Testing a Metric

 $\frac{\frac{\text{Offlice of}}{\text{Mortgage Settlement}}}{\text{Oversight}}$

The Internal Review Groups tested and my professional firms retested the banks on each metric during pre-negotiated time periods based on the bank's implementation of the servicing standards. The graphic below illustrates the process by which the metrics for each bank were tested.

Each metric tests the compliance with particular servicing standards. The Monitor and banks negotiated a schedule for when to test the 29 metrics.

Step One:

Bank implements servicing standards

IRG requests any additional information from the bank.

IRG team tests samples of loans related to specific metrics. The IRG uses a sampling methodology based on a 95% confidence level, 5% estimated error rate, and 2% margin of error.

IRG reviews each loan to determine whether the loan passes or fails the metric test questions.

Bank reports any potential violation to the Monitoring Committee within 15 days of the quarterly report.

Bank develops corrective action plan (CAP) for Monitor's approval; bank implements CAP.

If the potential violation is found to be widespread, the bank implements, under the Monitor's supervision, a remediation plan for all individual borrowers materially harmed by the violation.

The IRG resumes testing in the cure period, which is generally the quarter after the CAP is completed.

SPF selects subsamples and reviews work papers of IRG. PPF and Monitor oversee this process.

Step Two:

Testing by Internal Review Group (IRG)

Step Three:

IRG
submits
Compliance
Review
Report
to the
Monitor

Step Four:

Retesting by SPF, PPF and Monitor

Step Five:

Monitor submits report on metrics to the D.C.

If SPF results differ from IRG results, SPF follows up with IRG and requests any additional information. IRG adjusts test results if necessary.