

FEATURES

Volume 28, No. 2

12 Exotics and Toxics and Nightmares—Oh My!

BY LYNETTE I. HOTCHKISS AND ANGELA J. CHEEK

Nontraditional mortgage loans—whether called “affordability products,” “exotic mortgages,” “toxic loans,” or “nightmare mortgages”—are one of the most discussed issues in mortgage lending today. Some view these exotic mortgage products as offering useful choices for borrowers; others say these loans are the riskiest and most complicated home loan products or the most dangerous type of loan ever introduced. This article examines these nontraditional loans and the compliance implications thereof.

20 What Do Trends in HMDA Pricing Data Mean?

BY ELAINE FORTOWSKY, PH.D., AND DAVID M. SKANDERSON, PH.D.

As HMDA pricing data become available publicly, we can expect more focus on the trends suggested by those figures. If those figures are trending in the “wrong” direction, there may be pressure from regulators, community groups, and bank management to explain what the bank is going to do about it. This article explains how the answers depend on market interest rate changes on both the amount of reported higher-priced lending and the prohibited-basis disparities in those figures. Understanding these nuances can be important to effectively managing a bank’s fair lending and reputation risk.

26 The Ins and Outs of Compliance Outsourcing

BY RAFFI FESTEJKIAN

Successfully complying with the barrage of disparate regulatory requirements can be costly and time consuming. As a result, many financial institutions are turning to outside experts for help with ensuring that their compliance programs are running at peak efficiency, as well as for assistance with specific tasks from regression analysis to regulatory exam preparation. For many banks, outsourcing’s perceived threat to security is waning as third-party providers develop the necessary tools and technology to address security and data integrity concerns.

34 Interesting Times for Appraisals

BY THOMAS D. BOYLE, MAI

One old Chinese blessing has a darker side: “May you live in interesting times.” As the proverb suggests, what begins as an interesting occurrence sometimes becomes more challenging to keep up with as events unfold. The IRS tax code is one modern example; another is the ongoing efforts of federal agencies and The Appraisal Foundation to address the ever-evolving world of lending and appraising. This article explores the many layers of what appraisals mean to compliance professionals to deliver a better understanding of revised rules and guidance.



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