and overtime were used to determine the average income of the borrower, but there was no guarantee that overtime would continue, and it was not verified that overtime was earned for the past two years.

Trident Did Not Obtain Required Documentation for Derogatory Credit

Collections and judgments indicate a borrower's regard for credit obligations and must be considered in the analysis of creditworthiness, with the lender documenting its reasons for approving a mortgage when the borrower has collection accounts or judgments. The borrower must explain in writing all collections and judgments (HUD Handbook 4155.1, paragraph 2-3C). Trident did not obtain an explanation for two of the collection accounts. In addition, the borrower did not sign the explanation for three other collection accounts.

Credit Inquiries Were Not Explained

The borrower must explain in writing all inquiries shown on the credit report in the last 90 days (HUD Handbook 4155.1, paragraph 2-3B). Trident did not obtain an explanation from the borrower of numerous credit inquiries.

Case number: 441-7491708

Mortgage amount: \$74,411

Date of loan closing: April 2, 2004

Status: Repayment

Payments before first default reported: 12

Unpaid principal balance: \$72,541

Summary:

Trident did not (1) properly verify the borrower's income, and (2) verify the information entered into the Automated Underwriting System.

Pertinent Details:

Trident Did Not Properly Verify the Borrower's Income

Overtime income may be used to qualify if the borrower has received such income for the past two years and it is likely to continue. The lender must develop an average of overtime income for the past two years, and the employment verification must not state that such income is unlikely to continue (HUD Handbook 4155.1, paragraph 2-7A). In this case, regular time and overtime were used to determine the average income of the borrower, but there was no guarantee that overtime would continue. It could not be verified that overtime was earned for the past two years.

Trident Did Not Verify the Information Entered into the Automated Underwriting System

Asset documentation must comply with Federal Housing Administration requirements. All asset information entered into the Automated Underwriting System must be verifiable and meet Federal Housing Administration requirements for eligibility (HUD Housing Notice 03-25, chapter 1). Trident entered \$6,801 in to the Automated Underwriting System as the depository money the borrower had in his account. According to documents in the file, the correct amount in the borrower's account was \$547. The correct amount was not rerun through the Automated Underwriting System; therefore, the loan may not have been approved by the system.

Case number: 351-4444605

Mortgage amount: \$127,991

Date of loan closing: August 18, 2003

Status: Reinstated by borrower who retains ownership

Payments before first default reported: n/a

Unpaid principal balance: \$125,793

Summary:

Trident (1) did not verify the source of the earnest money deposit, (2) did not properly verify the borrower's income, (3) did not properly document the qualifying ratios, and (4) overcharged the borrower for the credit report.

Pertinent Details:

Source of Funds for the Earnest Money Deposit Was Not Obtained

If the amount of the earnest money deposit exceeds 2 percent of the sales price, the lender must verify with documentation the deposit amount and the source of funds. Satisfactory documentation includes a copy of the borrower's cancelled check. A certification from the deposit holder acknowledging receipt of funds and separate evidence of the source of funds are also acceptable. Evidence of source of funds includes a verification of deposit or bank statement showing that at the time the deposit was made, the average balance was sufficient to cover the amount of the earnest money deposit (HUD Handbook 4155.1, paragraph 2-10A). The earnest money deposit exceeded 2 percent of the sales price; however, Trident did not determine the source of the funds. Trident agreed that the source of earnest money was not established.

Trident Did Not Properly Verify the Borrower's Income

Overtime income may be used to qualify if the borrower has received such income for the past two years and it is likely to continue. The lender must develop an average of overtime income for the past two years, and the employment verification must not state that such income is unlikely to continue (HUD Handbook 4155.1, paragraph 2-7A). In this case, regular time and overtime were used to determine the average income of the borrower, but there was no guarantee that overtime would continue, and it could not be verified that overtime was earned for the past two years because the Internal Revenue Service W-2 forms that were provided were questionable.

Qualifying Ratios Were Not Properly Documented

For ratios exceeding the benchmark guideline of 51 percent (total fixed payment-to-income), underwriters must record the compensating factors in the “remarks” section of the mortgage credit analysis worksheet, and they must be supported by documentation (HUD Handbook 4155.1, paragraph 2-12B). Trident included the overtime income when calculating the qualifying ratios. When using the supportable income only (no overtime), the total fixed payment-to-income ratio is 60 percent with no compensating factors identified. The new ratio is above HUD guidelines.

Trident Overcharged the Borrower for the Credit Report

Customary and reasonable fees and charges may be collected from the borrower by the lender. The cost for any item charged to the borrower must not exceed the cost paid by the lender or charged to the lender by the service provider (HUD Handbook 4000.2, paragraph 5-2). Trident overcharged the borrower for the credit report.

Case number: 441-7336278

Mortgage amount: \$94,254

Date of loan closing: August 27, 2003

Status: Partial reinstatement

Payments before first default reported: Seven

Unpaid principal balance: \$93,647

Summary:

Trident (1) did not verify the source of the earnest money deposit, (2) did not properly verify the funds to close, (3) did not ensure that the borrower met the minimum required investment, (4) did not verify the information entered into the Automated Underwriting System, and (5) overcharged the borrower for the credit report.

Pertinent Details:

Source of Funds for the Earnest Money Deposit Was Not Obtained

If the amount of the earnest money deposit exceeds 2 percent of the sales price, the lender must verify with documentation the deposit amount and the source of funds. Satisfactory documentation includes a copy of the borrower's cancelled check. A certification from the deposit holder acknowledging receipt of funds and separate evidence of the source of funds are also acceptable. Evidence of source of funds includes a verification of deposit or bank statement showing that at the time the deposit was made, the average balance was sufficient to cover the amount of the earnest money deposit (HUD Handbook 4155.1, paragraph 2-10A). The earnest money deposit exceeded 2 percent of the sales price; however, Trident did not determine the source of the funds for the entire amount. It believed it did not have to determine the source of funds since the earnest money was not included when determining whether the borrower had sufficient funds to close.

Funds to Close Were Not Properly Verified or Supported

If gift funds are in the homebuyer's bank account, the lender must document the transfer of the funds from the donor to the homebuyer by obtaining a copy of the canceled check or other withdrawal document showing that the withdrawal is from the donor's account. The homebuyer's deposit slip and bank statement that shows the deposit are also required (HUD Handbook 4155.1, paragraph 2-10C.1). No documentation was provided to support the \$3,000 gift that was given to the borrower. There is a cancelled check in the file for \$3,000, but there is no copy of the borrower's bank statement showing the deposit. In addition, there are no statements to show that the donor had the ability to give the gift or that it came from his accounts.

Trident Did Not Ensure That the Borrower Met the Minimum Required Investment

Trident did not ensure that the borrower met the 3 percent minimum required investment in the property as required by HUD (HUD Handbook 4155.1, paragraph 1-7). Based on the property's value, the minimum required investment should have been \$2,850; however, the borrower invested less than \$2,800 in the property.

Trident Did Not Verify the Information Entered into the Automated Underwriting System

Asset documentation must comply with Federal Housing Administration requirements. All asset information entered into the Automated Underwriting System must be verifiable and meet Federal Housing Administration requirements for eligibility (HUD Housing Notice 03-25, chapter 1). Trident entered \$5,783 into the Automated Underwriting System as the depository money the borrower had in his account. According to documents in the file, the correct amount in the borrower's account was \$2,456. The correct amount was not rerun through the Automated Underwriting System; therefore, the loan may not have been approved by the system.

Trident Overcharged the Borrower for the Credit Report

Customary and reasonable fees and charges may be collected from the borrower by the lender. The cost for any item charged to the borrower must not exceed the cost paid by the lender or charged to the lender by the service provider (HUD Handbook 4000.2, paragraph 5-2). Trident overcharged the borrower for the credit report.

Case number: 351-4496972

Mortgage amount: \$100,207

Date of loan closing: September 22, 2003

Status: Reinstated by borrower who retains ownership

Payments before first default reported: n/a

Unpaid principal balance: \$97,413

Summary:

Trident (1) did not determine the source of the earnest money deposit, (2) did not ensure that the borrower met the minimum required investment, and (3) overcharged the borrower for the credit report.

Pertinent Details:

Source of Funds for the Earnest Money Deposit Was Not Obtained

If the amount of the earnest money deposit exceeds 2 percent of the sales price, the lender must verify with documentation the deposit amount and the source of funds. Satisfactory documentation includes a copy of the borrower's cancelled check. A certification from the deposit holder acknowledging receipt of funds and separate evidence of the source of funds are also acceptable. Evidence of source of funds includes a verification of deposit or bank statement showing that at the time the deposit was made, the average balance was sufficient to cover the amount of the earnest money deposit (HUD Handbook 4155.1, paragraph 2-10A). The earnest money deposit exceeded 2 percent of the sales price; however, Trident did not determine the source of the funds. The money in the bank accounts is not enough to cover the \$3,000 claimed to be earnest money.

Trident Did Not Ensure That the Borrower Met the Minimum Required Investment

Trident did not ensure that the borrower met the 3 percent minimum required investment in the property as required by HUD (HUD Handbook 4155.1, paragraph 1-7). Based on the property's value, the minimum required investment should have been \$3,030; however, the borrower invested \$2,419 in the property.

Trident Overcharged the Borrower for the Credit Report

Customary and reasonable fees and charges may be collected from the borrower by the lender. The cost for any item charged to the borrower must not exceed the cost paid by the lender or charged to the lender by the service provider (HUD Handbook 4000.2, paragraph 5-2). Trident overcharged the borrower for the credit report.

Case number: 351-4489177

Mortgage amount: \$93,989

Date of loan closing: August 13, 2003

Status: Delinquent

Payments before first default reported: 11

Unpaid principal balance: \$91,969

Summary:

Trident (1) did not properly verify the funds to close, (2) did not properly verify the borrower's employment, and (3) overcharged the borrower for the credit report.

Pertinent Details:

Funds to Close Were Not Properly Verified or Supported

If gift funds are in the homebuyer's bank account, the lender must document the transfer of the funds from the donor to the homebuyer by obtaining a copy of the canceled check or other withdrawal document showing that the withdrawal is from the donor's account. The homebuyer's deposit slip and bank statement that shows the deposit are also required (HUD Handbook 4155.1, paragraph 2-10C.1). No documentation was provided to support the \$2,500 gift that was given to the borrower. There were no bank statements or cancelled checks showing that the gift came from the donor. In addition, there was no bank statement or cancelled check to show that the second gift of \$3,904 was deposited into the borrower's account or was given directly at closing. The funds to close could not be supported.

Trident Did Not Properly Verify the Borrower's Employment

Verification of employment and the borrower's most recent pay stub are to be provided (HUD Handbook 4155.1, paragraph 3-1E). Trident did not provide a verification of employment as required.

Trident Overcharged the Borrower for the Credit Report

Customary and reasonable fees and charges may be collected from the borrower by the lender. The cost for any item charged to the borrower must not exceed the cost paid by the lender or charged to the lender by the service provider (HUD Handbook 4000.2, paragraph 5-2). Trident overcharged the borrower for the credit report.

Case number: 441-7431423

Mortgage amount: \$163,242

Date of loan closing: January 20, 2004

Status: Reinstated by borrower who retains ownership

Payments before first default reported: n/a

Unpaid principal balance: \$159,356

Summary:

Trident did not (1) obtain an explanation for a gap in employment and (2) ensure that the borrower met the minimum required investment.

Pertinent Details:

Trident Did Not Properly Verify the Borrower's Employment

The lender must verify the borrower's employment for the most recent two full years. The borrower also must explain any gaps in employment spanning one month or more (HUD Handbook 4155.1, paragraph 2-6). Trident did not obtain an explanation for the 10-month gap in employment.

Trident Did Not Ensure That the Borrower Met the Minimum Required Investment

Trident did not ensure that the borrower met the 3 percent minimum required investment in the property as required by HUD (HUD Handbook 4155.1, paragraph 1-7). Based on the property's value, the minimum required investment should have been \$5,010; however, the borrower invested \$4,627 in the property. Review of the HUD-1 settlement statement shows that the borrower received more than \$370 back at the end of closing.

Case number: 071-0968687

Mortgage amount: \$152,802

Date of loan closing: November 26, 2003

Status: Accelerated claim disposition

Payments before first default reported: n/a

Claim Paid: \$159,018

Summary:

Trident did not (1) properly verify the funds to close, (2) properly verify the borrower's income, (3) obtain an explanation of the credit inquiries listed on the borrower's credit report, and (4) determine the borrower's payment history of housing obligations.

Pertinent Details:

Funds to Close Were Not Properly Verified or Supported

All funds for the borrower's investment in the property must be verified and documented (HUD Handbook 4155.1, paragraph 2-10). The borrower paid \$7,581 at closing. The borrower's bank account had an ending balance of \$5,879, which included the \$3,400 gift. After adding the remaining \$1,000 in gift money, the total cash available to the borrower was \$6,879. The source of the difference (\$702) is not supported.

Trident Did Not Properly Verify the Borrower's Income

Overtime income may be used to qualify if the borrower has received such income for the past two years and it is likely to continue. The lender must develop an average of overtime income for the past two years, and the employment verification must not state that such income is unlikely to continue (HUD Handbook 4155.1, paragraph 2-7A). In this case, regular time and overtime were used to determine the average income of the borrower, but there was no guarantee that overtime would continue, and it could not be verified that overtime was earned for the past two years.

Credit Inquiries Were Not Explained

The borrower must explain in writing all inquiries shown on the credit report in the last 90 days (HUD Handbook 4155.1, paragraph 2-3B). Trident did not obtain an explanation from the borrower of numerous credit inquiries.

Payment History of Housing Obligations Was Not Determined

A determination must be made of the borrower's payment history of housing obligations through either the credit report, directly from the landlord or mortgage servicer, or cancelled checks covering the most recent 12-month period (HUD Handbook 4155.1, paragraph 2-3A). Trident did not determine the borrower's payment history of housing obligations. There was a printout from the borrower's online bill pay history showing 11 months of rent payment. This is not an acceptable rental verification.

Case number: 441-7340707

Mortgage amount: \$132,914

Date of loan closing: September 25, 2003

Status: Delinquent

Payments before first default reported: 10

Unpaid principal balance: \$129,706

Summary:

Trident (1) did not ensure that all judgments were paid off and (2) overcharged the borrower for the credit report.

Pertinent Details:

Trident Did Not Ensure That All Judgments Were Paid Off

Court-ordered judgments must be paid off before the mortgage loan is eligible for Federal Housing Administration insurance endorsement (HUD Handbook 4155.1, paragraph 2-3C). The judgment listed on the credit report had not been paid off. No explanations were provided.

Trident Overcharged the Borrower for the Credit Report

Customary and reasonable fees and charges may be collected from the borrower by the lender. The cost for any item charged to the borrower must not exceed the cost paid by the lender or charged to the lender by the service provider (HUD Handbook 4000.2, paragraph 5-2). Trident overcharged the borrower for the credit report.

Case number: 441-7335164

Mortgage amount: \$187,435

Date of loan closing: September 30, 2003

Status: Delinquent

Payments before first default reported: 23*

Unpaid principal balance: \$183,199

* NOTE: When selected for review, the number of payments appeared as n/a. The 23 payments refer to when the loan first went delinquent, not when it was first in default.

Summary:

Trident did not (1) verify the source of the earnest money deposit and (2) resubmit the loan into the Automated Underwriting System when material changes were made.

Pertinent Details:

Source of Funds for the Earnest Money Deposit Was Not Obtained

If the amount of the earnest money deposit exceeds 2 percent of the sales price, the lender must verify with documentation the deposit amount and the source of funds. Satisfactory documentation includes a copy of the borrower's cancelled check. A certification from the deposit holder acknowledging receipt of funds and separate evidence of the source of funds are also acceptable. Evidence of source of funds includes a verification of deposit or bank statement showing that at the time the deposit was made, the average balance was sufficient to cover the amount of the earnest money deposit (HUD Handbook 4155.1, paragraph 2-10A). The earnest money deposit exceeded 2 percent of the sales price; however, Trident did not determine the source of the funds. It believed it did not have to determine the source of funds since the earnest money was not included when determining whether the borrower had sufficient funds to close.

Trident Did Not Resubmit the Loan into the Automated Underwriting System When Material Changes Were Made

The lender is responsible for the integrity of the data used to obtain the risk assessment and for resubmitting the loan when material changes are discovered or otherwise occur during loan processing. The lender is required to resubmit the loan through the Automated Underwriting System for an updated evaluation if there were changes to the sales price or terms and conditions of the mortgage (HUD Housing Notice 03-25, chapter 1). Trident stated that the loan was raised by \$4,666 and was never rerun through the

Automated Underwriting System. Trident agreed that the loan should have been rerun through the system since the loan amount was increased.

Case number: 441-7382430

Mortgage amount: \$145,398

Date of loan closing: October 30, 2003

Status: Partial reinstatement

Payments before first default reported: Six

Unpaid principal balance: \$142,670

Summary:

Trident did not properly verify the borrower's employment.

Pertinent Details:

Trident Did Not Properly Verify the Borrower's Employment

Verification of employment and the borrower's most recent pay stub are to be provided (HUD Handbook 4155.1, paragraph 3-1E). There was no verification of employment in the file to verify the borrower's employment for the most recent two full years. Trident agreed that a verification of employment should have been obtained as required by the Automated Underwriting System.