Mortgage Origination Risk Assessment (MORA)

The MORA Review – Successfully Managing the Process

Fannie Mae conducts regular reviews of Fannie Mae Approved Sellers to evaluate compliance with our guidelines and assess the lender’s operational risks. Reviews are conducted by the Mortgage Origination Risk Assessment (MORA) team, which operates independently of customer account relationship management in Fannie Mae’s single-family mortgage business.

A MORA review is intended to be a joint activity conducted by the Fannie Mae team with active participation of the lender. This document is designed to help lenders prepare for a MORA review by detailing the process, outcomes, and expectations for participation. The process steps are described below and include expectations for successful engagement.

1. Select Lender (Fannie Mae Activity)
   Fannie Mae selects lenders for MORA reviews on a quarterly basis and lenders are given advance notice of scheduling. The lifecycle of a review runs approximately 120 days from beginning to end. A MORA reviewer begins the process by compiling the lender’s information before moving to Step 2.

2. Confirmation and Engagement (Fannie Mae and Lender Activity)
   First, the MORA reviewer will collaborate with your Fannie Mae customer account team to:
a) Understand any changes in your organization and/or contract;  
b) Confirm the main contact and location for the review; and  
c) Discuss any outstanding items from previous reviews.

The MORA reviewer will then work to confirm dates to conduct the review and identify a main contact in the lender organization to assist in the submission of documents and/or communications with the MORA reviewer.

Note: Every attempt is made to accommodate scheduling conflicts with the lender; however, scheduling is based on:

a) Last MORA review;  
b) Status of any remediation; and  
c) MORA’s scheduling/staff capacity.

Reviews are conducted over two days, and Fannie Mae will determine whether to meet onsite at your location or via telephone.

IMPORTANT (main contact): It is important that the lender’s assigned main contact for the MORA review be well-versed in your organization’s loan manufacturing processes and able to access loan file documents. This is critical in ensuring that the appropriate documentation is submitted and the individual can effectively communicate with us regarding any preliminary findings based on the documents submitted and/or process evaluation.

Assigning a clerical person to this task is not acceptable if the person is not sufficiently familiar with your process to provide timely documentation/information to successfully complete the review. Lack of an appropriate contact can adversely affect the final assessment of the review.

IMPORTANT (scheduling staff): It is critical that the necessary staff and management be available during the review. Since the review is typically scheduled a few months in advance, it is recommended that you block staff calendars for those days. A preliminary agenda will be sent with your documentation request. The MORA reviewer will also confirm with you, prior to the review, the final schedule for the two days.

Upon confirmation of the schedule, a formal engagement letter and a sample interview agenda will be issued to the designated contact, including a summary of the MORA process and key dates.

3. Documentation Request and Receipt (Fannie Mae and Lender Activity)

Approximately 70 to 80 days prior to the scheduled review date, MORA’s operations team will send a comprehensive list of all required documentation to the main contact. The document will include but not be exclusive to requests for copies of policies, procedures, various reports, and loan files. The MORA reviewer will use these to complete process evaluation (Step 4) prior to the interviews.

IMPORTANT (Documentation Request Instructions): Due to the sequence of the review process, it is critical that requested documents are provided by the due date. The main contact is expected to:

a) Read the entire documentation request carefully;
b) Note the required due dates (when documents must be submitted to Fannie Mae);
c) Understand the required document submission format and follow the LOLA FT Portal Submission Requirements provided to the lender with the documentation request; and
d) Contact the MORA operations lead with any questions or clarifications.

Note: Failure to provide all applicable documents by the due date can adversely affect the final assessment.

4. Process Evaluation (Fannie Mae Activity)

A key component of your review is process evaluation (also referred to as “testing”), which consists of a review of policies, procedures, management reports, and file-level testing. The MORA reviewer’s objective is to validate adherence to Fannie Mae requirements and identify any operational defects that may contribute to loan quality findings. The lender’s policy/process areas reviewed are:

a) Organizational Structure and Governance
b) Origination Channels – Retail, Broker (as applicable), and Correspondent (as applicable)
c) Underwriting and Appraisal
d) Closing/Post-Closing/Funding
e) Pre-Funding and Post-Closing Quality Control
f) Compliance/Internal Audit
g) Secondary Marketing
h) Technology
i) Business Continuity and Disaster Recovery

*Note:* To assist in expediting the review and making an accurate assessment, the MORA reviewer will provide a list of preliminary findings and/or a request for additional information prior to the interview.

**IMPORTANT** (functional area assessments): Each of the referenced areas will be assessed and a rating applied. The ratings are based on all information obtained in the overall review, including file testing, process reviews, and interviews. See “Final Assessment”.

5. Lender Interviews (Lender and Fannie Mae Activity)

Prior to beginning the two-day review, the MORA reviewer will confirm the topic areas and participants with the primary contact and/or a delegate. Interviews are a necessary component to reconcile any questions we have regarding your manufacturing process. These conversations are used to draw a final conclusion between your documented processes and your actual performance and/or to allow you the opportunity to provide any evidence to rebut concerns the MORA reviewer may have.

Day one will start with an entrance meeting to discuss what can be expected over the two days of interviews and what happens after. The remainder of the day will include functional area interviews, typically concluding by 5:00 p.m. Each functional area interview typically requires approximately one hour. The MORA reviewer may work with you to modify the schedule if appropriate.
Day two is generally a half day, but may be extended if additional time is needed to review processes and/or conduct walkthroughs of the physical site and/or systems. The day will conclude with an exit meeting to recap all findings and discuss next steps.

**IMPORTANT** (staff availability): It is critical that the appropriate staff are present and on time for the respective interview. Fannie Mae may request participation of staff in addition to those originally selected by the lender if the MORA reviewer considers it necessary to fully understand your day-to-day operations.

**IMPORTANT** (logistics): It is highly recommended, whenever possible, that one conference room be used for all staff interviews. A conference phone, access to a copier and internet access are also requested.

### 6. Final Assessment (Fannie Mae Activity)

All reviews result in a final assessment review report that includes the findings, applicable corrective actions, and any recommendations based on the results of testing and interviews. This final report compiled by the MORA reviewer always receives a second-level review and is then approved by an authorized Fannie Mae director or officer.

The final report is provided to the lender’s main point of contact approximately 45 days from the exit date. The report will include the final findings, corrective action, recommendations, and functional area ratings.

**IMPORTANT** (functional area ratings): The final report provides MORA’s final assessment by functional area, each being applied one of the following ratings (definitions included):

a) **Acceptable**

*Indicates minimal or no findings identified. Overall, the controls or outcomes in this functional area are satisfactory; however, minor remediation and/or recommendations may be provided to strengthen the functional area.*

b) **Needs Improvement**

*Indicates finding(s) or inconsistencies identified and corrective action will be required to address the deficiencies within a specified time period. An action plan and/or other remedies available under the lender contract may be assessed.*

c) **Unsatisfactory**

*Indicates finding(s) identified and corrective actions have been cited to address the deficiencies within a specified time period. Significant and/or accelerated remediation will be required as stated in the action plan and/or other remedies under the lender contract may be assessed.*

Note: The overall assessment of a functional area is based on the finding identified and the severity of those findings – e.g., high, medium, or low.

*For more information regarding the scope of the MORA review, see “Scope of Review” in Appendix A.*
7. Remediation (Lender Activity)

Once you receive the final report, the following steps are required:

a) Review the final results and corrective actions;
b) Use the Action Plan template to document the steps you plan to take to resolve the finding(s);
c) Within 30 days of the report date, submit the proposed Action Plan to your Customer Account Risk Manager (CARM), who is responsible for reviewing and providing it to MORA’s operations team. The operations team is responsible for tracking findings, confirming completion of corrective actions, and/or any retesting to evidence the effectiveness of the correction; and
d) Begin the remediation process.

**IMPORTANT** (contacts): The CARM is the primary contact for questions regarding your Action Plan. It is highly recommended that you share your draft plan with your CARM prior to the due date (30 days after the report date). Your CARM can review the plan and help you by identifying potential inadequacies. If the plan you submit is not adequate, it will be returned to you for correction and the timeline for corrective action will remain the same. Once remediation has started, all supporting documentation to clear a finding must be submitted through the CARM. You may also consult with your Quality Control Specialist for specific guidance regarding Fannie Mae’s quality control requirements, or your Technology Account Manager for guidance regarding loan delivery data.