

# Protecting Your Company: Rules-Based Systems and Fraud Detection

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## REGULATORY COMPLIANCE: High Cost Laws

- How many different jurisdictions have high cost threshold tests?
  1. Less than 10
  2. Between 10 & 20
  3. Between 20-30
  4. More than 30

## High Cost Laws

- What is the definition of “total loan amount” for points and fees calculations?
  1. The face amount of the note.
  2. The amount financed minus any cost listed in section 226.32(b)(1)(iii) and section 226.32(b)(1)(iv) that is both included as points and fees under section 226.32 (b) (1) and financed by the creditor.
  3. Principal amount of the loan minus those points and fees that are included in the principal amount of the loan.
  4. All of the above.

## Calculations

- What is the correct “drop-off” point for private mortgage insurance?
  1. 78% of the lesser of the sales price or appraised value
  2. 75% of appraised value
  3. After 50% of the amortization term has transpired
  4. All of the above

## Calculations

- How do you properly calculate the APR for a hybrid pay-option ARM with a 5 year interest only period?

## Licensing

- A licensed Mortgage Banker in New Jersey can make a junior lien loan.
  1. True
  2. False

## Licensing

- What license do you need to in order to make a junior lien loan in Texas if the rate on the loan exceeds 10%? (Assume no exemption applies).
  1. Mortgage Broker License
  2. Mortgage Banker License
  3. Regulated Lender License

## State Laws

- What is the maximum interest rate you can charge on a first lien loan in Kansas?
  1. An amount equal to 1 ½ percentage points above the yield of thirty-year fixed rate conventional home mortgages committed for delivery within 61 to 90 days accepted under the federal home loan mortgage corporation's daily offerings for sale on the last day on which commitments for such mortgages were received in the preceding month.
  2. A periodic finance charge not to exceed 18% per annum.
  3. As agreed by the parties.

## State Laws

- What is the maximum late fee that can be charged on a subordinate lien loan in Indiana?
  1. \$16.00
  2. \$16.50
  3. \$17.00
  4. No statutory limit

## State Laws

- Which of the following fees can be charged to the borrower in a subordinate lien loan in Maryland?
  1. Application Fee
  2. Settlement or Closing Fee
  3. Notary Fee
  4. Courier Fee

## FRAUD DETECTION

- What were the total losses due to mortgage fraud last year?
  1. \$100 million
  2. \$500 million
  3. \$750 million
  4. Over \$1 billion

## FRAUD DETECTION

- What is the difference between fraud for housing and fraud for profit?
  - » Fraud for Housing: Minor misrepresentations by the applicant solely for the purpose of purchasing a property for a primary residence.
    - This scheme usually involves a single loan.
    - Though an applicant may embellish income and conceal debt, his/her intent is to repay the loan.
  - » Fraud for Profit: Often involves multiple loans and elaborate schemes perpetrated to gain illicit proceeds from property sales.
    - Gross misrepresentations on loan documents are common.
    - Participants are frequently paid for their participation.

## FRAUD DETECTION

- How many mortgage fraud Suspicious Activity Reports did the FBI receive in 2005?

1. 12,332

2. 21,994

3. 17,435

## FRAUD DETECTION

- What were the top 5 states for mortgage fraud in 2005?
  1. Florida
  2. Utah
  3. Georgia
  4. Colorado
  5. Illinois

## FRAUD DETECTION

- On a scale of 1 to 5 (5 = very good, 1 = very poor) can you rate your organization on its efforts to combat mortgage fraud?
- Do you know your organization's losses due to mortgage fraud last year?
- Have you adjusted your reserves to provide for increased early payment defaults this year?
- Is your organization prepared for a likely increase in fraud losses as we enter the next foreclosure cycle?