

CarletonAudit helped a Regional lender identify Origination irregularities to achieve ongoing Compliant loan calculations

AUDIT identifies past errors as a pathway to accomplish origination compliance

Challenge

During the middle 1980's, the challenge of the cold war era brought on a philosophy shared by both the United States and Soviet Union - **"Trust but Verify"**. President Ronald Reagan expressed that philosophy as the foundation for a stable world.

That proverb still applies in the foundation for today's financial services world of compliance. As part of the July 2010 Dodd-Frank Act, **lenders are challenged to implement loan origination processes to assure proper loan/lease computations in both their disclosures and loan documents.**

The Consumer Financial Protection Bureau (CFPB) was created one year later in 2011 to essentially execute the process of verifying lender practices adhere to these requirements and litigate violations.

This study represents one lender that confidentially shared their experience using CarletonAudit as a solution to assure compliant loan origination calculations.

- Validate the Math
- Comply to Regulations
- Sustain Best Practices

Solution

In the case of a Mid-Atlantic financial lender that has been in operation more than 20 years, they chose to leverage the CarletonAudit service to **uncover possible sources of errors, make required adjustments to their lending practices, and enforce new complaint processes within their lending operations.**

The Chief Financial Officer (CFO) at this well-established lending organization indicated their successful transformation included the need to first identify their previous practices that appeared to be flawed. He explained **"we didn't know what we didn't know."**

It is important to note that **this lender was looking to significantly grow their business and wanted the assurance that compliant practices were in place.**

The lender needed to locate a **confidential partner with complex loan calculation accuracy expertise at both the state and federal levels**. This partner also needed to validate that the lender's computational data aligned with their lending contracts and loan servicing system.

Given Carleton's involvement in the creation of T&L Reg Z, its **40+ years of loan computation experience**, and as a provider of audit software used by examiners in eleven states to verify loan computations, they knew Carleton had the audit expertise they needed.

They also need a **comprehensive loan computation audit report** that would become the foundation for their operational transformation in both best practices and being a compliant lending organization.

- Identify Calculation & Processing Errors
- Adjust Processes
- Enforce Compliance

The CFO stated, "**Our company culture is that our integrity is everything**, which prompted us to partner with Carleton." **The lender decided to execute a 3-step strategy** to assure they had best compliant practices in place for their future loan growth in their multi-state geographic area.

"We first had to **identify our irregularities**," said the CFO. "Next, we leveraged the findings in the **CarletonAudit report to help eliminate the irregularities** and develop our own new processes for the future. Finally, as part of our ongoing compliance due diligence, **we scheduled periodic CarletonAudit reviews** to demonstrate internally and to any examiners that our loan origination process remained compliant."

CarletonAudit Process: Following the **electronic collection of requested lending data**, Carleton performed an analysis to determine that the loan computations are compliance and alignment **with the regulations, the lending contract agreement, and loan servicing system**. The CIO noted that **no borrower data information was required, only loan financial data**. All elements of the lender's loan computations including fees were reviewed. He commented that the final AUDIT Report was "very thorough" in defining 'Basis of Computations' as well as providing the data validation analysis.

"Carleton financial experts were always clear and professional during the AUDIT process", added the CFO. "After receiving the CarletonAudit report in a timely manner, we made some corrective changes to our processes. **We now know we have a compliant loan origination process in place with a detailed audit reports to support our position.**"

The CIO closed his survey conversation by stating "**our experience was nothing but positive**, and we are a far better organization from the lessons learned through the CarletonAudit experience – we enjoyed and appreciated working with their team."

Key Findings

- 1) The Audit process itself is used to **help identify loan computations that were correct, as well as those in need of correction.**
- 2) The lender in this Case Study made several **assumptions that lending calculation accuracy was being enforced** by their current technology providers.
- 3) The lender stated that **having an independent and collaborative partner** for the Audit process was critical to its success. **Bi-directional communications** both prior to and during the process was essential.
- 4) A comprehensive Audit report can provide not only the details on past performance for accuracy and compliance, but can also serve as **the foundation for future best practices.**
- 5) The lender determined that **periodic Audit reports would be beneficial** to monitor results towards their own targeted efforts document ongoing compliance.
- 6) **CarletonAudit was cited as successfully identifying computational errors in the loan origination system**, while also documenting results used by the lender to help them plan and transition into new processes to assure future computational compliance.