



Increase Profitability.  
Improve Performance.  
Manage Risk.

## **The Mortgage Risk Assessment Matrix**

Many companies are struggling with the “new normal” in mortgage originations. The blowback from poorly originated loans, inadequate underwriting guidelines and the bursting housing bubble is severe. Repurchase risk continues to increase. Senior managers routinely try to predict the benefits or damage that might be caused by implementing or failing to implement proper risk controls. The Risk Assessment Matrix (RAM) can be viewed as a logical extension of that process.

### **The Risk Assessment Process**

Mortgage companies are subject to many types of risk. The RAM provides a compliance document to properly identify, measure, and prioritize the significant risks across all functions of the mortgage process and list specific controls to properly mitigate these risks.

An effective RAM should be easy to understand, have clear objectives and purpose and not require extensive risk assessment knowledge to use. When done properly, a RAM gives managers and employees an easy tool to use to discuss inherent risks to the operation and a way to control them.

### **Building a RAM**

The initial risk assessment should involve employees with direct knowledge of the work being performed. The steps to build a RAM include:

- Developing a list of risks that can affect the successful achievement of the company’s goals.
- Determining the risk level (High, Medium, Low) and describing the potential risk or exposure to the company.
- Identifying the operating and oversight controls (reports) required to measure and manage the risks and determining the frequency of measurement.
- Reviewing and assigning responsibility for each control.

The next page contains an example of a secondary marketing RAM.

**Example of a Risk Assessment Matrix**

**Department: Secondary Marketing**

**Function: Secondary Marketing**

Risk Type: Operational					
Risk Level	Potential Risk/ Exposure	Control	Responsibility	Measurement	Frequency
<b>H I G H</b>	Risks that loans cannot be delivered to end investor due to operational issues	Temporary unsaleable report prepared by RLO for review by Secondary Marketing and Risk Committee	Operations Manager	Temporary Unsaleable Report	Weekly
		Aged inventory report prepared by RLO for review by Secondary Marketing and Risk Committee	Operations Manager	Aged Inventory Report	Monthly
<b>H I G H</b>	Backlog in registrations results in loans not being hedged	Work flow reports prepared by the registration desk	Operations Manager	Registration and processing key indicators report	Weekly

Risk Type: Fallout					
Risk Level	Potential Risk/ Exposure	Control	Responsibility	Measurement	Frequency
<b>H I G H</b>	Risk that due to downward rate movement loans do not close or are not delivered	Fallout reports to measure historical trends by business channel, by total, by product	Secondary Marketing Manager	Fallout Report	Monthly