

Quality Control FAQ for Underwriting

1. Why do you need to review a file for quality control (QC) if it was already reviewed by an Arch MI underwriter for mortgage insurance?

In addition to monitoring the risk of the loans we insure, QC is also required by the GSEs to meet their Private Mortgage Insurer Eligibility Requirements (PMIERs). To comply, we are required to randomly sample from our entire book of business for both delegated and non-delegated files.

For non-delegated loans, QC is required to review the Arch MI underwriter's decision and the closing package to ensure that the loan closed as it was submitted. For non-delegated loans, QC only requires a review of the closing package and any origination documents that may have been updated after Arch MI Underwriting approved the loan.

2. How often can I expect to have files audited?

Our QC department is required by the GSEs to meet PMIERs rules; however, we also strive to work with you as much as possible through this process.

Random Audit

- Random audits are the most objective type of review.
- Random audits are sampled from the entire book of business.
- Samples are selected on a monthly basis, but they are requested from the individual lender no more than quarterly.

Discretionary Audit

- Discretionary audits focus on higher-risk loans.
- Common discretionary audits include newly delegated lenders, lenders with previous QC concerns and Early Payment Default (EPD) loans. **Note:** QC audits 100% of EPD loans per PMIERs.
- Discretionary audits are selected monthly.
- Audits can be initiated when potential issues are self-reported by a lender. For example, when a lender discovers a guideline infraction, misrepresentation, documentation issue, etc., on a closed file in their pipeline, QC will request the loan for review. **Note:** Lenders are responsible for disclosing to Arch MI when issues are discovered through their own QC reviews, agency reviews, etc.

3. How do I reset my password so I can submit a file using CONNECT?

Our customer service team can reset your password. You can reach a customer service representative at 877-642-4642.

4. Can I electronically submit a file request that contains both UGC Legacy-originated certificates and Arch MI-originated certificates?

Yes, the File Transfer Protocol (FTP) and **CONNECT** submission options accept both UGC Legacy-originated and Arch MI-originated certificate documentation. Please refer to the Quality Control Checklist and Submission Options document for further detail.

5. How long will it be before I receive the results from my QC review?

Arch MI strives to complete all post-close loan reviews within 120 days of the latest insured date. QC reviews loans in the order that they are received. When a review has been completed, you can expect to receive the results via email from QC.

6. How will I receive my results from a QC review?

QC will email you your preliminary — or “draft” — results, and you will have five business days to respond to the findings.

7. What do I do if my results show findings or errors?

Review the findings and respond to Arch MI QC within five business days of receipt of the preliminary results. Response documents and explanations can be submitted through the normal submission process. If you are unsure what is needed to clear up a finding(s), please contact QC via phone or email.

8. How do I make system changes/data corrections for data entry errors cited by QC?

Data corrections and/or system changes for data entry errors are not required by QC. The QC review and any findings are based on information entered into the Arch MI system at the time of submission.

9. When will I receive the results from my QC response?

QC typically reviews responses and issues final results within 10 business days of receipt of your response. We may delay issuing final results beyond 10 days if your loan is uninsurable with the potential for rescission. In this case, we will work with you to resolve, if possible, the issue.

10. What steps does Arch MI require when a lender becomes aware an insured loan has a Significant Defect?

The Insured must notify Arch MI if they become aware that an insured loan is subject to a Significant Defect, Single-Loan Fraud, Pattern Activity or is required by the GSE or the investor to be repurchased based on a Significant Defect, Single-Loan Fraud or Pattern Activity. This notification is called **Self-Reporting** and must be made within thirty (30) days of discovery by the Insured or within thirty (30) days of a required repurchase. After being notified, Arch MI will conduct its own independent QC review of the loan and determine whether the coverage can be retained or needs to be rescinded. If the Insured fails to disclose the Significant Defect to Arch MI in a timely manner, Arch MI has the right to cancel coverage or deny an existing or future claim request.

11. What happens if it is discovered that a borrower misstated, misrepresented or omitted something material at the time of loan origination?

Coverage on a loan with borrower misrepresentation is subject to rescission, except when the borrower misrepresentation is discovered AFTER one of the following occurs:

- a) Arch MI successfully completes a QC review and the borrower makes the first 12 monthly payments on time.
- b) Arch MI successfully completes a QC review after the loan is seasoned at least 12 months.
- c) The 36-Month Test is met.
- d) The 60-Month Test is met.

A successful QC review means that no Significant Defect is uncovered by Arch MI.

12. What is the difference between rescission and cancellation?

A rescission occurs when Arch MI terminates coverage of a loan and returns all premiums received on the affected loan. Coverage is deemed to never have been in force on that loan. Cancellation is when either Arch MI or the Insured terminates coverage. No accrued premiums are returned to the insured with a cancellation.