

# ABA Bank Compliance

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## 8 Subprime Lending Litigation: Survey, Safeguards, and Strategies

BY WILLIAM J. HOLLEY II AND JEFF NIELSEN

According to most prognosticators, the subprime tsunami is just beginning to take shape and the final size and scope of its impact will not be clear for some time. Much like the turbulence rippling through the credit markets, the number of subprime-related lawsuits continues to spiral upward. Not unlike previous crises affecting financial markets, the repercussions will be felt by financial institutions that engaged in subprime lending, those that did not, and many other segments of the economy. This article identifies practical measures intended to head off lawsuits.

## 16 AML Independent Testing: Building a Strong Foundation

BY AMI KIM, CRCM, CAMS

Anti-money laundering (AML) enforcement actions lit a fire under bank CEOs all over the country because of the immediate hit to their banks' bottom lines. Reports of banks accepting suitcases of cash from wealthy customers or ignoring millions of dollars of suspicious wire transfers strained bank compliance officers' credulity—and spurred an urgency about compliance training. But AML enforcement actions are not just about exotic locales and customers. Recent AML enforcement actions have included lessons about independent testing—a mandatory component of AML compliance programs and a critical piece of the foundation of a bank's AML control environment.



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CRCM, CRP

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## 22 Managing Risk in Mortgage Broker Relationships

BY KATHLYN L. FARRELL, CRCM, CAMS

One of the unfortunate memories from 2007–2008 will be the mortgage lending meltdown. The mortgage market, heated to never-before-seen levels in the previous few years, resulted in a record rate of homeownership—69 percent—among Americans in 2004. However, in such a lucrative market there is always the temptation for fraud. The very profitable business of brokering mortgage loans has also attracted record levels of mortgage fraud. When the economy turns and foreclosures increase, as happened in 2007, the fraudulent activity that stays hidden in better times is exposed.

## 30 Business Continuity: Why Compliance Matters

BY DOUG JOHNSON

Beatle John Lennon wrote, “Life is what happens to you while you’re busy making other plans...” In the business continuity world, the followup to Lennon’s lyric is “but plan anyway.” Certainly the emergency that your bank encounters will be different, or have different characteristics, than anything you have ultimately planned for. Regardless, any plan you have in place will go a long way toward speeding your bank’s recovery.

## 36 21 Things to Do Before Your Next BSA Exam

BY TERI L. DOWNEY, CRCM, CAMS, CFSA, CFIRS

This article provides a valuable to-do list for your next Bank Secrecy Act (BSA) exam, which could save time and money. The best way to prepare for your exam is to test elements of your BSA program and correct any deficiencies before your examiners find them.

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