Table of Contents

Table of Contents ........................................................................................................... 1

Chapter 1  Introduction ............................................................................................... 5
  1.1 Goals & Objectives .......................................................................................... 5
  1.2 Required Review ......................................................................................... 5
  1.3 Applicability ................................................................................................. 5

Chapter 2  Monitoring and Quality Control ............................................................. 7

Chapter 3  Staff and Training .................................................................................. 8
  3.1 Ongoing Training ......................................................................................... 8
  3.2 New Hire Training ...................................................................................... 9

Chapter 4  Federal Regulations for Use of Vendors ............................................... 10
  4.1 Requirements .............................................................................................. 10
    4.1.1 Consumer Advocacy ........................................................................... 10
    4.1.2 Consumer Privacy ............................................................................. 10
    4.1.3 Consumer Safeguards ....................................................................... 10
  4.2 Violations ...................................................................................................... 11
  4.3 Compliance .................................................................................................. 11
    4.3.1 Federal Trade Commission (FTC) .................................................... 11
    4.3.2 Federal Housing Finance Agency (FHFA) ....................................... 11
    4.3.3 Department of Housing and Urban Development (HUD) ............. 12
    4.3.4 Federal Deposit Insurance Corporation (FDIC) ............................ 12
    4.3.5 Office of the Comptroller of the Currency .................................... 12
    4.3.6 Board of Governors of the Federal Reserve ................................. 13

Chapter 5  Use of Vendors in Mortgage Lending .................................................... 14
  5.1 Common Vendor Relationships ..................................................................... 14
    5.1.1 Third-Party Originators (TPO) ......................................................... 15
    5.1.2 Credit Reporting Agencies ............................................................... 15
    5.1.3 Appraisal Management .................................................................... 15
    5.1.4 Underwriting ....................................................................................... 16
    5.1.5 Compliance / Quality Control (QC) Reviews .................................. 16
    5.1.6 Mortgage Servicing ........................................................................... 16
5.1.7 Subservicers ................................................................. 16
5.2 Risks Associated with Vendors ........................................ 16
  5.2.1 Reputation ................................................................. 17
  5.2.2 Operational ................................................................. 17
  5.2.3 Credit ................................................................. 17
  5.2.4 Compliance ................................................................. 18
  5.2.5 Transactional / Loan Level ........................................ 18
  5.2.6 Strategic ................................................................. 18
  5.2.7 Vendor Concentration Risk ........................................ 18
  5.2.8 Other ................................................................. 18
5.3 Risk from Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) ........... 19
5.4 Verification of UDAAP Compliance ..................................... 20
  5.4.1 Document Review ..................................................... 20
  5.4.2 Management and Policy-Related Procedures .................. 20
  5.4.3 Ongoing Monitoring ................................................... 21

Chapter 6 Vendor Relations Risk Management Process ......................... 23

  6.1 Step One: Risk Assessment ........................................... 23
    6.1.1 Identify Critical Needs and Objectives ....................... 23
    6.1.2 Appoint Expertise to Oversee and Manage the Activity .... 23
    6.1.3 Perform a Cost / Benefit Analysis ............................. 24
    6.1.4 Anticipate and Manage Customer Expectations ............. 24
  6.2 Step Two: Due Diligence and Vendor Vetting ....................... 24
    6.2.1 Technical and Industry Expertise ............................... 24
    6.2.2 Operations and Controls ........................................... 25
    6.2.3 Financial Condition .................................................. 26
    6.2.4 Miscellaneous .......................................................... 26
  6.3 Step Three: Contract Requirements ................................... 27
    6.3.1 Scope of Arrangement ............................................... 27
    6.3.2 Assignment ............................................................ 28
    6.3.3 Benchmark Reporting ............................................... 28
    6.3.4 Business Continuity ................................................. 28
    6.3.5 Compensation .......................................................... 29
    6.3.6 Compliance ............................................................. 29
    6.3.7 Confidentiality ......................................................... 30
## Vendor Management Policy Manual

### Table of Contents

6.3.8 Consumer Complaints ................................................................. 30  
6.3.9 Default and Termination ............................................................... 30  
6.3.10 Dispute Resolution .................................................................... 31  
6.3.11 Duration .................................................................................. 31  
6.3.12 Foreign-based Vendors ............................................................... 31  
6.3.13 Indemnification ........................................................................ 31  
6.3.14 Information Security ................................................................. 32  
6.3.15 Insurance ................................................................................ 32  
6.3.16 Intellectual Property Ownership ............................................... 33  
6.3.17 Internal Controls ..................................................................... 33  
6.3.18 Limits on Liability .................................................................... 33  
6.3.19 Ownership and License .............................................................. 33  
6.3.20 Performance Standards ............................................................ 34  
6.3.21 Right to Audit .......................................................................... 34  
6.3.22 Subcontracting and Multiple Vendor Relationships .................. 34  
6.3.23 Summary ................................................................................ 35  
6.4 Step Four: Comprehensive Monitoring ............................................ 35  
6.4.1 Monitor Financial Condition ....................................................... 35  
6.4.2 Monitor Controls ....................................................................... 36  
6.4.3 Assess Quality of Service Support ............................................. 36  
6.4.4 Determine Frequency of Monitoring .......................................... 37  

### Chapter 7 Consumer Complaint Management ............................... 38  
7.1 Complaint Tracking ....................................................................... 38  
7.1.1 Tracking System ....................................................................... 38  
7.1.2 Analyzing Trends ..................................................................... 39  
7.2 Complaint Resolution Procedures .................................................. 39  

### Chapter 8 Oversight ...................................................................... 41  
8.1 Documentation ............................................................................... 41  
8.2 Significant Relationships ............................................................... 41  
8.3 Staff .............................................................................................. 42  
8.4 Management ................................................................................ 42  
8.5 Board of Directors ....................................................................... 42  
8.6 Independent Reviews .................................................................... 43  
8.7 Regulatory Review ....................................................................... 44
## Vendor Management Policy Manual
### Table of Contents

**Chapter 9**  
**Appendix** .................................................................................................................. 45

- 9.1 Sample Vendor Assessment / Risk Rating Form ..................................................... 45
- 9.2 Sample Vendor CIP Form ....................................................................................... 55

---

AllRegs by Ellie Mae. © 2013 - 2015 Ellie Mae, Inc. ALL RIGHTS RESERVED. Without the prior written permission of Ellie Mae, no part of this work may be used, reproduced or transmitted in any form or by any means, by or to any party outside of [Sample Client].
Chapter 1 Introduction

This Policy and Procedure Manual shall direct the use and management of vendors of [Sample Client] and/or its vendors. The purpose of this document is to establish minimum standards and maximize performance in overseeing vendor management while eliminating penalties incurred from regulatory noncompliance. It is the expectation of [Sample Client] that all Vendor Management Policies and Procedures be followed as directed to maintain compliance with regulatory standards.

1.1 Goals & Objectives

The standards set out in this policy represent minimum requirements for compliance with consumer protection laws holding lenders/brokers accountable for vendors. The policies contained in this document establish the minimum standards associated with outsourced or vendor-supported work functions. These requirements are intended to prevent [Sample Client], our employees, and vendors from violating federal regulations related to mortgage lending and consumer compliance.

1.2 Required Review

[Sample Client] requires this policy be reviewed no less than annually.

- Last Date of Review – 01/01/20XX
- Next Due for Review – 01/01/20XX

The above required annual review shall include the compliance of this policy with current law, regulation or directive, the procedural implementation of this policy within the then current scope of [Sample Client] business lines and operations, internal audit results received during the previous year, and then current industry trends or regulatory guidance.

1.3 Applicability

The purpose of this policy is to implement vendor management mechanisms as required by the United States statutes and related regulations administered by the CFPB and other regulatory agencies.
Chapter 5 Use of Vendors in Mortgage Lending

Various vendor relationships exist within mortgage lending. These relationships can pose additional business risk.

5.1 Common Vendor Relationships

[Sample Client] recognizes a variety of vendor relationships to which this policy may apply. Examples of some common applicable relationships include the following:

- Loan origination vendors such as third-party originators, credit reporting agencies, appraisers, contract underwriting providers, signing agents, and closers
- Loan servicing vendors such as providers of flood insurance monitoring, debt collection, loss mitigation/foreclosure activities, and subservicers
- Disclosure preparers, such as disclosure preparation software and vendor documentation preparers
- Technology providers such as software vendors and website developers
- Providers of outsourced compliance functions such as companies that provide compliance audits, fair lending reviews, and compliance monitoring activities
- Marketing service providers such as social media sites or those vendors with joint marketing relationships
- Vendors providing back office or clerical support, including document retention or storage services
- Human resources administration vendors performing services such as payroll, bill payment, or funds transfers

Section 1002(26) of the Dodd-Frank Act defines service provider as “any person that provides a material service to a covered person in connection with the offering or provision by such covered person of a consumer financial product or service.” [Sample Client] further acknowledges some relationships with service providers are not in scope for this policy. Section 1002(26)(B) identifies exceptions as follows: “The term “service provider” does not include a person solely by virtue of such person offering or providing to a covered person —(i) a support service of a type provided to businesses generally or a similar ministerial service...” Some vendors are not considered service providers under Dodd-Frank because they do not impact the consumer relationship on a transactional basis. Examples of these relationships include, but are not limited to...
## IMPACT SEVERITY LEVELS

<table>
<thead>
<tr>
<th>Impact Severity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insignificant</td>
<td>Almost no impact if the threat is realized and vulnerability is exploited.</td>
</tr>
<tr>
<td>Minor</td>
<td>Minor effect that will require minimal effort to restore operation.</td>
</tr>
<tr>
<td>Significant</td>
<td>Some negligible yet tangible harm that will require some expenditure of resources to restore operation.</td>
</tr>
<tr>
<td>Damaging</td>
<td>Damage to the reputation of [Sample Client], and/or notable loss of confidence by [Sample Client] stakeholders. Will require expenditure of significant resources to repair.</td>
</tr>
<tr>
<td>Serious</td>
<td>Considerable business disruption and/or loss of customer/business partner confidence. May result in the compromise of services or a large amount of customer/[Sample Client] information.</td>
</tr>
<tr>
<td>Critical</td>
<td>Extended outage or permanent closure, causing operations to resume in a hot site environment. May result in complete compromise of services or confidential information.</td>
</tr>
</tbody>
</table>