

ABA Bank Compliance

Volume 29, No.6

12 Post-Meltdown Mortgage Lending Strategies

BY EDWARD B. KRAMER

The last several months have been trying for the financial services marketplace, as a number of large lenders, Wall Street giants, and big insurance companies either collapsed or needed to be rescued by the government. Although it may be hard to believe given the recent turmoil, there can be a bright future for banks, especially small to mid-size ones, when it comes to mortgage lending. In fact, many of these banks are already expanding their mortgage lending operations, adding production offices, and snapping up loan officers from defunct lenders as part of a strategy to gain market share during the current downturn. With far less competition than a year ago, small to mid-size banks are, or will be, pursuing perhaps their most aggressive mortgage expansions in more than a decade in the hope of becoming major lenders in the next five years.

20 Meaningful Results from Effective Risk Management

BY JEFF ROTH AND WALLY MUSEGADES

Basel II, Sarbanes-Oxley, and increased regulatory scrutiny are the catalysts for a renewed emphasis on risk assessment and internal control. The regulatory environment has triggered exhaustive efforts to identify, document, and assess key operational, financial, and compliance risks, as well as the primary control activities that mitigate these risks. However, without active scrutiny of the internal control infrastructure the risk management exercise of identifying risks and documenting controls will have little impact on the flow of losses and violations or the reduction of risk exposure. It's not just about documentation. The objective of an effective risk management program is to make a meaningful contribution to business results.

DEPARTMENTS

Compliance Management 4

BY CARL G. PRY, CRCM

Governance 8

BY PAUL R. OSBORNE,
CPA, CPO, AMLP, AND
TROY M. LA HUIS, CAMS

Training Room 40

BY MEG SCZYRBA, CRCM

Resources 42

Continuing Education Quiz 44



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30 The Four Ps: Writing Policies, Procedures, Practices, and Programs that Pass Muster

BY WYLLI FOOTE, CRCM

The terminology may differ and the intensity with which the words are delivered will vary, but the message behind statements from examiners to bankers is clear: Something in the bank's risk management or compliance activities is amiss and must be fixed.

In that situation, risk managers/compliance officers face two issues: (1) how to first establish and then put on paper the bank policies, procedures, practices and programs that will pass an examiner's review; and (2) when examiners take issue, how to translate statements like those above into language that will generate the internal support for the required changes.

34 Compliance Risk Assessments: A Community Bank Approach

BY LAUREN M. SPARKS, CRCM, CAMS, AMLP

Large and small community banks are one of the fastest growing segments of the U.S. financial services market. Management challenges arise for these banks because every year they pursue more complex business activities and the regulatory environment in which they operate expands each year as well. According to Federal Reserve statistics, between 2003 and 2006, more than 850 depository institutions paid a combined total of nearly \$500 million in fines resulting from compliance violations. Against that statistical backdrop, it is not surprising that bank regulators are increasing their focus on the compliance risk management process. Regulators are putting more pressure on banks to understand their compliance risks and to implement the programs needed to manage those risks effectively. A compliance risk assessment is an essential first step in that process.

ABA Bank Compliance

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Article reprints are available in
quantities of 25 or more. For more
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POSTMASTER

Send address changes to *ABA Bank Compliance*,
American Bankers Association,
1120 Connecticut Avenue, N.W.,
Washington, DC 20036-3971.

Periodicals Postage Paid at Washington, DC,
and additional mailing offices.
Printed in the USA.

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ABA Bank Compliance (ISSN 0887-0187) is a product of ABA's Center for Regulatory Compliance. *ABA Bank Compliance* is published bimonthly.