



TEXAS DEPARTMENT OF SAVINGS & MORTGAGE LENDING

Douglas B. Foster
Commissioner

THE EXAMINATION PROCESS: WHAT YOU SHOULD ANTICIPATE

We are scheduling an examination of you, as a licensed Mortgage Broker, and your Loan Officers. We will cover the following three broad areas:

- (1) Whether everyone is properly licensed and in compliance with the general, ongoing licensing requirements (all licensees properly licensed, licenses properly displayed, etc.)
- (2) Whether a representative sample of loan files shows that all licensees are complying with applicable laws (each file should have properly executed applications, state and federal disclosures, and appropriate supporting materials)
- (3) Whether the records that the Mortgage Broker is maintaining are (a) complying with our requirements (see 7 TAC Section 80.13, which can be accessed via our website, www.sml.state.tx.us) and (b) address any issues identified in our review of general operations and specific loan files.

We plan to arrive at the time and location specified in the letter to which this summary is attached. If this is not the location at which you will be available to meet with us and provide the required records, you should contact us IMMEDIATELY.

- 1) **Licensing issues:** We will need to meet with you, as the licensed Broker, to confirm a number of compliance issues. Anyone else you use to assist in managing compliance with licensing issues should also be available. We will look at all issues relating to licensing status including display of licenses and licensing of all branches. We will also inspect for any indication of unlicensed activity.
- 2) **Loan files:** We will select from your Mortgage Transaction Log random loan files for you and for each Loan Officer under your sponsorship. We will expect these files to be complete, organized, and immediately available at the location(s) on file with this office for each licensee as the location for his/her mortgage loan records. We expect each closed loan file to have copies of the signed 1003, all required state and federal disclosures (GFE, TiL, Mortgage Broker Disclosure, dual role disclosure (if applicable), disclosures of any

affiliated business arrangements, appraisal disclosures, servicing disclosures, etc.).

- 3) **Other records:** Other questions may be raised when we review a loan file. These may include how fees that were collected were disbursed or how communications with lenders/investors were being handled. It is extremely important that all of the records you are required to maintain be accessible, just in case these sorts of issues arise.

We will review your advertising files.

If you have had complaints, we will want to look at their status and resolution.

Other considerations:

You should have available a person who is familiar with any automated systems that you use, in case we have questions as to how the systems are being utilized or we need to have information retrieved from the systems.

Contact information for your lenders/investors should be accessible.

You should have a place where our examiner can sit and review records and have access to a phone, a FAX machine, and a copier.

If you have any questions about the examination process that your on-site examiner cannot answer, you should call the above-signed examiner.