# ABC Credit Union Internal Audit Department Audit Program for SAFE Act Audit

**Audit Scope:** This audit will focus on compliance with the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act which became effective in 2011. The SAFE Act requires that all credit union employees who act as Mortgage Loan Originators (MLO) be registered with the National Mortgage Licensing System and that the credit union designate a Program Administrator to monitor and ensure compliance with the requirements.

**Audit Objectives**: Determine that CU complies with the requirements of the SAFE Act. We will review the process to identify and register mortgage loan originators in a timely manner; the adequacy of policy, procedures and documentation to ensure compliance with the requirements of the SAFE Act, and required training.

#### Risks

- Non-compliance with SAFE Act requirements.
- Mortgage originators are not properly identified, or not identified in a timely manner, and therefore are not registered prior to taking home loan applications.
- Inadequate documentation to support compliance with the SAFE Act.
- Staff are not properly trained, and therefore do not know or understand the regulatory requirements.

Planning procedures		Done by	Date	W/P Ref
	an audit engagement letter and distribute opriate management.			
2. Hold an	opening meeting with management.			
•	the Work Program based on changes to lation or prior audit recommendations.			
Review Procedures				
Policy/Procedures				
or process practice a. [ b. ] c. [ d. ] e. [ f. ] g. (9. ]	and review any written policies, standards, edures related to the Safe Act Registration and ensure that they reflect current s. Including: Designation of a Registry Contact Person (and delegates) dentification of MLO Registration and renewal of MLO Annual Renewal of Registry Contact Person Unique Identifier Requirements Procedures to confirm accuracy of employee registrations to credit union records.  Outline of actions taken against employee for failure to comply			

- h. Procedures for Third party service providers who have MLO's (if applicable)
- i. Oversight procedures (tracking and monitoring)
- j. Annual testing performed by someone independent of MLO Administrator.
- k. Process to review criminal background history and what actions to take for reports that do not come back clean.
- I. Any administrative procedures performed by HR.
- 2. Review and evaluate procedures to track and monitor compliance with SAFE Act.

### **Training**

- 3. Determine whether the training program is adequate. Determine the following
  - a. Employees are trained prior to taking home loan or mortgage applications.
  - b. MLO Training program should include:
    - i. Registration requirements
    - ii. Unique Identifier Requirements
    - iii. Providing Unique Identifier to Mortgage Loan applicants
    - iv. Updating of information on the Federal Registry when necessary
    - v. Annual update and renewal requirements
  - c. Process in place to provide additional training when significant changes are made to the program.

#### Identification of MLO

- 4. Review the process used by management to identify all MLO's, including new hires and transfers.
- 5. Obtain a copy of the current Registry from the Program Administrator.
  - a. Compare the registry MLO names to a current Organizational Chart. Determine if any employees who may take Home Equity or Mortgage Applications are missing from the Registry.
- 6. Run a report of all home equity and mortgage applications for the past 12 months to determine which employee took the application
  - a. Run a report of all home equity applications, summarizing the count of applications by teller ID.
  - b. Run a report of all mortgage applications, summarizing the count of applications by teller.

 For any employee who has submitted more than 5 applications in the past 12 months (from the two reports above), compare to the current Registry.

Determine that MLO's have not taken more than 5 applications prior to their registration date.

# Registration

- 7. Review the process for registering a MLO.
  - Determine that there is a process in place to validate the information on the Registry to credit union records.
  - b. Review the process for performing criminal background history checks for employees, determine that procedures exist for how to handle the checks that indicate criminal activity or other civil or disciplinary action that may prevent them from being registered as an MLO.
- 8. Also review the process to renew registration (between Nov 1 and Dec 31 each year if initial registration occurred more than 6 months prior). Determine whether adequate documentation is retained for confirmation of registration.
- 9. Document and evaluate the process to identify changes to information (employee is terminated/hired, change in employee name, information provided becomes inaccurate, incomplete or out of date) and update the registry within 30 days.
- 10. Using the CU Registry:
  - a. For a sample of employees,
    - Determine that the employee has provided written release of public information and criminal background information to both BCU and the registry.
    - ii. Determine that the employee has attested to the correctness of all information provided.
    - iii. Trace registry information to HR records to validate the information is accurate.
  - Determine that there are no terminated employees on the Registry listed as still representing the CU (within last 30 days).

- c. Determine accuracy of CU Registry Information.
  - i. Name, main office address, and business contact information
  - ii. Internal Revenue Service Employer Tax Identification Number (EIN)
  - iii. Research Statistics Supervision and Discount (RSSD) number, as issued by the Board of Governors of the Federal Reserve System
  - iv. Identification of its primary Federal regulator
  - v. Name(s) and contact information of the individual(s) with authority to act as the credit union's primary point of contact for the Registry
  - vi. Name(s) and contact information of the individual(s) with authority to enter the information required, and who may delegate this authority to other individuals.

# **Disclosing Unique Identifier**

- 11. Determine how MLOs present the unique identifier number to members when required:
  - a. From the Report run in Step 5 above, select a sample of loans recently funded; review the loan disclosures to determine that the correct Institution ID and MLO number are disclosed properly.
  - b. Select a sample of MLOs and request email signatures to determine if their unique identifier is listed.
  - c. Review a sample of call recordings from real estate applications to ensure that the Unique Identifier was disclosed to the member prior to taking the application.
  - d. For a sample of employees, ask them if they know how to look up MLO numbers for all registered employees.

### Third Party Servicers

12. Confirm that Third Party Service Providers do not take home loan applications. If they do, then ensure that there are procedures for them to comply with program requirements, and that the contract requires compliance and a right to audit clause.

1.	Complete Audit Workpaper File		
	Complete the audit workpaper file and turn them in to be reviewed.		
2.	Complete BBP form		
	Add all issues identified to the Business Best Practice (BBP) form. Determine that all issues are documented appropriately.		
3.	Hold Closing meeting		
	Hold a closing conference with key management members to discuss the results of the audit. Review all findings with Management/obtain their preliminary response.		
4.	Prepare and Distribute Audit Report Draft		
	Prepare a draft version of the audit report. Ensure that all significant recommendations are appropriately included in the report.		
5.	Obtain Management Responses		
	Obtain a management response to all recommendations. Review responses to ensure they address all issues identified.		
6.	Obtain Approval and Distribute Final Report		
	Obtain the CFO's approval of report. Distribute final report to management.		
7.	Final Administrative Procedures		
	Perform the following administrative steps.		
	<ul><li>a) Ensure all review notes are addressed and cleared.</li><li>b) Prepare comment tracking matrix for Supervisory Committee.</li></ul>		