

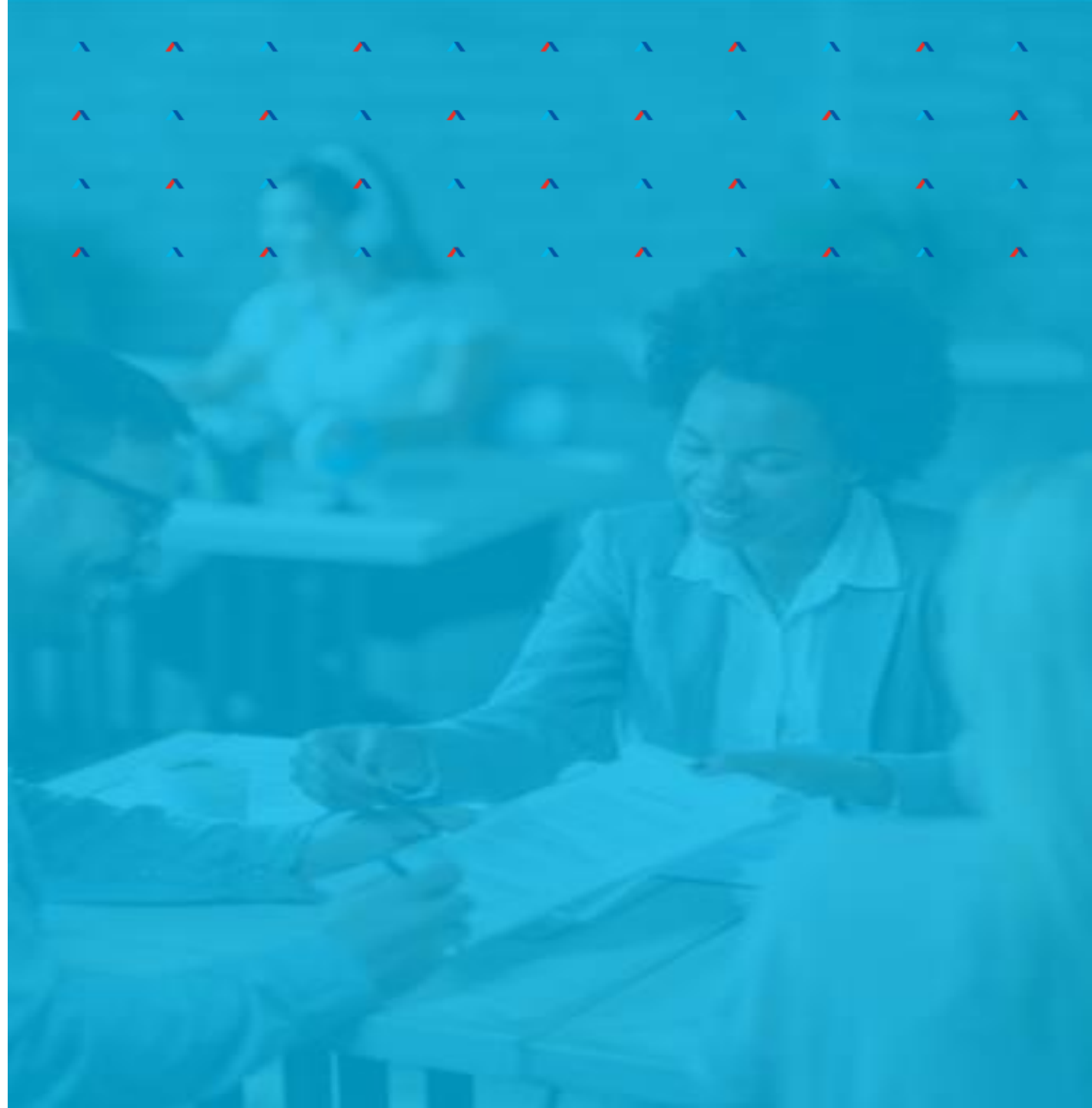


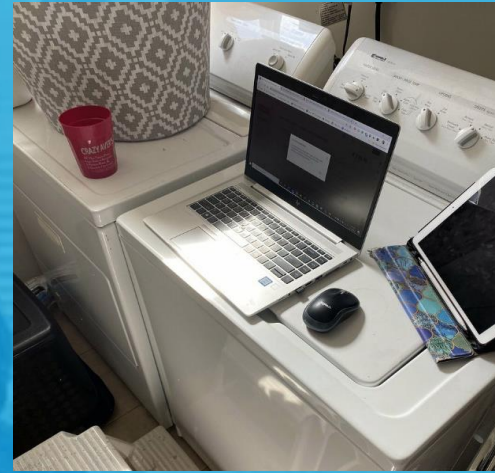
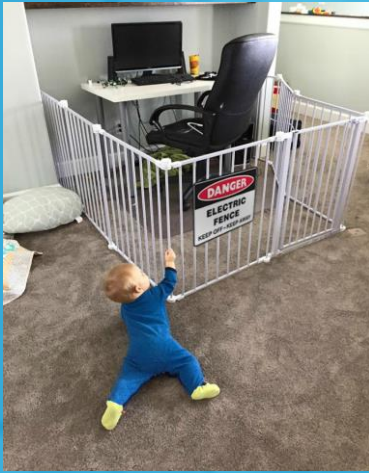
# BUILDING YOUR LENDING OPERATIONS ON A FOUNDATION OF QUALITY

---

**How a Leading Credit Union Achieves  
Optimal Loan Quality Through QC  
Automation**

*Presented by ACES Risk Management (ARMCO), leading provider of enterprise financial risk management solutions*





**KEEP CALM and QC**

# YOUR SPEAKERS

---



**JENILLE FAIRBANKS**

VP of Lending Compliance  
*Mountain America Federal Credit Union*



**KACEY OLSON**

Director of Compliance  
*ARMCO*



**KYLE KEHOE**

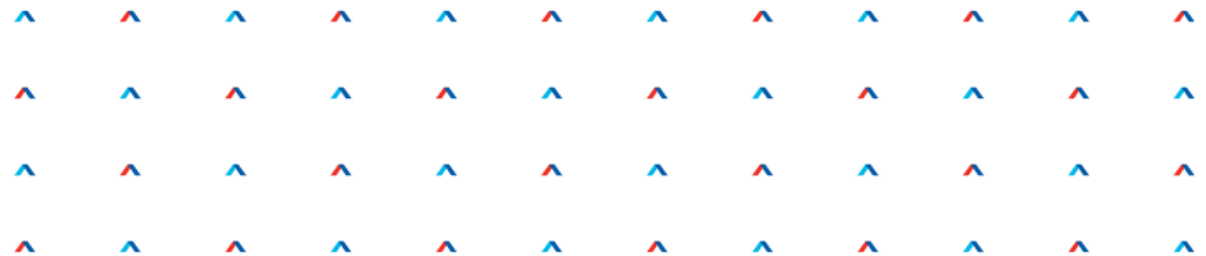
EVP of Sales  
*ARMCO*



# AGENDA

---

- Why QC is critical in the current market (Covid-19)
- Compliance Brief: What to look for and why
- What is loan quality and why it's important
- Achieve optimal loan quality through QC automation





## QUALITY MANAGEMENT & CONTROL PLATFORM

FLEIXBLE TECHNOLOGY | CUSTOMER CENTRIC | BUILT FOR ENTERPRISE



ENSURE COMPLIANCE



FASTER AUDIT SPEED



USER DEFINABLE



EASY SET UP

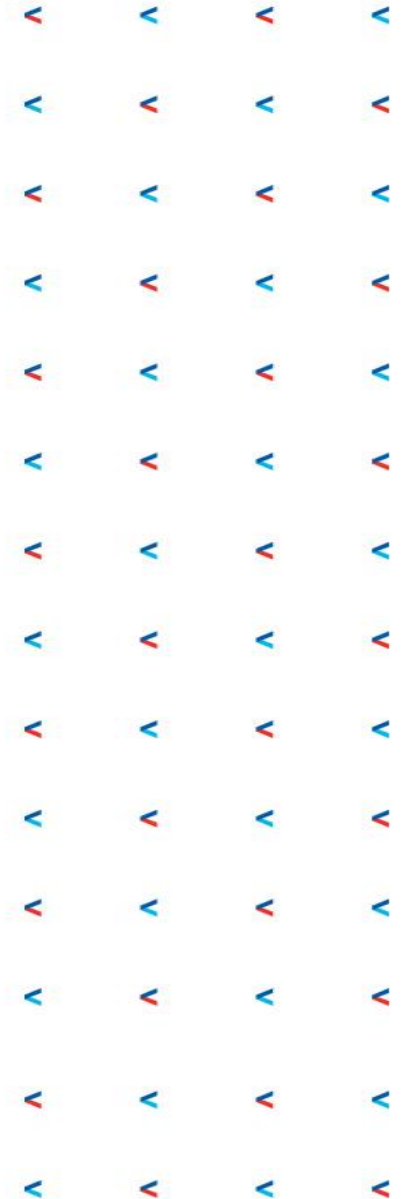
# QC IS CRITICAL

***“Given the growing impact of coronavirus on the global economy and the high degree of uncertainty, high-quality audits are vital to ensure users of financial statements are properly informed.”***

*David Rule, FRC executive director of supervision*

# >493

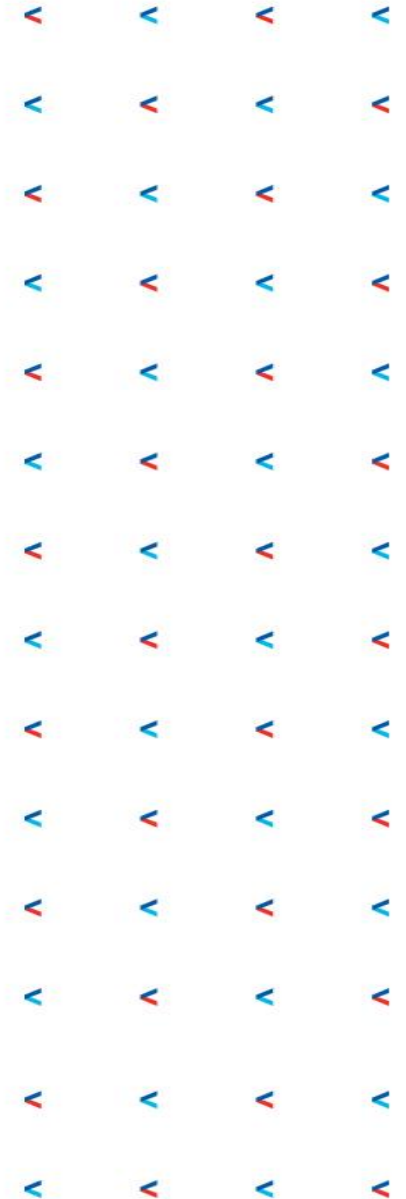
**Questions added to ACES IQ since Covid -19**



## What are you currently using to manage QC & compliance?

---

- Excel spreadsheets
- Outsourcing QC & compliance to a third party
- Loan quality auditing technology
- I'm unsure



# CREDIT UNION GROWTH DRIVING PRIORITIES

Top 3 Priorities in 2020

---

**#1**

**Grow Consumer  
Deposits**

**#2**

**Grow Mortgage  
Loans**

**#3**

**Grow Consumer  
Loans**





# Disparate QC Process

---

- Indirect Auto
- Direct Loans
- Mortgage
- Account Opening
- Branch
- Commercial Lending

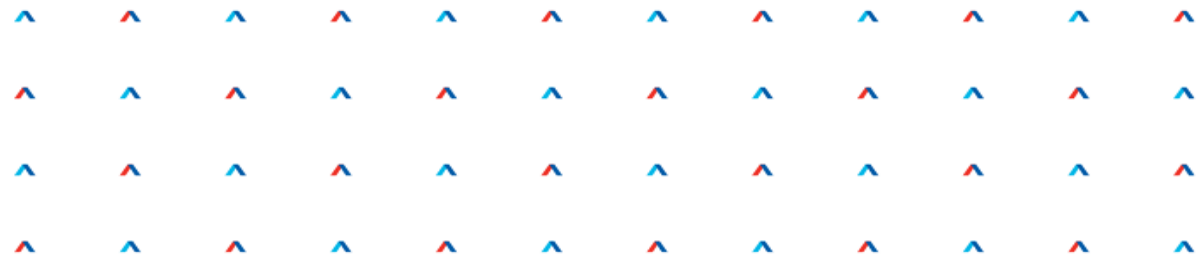
# Top Challenges to Achieving Loan Quality

---

- Keeping up with NCUA, UDAAP, CFPB, GSE and state regs
- **CFPB** has introduced more than 5,000 pages of regulatory changes since its formation in 2011\*
- Slow and cumbersome communication on defects
- Inefficient, antiquated manual processes
- Lack of actionable reporting

# QC Checkup: COVID-19

- Member Communication
- Forbearance / Payment Accommodations
- Credit Reporting
- Property Appraisals / Valuations
- Foreclosures / Evictions / Repossessions
- BSA Reporting / Call Reporting
- SBA Loans
- Documentation



# The Compliance NewsHub

## [www.armco.us/compliance-newshub/](http://www.armco.us/compliance-newshub/)



[Home](#) [Compliance Calendar](#) [Topics +](#) [About](#) [Contact Us](#) [Subscribe Now](#)



## Recent News

[Federal Legislation](#) | April 17, 2020

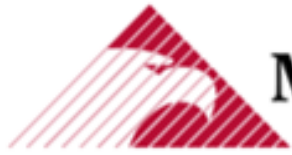
**OCC ISSUES GUIDANCE ON FEMA/FLOOD INSURANCE  
FORCE-PLACE REQUIREMENTS**

MBA Newslink

[Agency | GSE News](#) | April 17, 2020

**GNMA APM 20-04: SERVICEMEMBERS CIVIL RELIEF ACT  
(SCRA) PROCESS IMPROVEMENTS**

GNMA is making changes to the process in how issuers apply for



**MOUNTAIN AMERICA**  
CREDIT UNION



# 13th Largest Credit Union in the U.S

*Over 9 Billion in Assets | Over 870,000 Members*

## Philosophy When It Comes to Loan Quality:

- Strengthens portfolio performance
- Impacts Member Experience
- Reduces risk
- Improves investor confidence and liquidity
- Informs risk decisions



# 4 Keys to Loan Quality

- **Efficiency**
- **Adaptability**
- **Accountability**
- **Data Flexibility**

- **Managed Questionnaires**
- **Communication Portal**
- **Reporting**



# How to Achieve Optimal Loan Quality Through QC Automation

# HOLISTIC QUALITY MANAGEMENT & CONTROL PLATFORM

# ACES<sup>TM</sup> AUDIT TECHNOLOGY

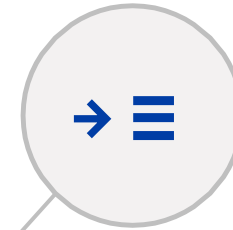
## Reporting Dashboard

70+ Pre-defined reports,  
Hot spot reports, Work -  
load Dashboard, Business  
Objects/Tableau



## Loan Import

Ease in importing data /  
documents from Source  
Systems - (i.e. LOS,  
Servicing System, etc.)



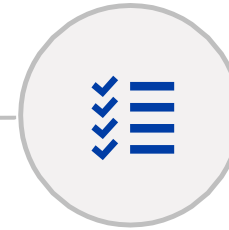
## Communication Portal

Digital platform exception  
handling, Upload trailing  
docs, Filter via area of  
responsibility, Automated  
Past Due & Follow up,  
Conversation Log, Action  
Plan Module



## Audit Creation

Qualified Loan Criteria  
Builder, Copy/Paste Audit  
Selection, Pre/Post/  
Servicing/Targeted/Etc,  
Auto Assignment



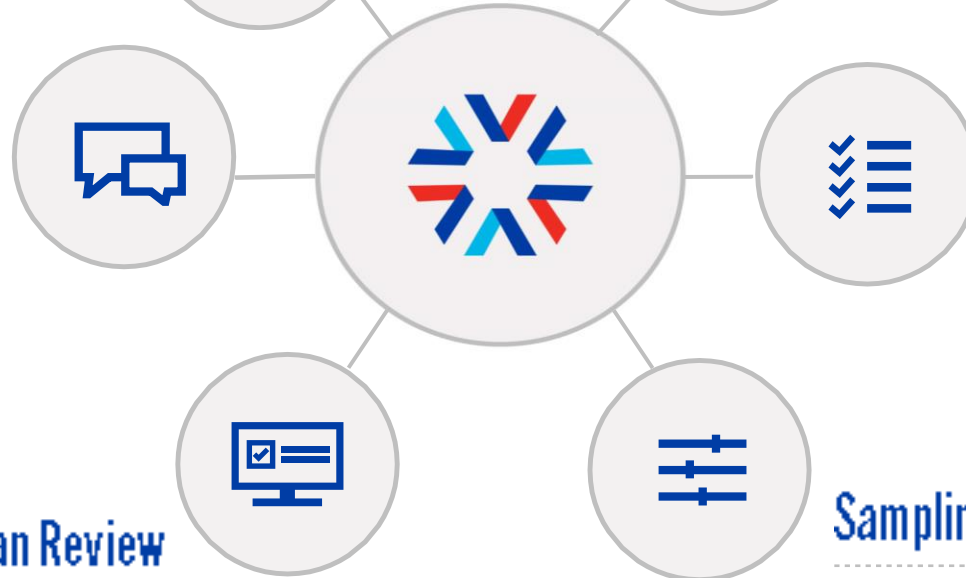
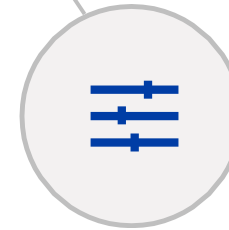
## Loan Review

ARMCO Managed questionnaire,  
OCR Doc Import with ADM,  
ARMCO IQ for HUD, VA, Freddie  
Mac, and CFPB, Dynamic Ques-  
tions, Reverification Bank VOD,  
Tax, Credit



## Sampling Engine

GSE/Agency Compliant  
Random, discretionary,  
target / Statistical /  
Percentage / Rules driven





# ACES<sup>TM</sup>

## AUDIT TECHNOLOGY



INTELLIGENT  
QUESTIONNAIRES



COMMUNICATION  
PORTAL



REPORTING

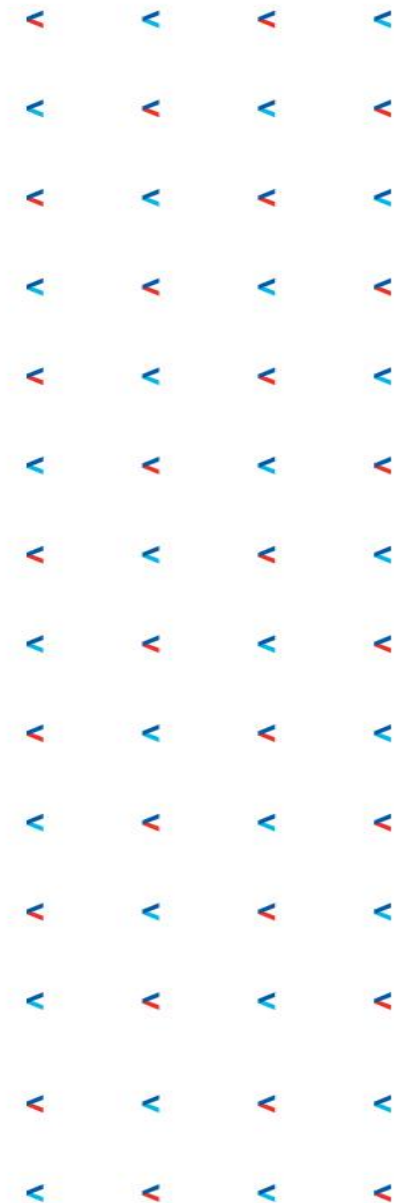


SAMPLING

**INCREASE PRODUCTIVITY BY 50% WITH  
ACES MANAGED QUESTIONNAIRES**

# COMPLIANCE CHECKS

Post Close Mortgage	Consumer (Direct and Indirect)	TILA	Application	Branch
New Deposit	Open End Credit	Consumer Servicing	Consumer Leasing	Marketing
CRA Audit	FNMA	Freddie Mac	HUD	Underwriting
	Fees	Early Payment Defaults		



Audit Comments

2020-02 Consumer Lending Random Audit  
Type: Consumer / Random

90996826 (Howell) ▼

Borrower: **Howell**

Calculated Loan Rating: **Material**  
Assigned Loan Rating:

Loan

Borrowers

Transactions

Information

▼

1. Assigned to Analyst

Consumer Lending 2020-01-01

25 of 28 questions remaining.

Total Number of Exceptions: 4

Mandatory Questions Only

Auto Responses

Answers with Exceptions

Hide Answered Categories

Silent Answers

Answers with Comments

Auto-Collapse Answered Questions

Bank Secrecy Act (BSA) (1/1) | Credit Practices Rule (1/1) | **Denied Applications (3/3)** | Denied Business Applications (1/1)

Reg B Equal Credit Opportunity Act (ECOA) (1/1) | Reg E Electronic Fund Transfer Act (EFTA) (1/1)

Fair and Accurate Credit Transactions Act (FACTA) (1/1) | Fair Credit Reporting Act (FCRA) (0/1) | FinCEN (1/1)

Reg H Federal Reserve System Membership (1/1) | Reg P Gramm-Leach-Bliley Act (1/1) | Military Lending Act (1/1) | PayDay Lending Rule (1/1)

Reg Z TILA (3/3) | Policy & Procedure (8/10)

⚡ Were all Reg B, Equal Credit Opportunity Act (ECOA) denial requirements met?

Not Applicable

Yes, all Reg B ECOA denial requirements were met

Adverse Action Notice was not sent within 30 days of receipt of the complete application (C-ECOA-70133 - ECOA Notice of Action Taken)

Adverse Action Notice did not include all required disclosures (C-ECOA-70133 - ECOA Notice of Action Taken)

⚡ Were all Fair Credit Reporting Act (FCRA) denial requirements met?

Not Applicable

# ACES<sup>TM</sup>

AUDIT TECHNOLOGY



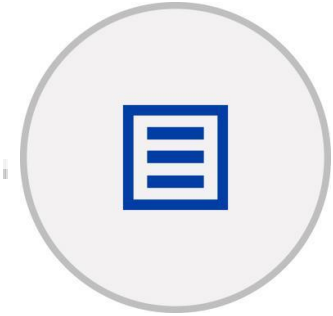
**INTELLIGENT  
QUESTIONNAIRES**



**COMMUNICATION  
PORTAL**



**REPORTING**



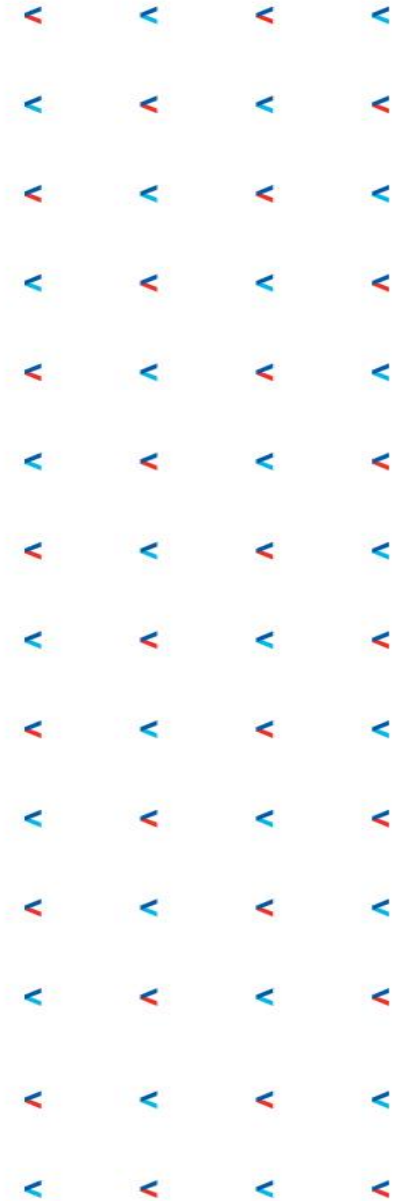
**SAMPLING**

**RESOLVE EXCEPTIONS QUICKLY &  
EFFICIENTLY**

# COMMUNICATION

---

- **Secure** method of communication
- **Discover and relay** critical exception immediately
- **Reliable** audit trail between AOR
- **Create action plans** that prevent risk and satisfy regulators





# Manage Exceptions

13 [Primary Response](#) 13 [My Response](#) 0 [User Response](#) 12 [Past Due](#)

Showing 1 to 10 of 14 Exceptions

Columns

ID	Due Date	Audit	Loan	Borrower Last Name	Exception Name	Primary Recipient	Recipients	Significance	Response Status
1	2/10/2020	2020-01-PC-R-Dilbert	90997914	Miranda	ECOA Race, Color, Religion, National Origin, Sex	Dilbert PortalTest	Recipient	Material	Open
2	2/10/2020	2020-01-PC-R-Dilbert	90997914	Miranda	Counteroffer Disclosure	Dilbert PortalTest	Recipient	Moderate	Open
6	2/16/2020	2020-01-PC-R-Dilbert	90990998	Malone	Compulsory Use of EFT	Dilbert PortalTest	Recipient	Moderate	Open
7	2/16/2020	2020-01-PC-R-Dilbert	90990998	Malone	Extended Alert Process	Dilbert PortalTest	Recipient	Material	Open
8	2/16/2020	2020-01-PC-R-Dilbert	90990998	Malone	Counteroffer Disclosure	Dilbert PortalTest	Recipient	Moderate	Open
9	2/16/2020	2020-01-PC-R-Dilbert	90990998	Malone	TILA Content of Disclosures	Dilbert PortalTest	Recipient	Moderate	Open
10	2/16/2020	2020-01-PC-R-Dilbert	90990998	Malone	TILA Itemization of Amount Financed	Dilbert PortalTest	Recipient	Moderate	Open
11	2/10/2020	2020-01-PC-R-	90995213	Wolf	Compulsory Use of EFT	Dilbert PortalTest	Recipient	Moderate	Open

# ACES<sup>TM</sup>

AUDIT TECHNOLOGY



**INTELLIGENT  
QUESTIONNAIRES**



**COMMUNICATION  
PORTAL**



**REPORTING &  
DASHBOARDING**



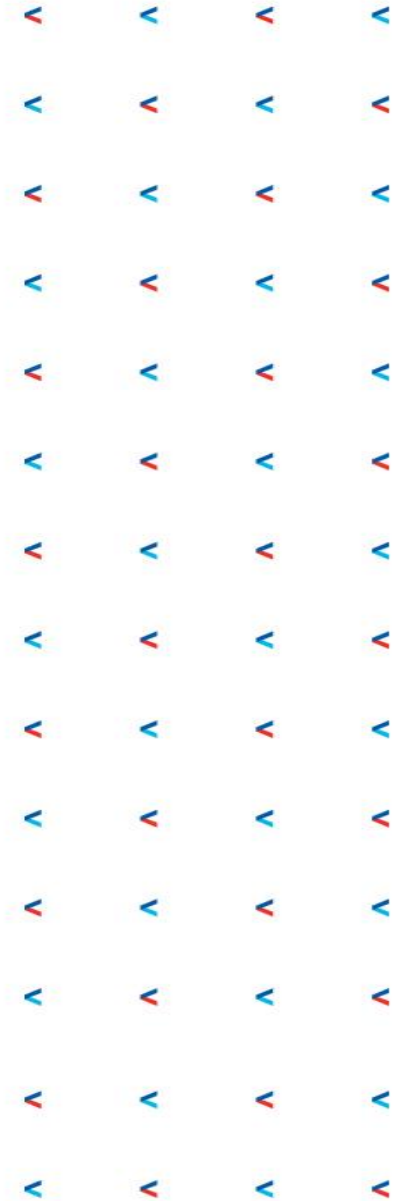
**COMPLIANCE  
NEWSHUB**

**REPORTING AT YOUR FINGERTIPS**

# REPORTING

---

- **Key Performance Indicators** (KPI) for defect rate
- **Identify trends**, outliers and risk-related workflow activity
- **Create custom reports** for executive and regulatory bodies





Document Summary

Print

**Executive Summary**

General

Type: Web Intelligence document  
 Author: Support User  
 Creation date: August 1, 2016 3:36:09 PM G  
 Locale: English (United States)  
 Description: Filter by: Audit Name. Export Document As=All Tabs of Rep Export Current Report=Curre  
 Keywords:

Statistics

Last refresh date: February 27, 2020 4:47: GMT-05:00  
 Last modified: February 12, 2020 6:21: GMT-05:00  
 Last modified by: Auto Testing  
 Duration of previous refresh: 2

Document Options

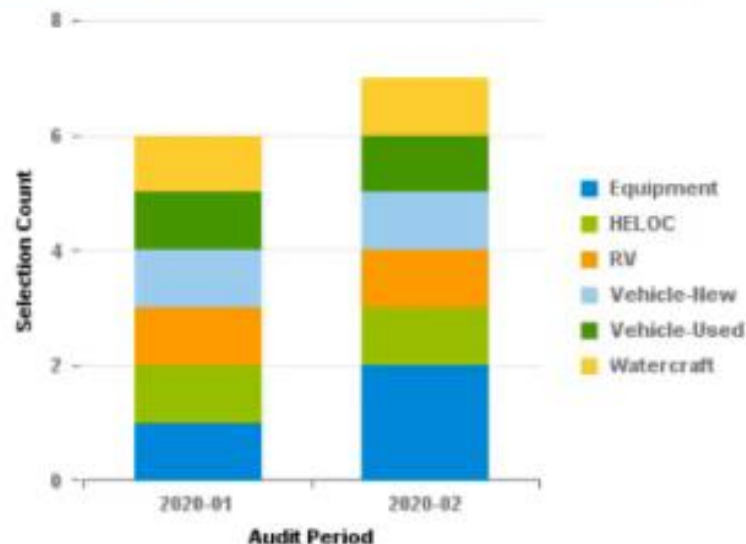
Refresh on open: On  
 Permanent regional formatting: Off  
 Use query drill: Off  
 Enable query stripping: On  
 Hide warning icons in chart: Off  
 Merge prompts (BEx Variables): On

Data Options

Data Tracking: Off

Executive Summary-Selection Trend Summary

By Product Type	2020-01			2020-02		
	Qualified Population	Sample Selection	Selection Percentage	Qualified Population	Sample Selection	Selection Percentage
Equipment	9	1	11.11%	11	2	18.18%
HELOC	3	1	33.33%	3	1	33.33%
RV	5	1	20.00%	5	1	20.00%
Vehicle-New	5	1	20.00%	1	1	100.00%
Vehicle-Used	6	1	16.67%	9	1	11.11%
Watercraft	4	1	25.00%	7	1	14.29%
<b>Sum:</b>	<b>32</b>	<b>6</b>	<b>18.75%</b>	<b>36</b>	<b>7</b>	<b>19.44%</b>





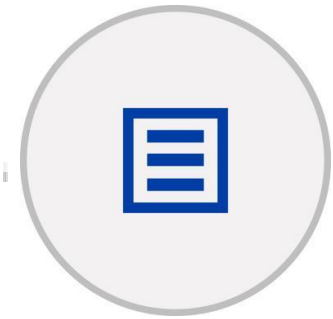
**INTELLIGENT  
QUESTIONNAIRES**



**COMMUNICATION  
PORTAL**



**REPORTING**



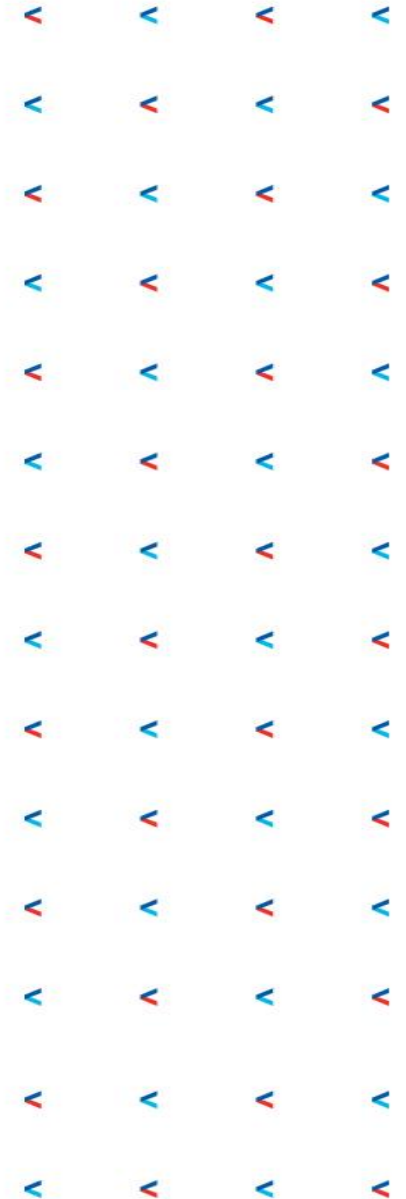
**SAMPLING**

**QUICK & HIGHLY TARGETED SAMPLE  
SELECTIONS**

# SAMPLING

---

- **Accurate and quick** sample selection process
- **Highly targeted** sample selections based on any field
- **Correct Population** across Indirect vs. Direct vs. Mortgage Loans
- **Easily assign** loans to auditors



Active Audit

2020-02-PC-R-Dilbert



Show Completed Audits :

[Audit Comments](#)

2020-02 Consumer Lending Random Audit

Date Range : **2/1/2020 - 2/29/2020**, Type : **Consumer/Random**

Selected Loans : **7**, Completed Loans : **0**. Audit is Incomplete and not ready for completion.



Loan & Borrower information displayed is from the Original Loan Record.

Sampling Options

[Audit Exclusions](#) | [Discretionary](#) | **[Stratified Random](#)** | [Straight Random](#) | [Loan Exclusions](#) | [Other](#)

Use Stratified Random Sampling

Use Statistical Sampling

Percent of Loans  % (empty or 0 means not applicable)

Minimum Number of Loans  (empty or 0 means not applicable)

Maximum Number of Loans  (empty or 0 means not applicable)

Stratification fields :

Available

Account Closed Date  
Account Open Date  
Account Suffix  
Account Type  
Actual Cash Value  
Address 1  
Address 2 (optional)  
Affiliate Code  
Amortization Term (Months)

Selected \*

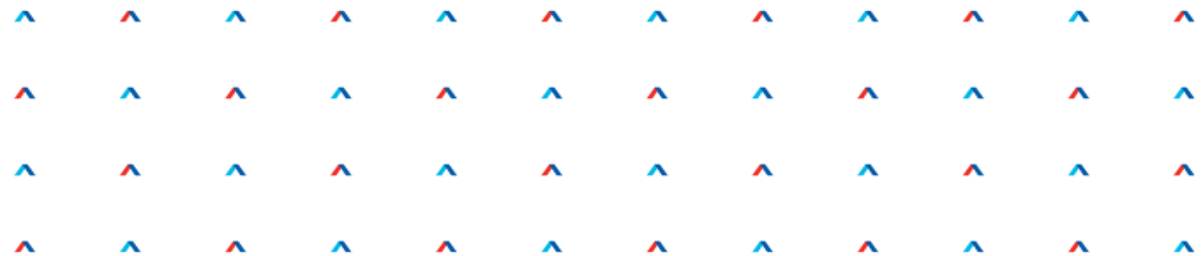


# What We Learned

## QC Automation will:

---

- Reduce risk
- Improve Safety and Soundness practices
- Help with investor confidence and liquidity
- **IMPROVE LOAN QUALITY**



# What's Next

- **Be in the “know”** - Subscribe to the ARMCO Compliance NewsHub
- **Embrace technology:** Invest in a robust compliance and quality control automation technology



# The ARMCO Difference

---

Over half of the **top 25 mortgage lenders** and 33% of the **top 150 lenders and servicers** choose ARMCO.

**AWARD-  
WINNING  
PRODUCTS**

**INDUSTRY  
THOUGHT  
LEADERS**

**CONSULTATIVE  
APPROACH**

**PROVEN  
RETURN ON  
INVESTMENT**



# Quality Control Audit Platform

Improve loan quality for all consumer  
and mortgage product lines

Speak with an ARMCO QC  
expert and receive a custom  
**ROI Analysis**



**KYLE KEHOE** | EVP of Sales & Marketing

EMAIL: [QCSolutions@armco.us](mailto:QCSolutions@armco.us)

PHONE: (800) 858-1598

[ARMCO.us](http://ARMCO.us)

**SCHEDULE A DEMO  
TODAY**