

Joint Press Release

June 29, 2007

Federal Financial Regulatory Agencies Issue Final Statement on Subprime Mortgage Lending

Office of the Comptroller of the Currency

Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

Office of Thrift Supervision

National Credit Union Administration

For immediate release

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The federal financial regulatory agencies today issued a final *Statement on Subprime Mortgage Lending* to address issues relating to certain adjustable-rate mortgage (ARM) products that can cause payment shock.

The statement describes the prudent safety and soundness and consumer protection standards that institutions should follow to ensure borrowers obtain loans they can afford to repay. These standards include a fully indexed, fully amortized qualification for borrowers and cautions on risk-layering features, including an expectation that stated income and reduced documentation should be accepted only if there are documented mitigating factors that clearly minimize the need for verification of a borrower's repayment capacity. Consumer protection standards include clear and balanced product disclosures to customers and limits on prepayment penalties that allow for a reasonable period of time, typically at least 60 days, for customers to refinance prior to the expiration of the initial fixed interest rate period without penalty.

The statement reinforces the April 17, 2007 interagency *Statement on Working with Borrowers*, in which the agencies encouraged institutions to work constructively with residential borrowers who are financially unable or reasonably expected to be unable to meet their contractual payment obligations on their home loans. Workout arrangements that are consistent with safe and sound lending practices are generally in the long-term best interest of both the financial institution and the borrower.

The agencies published the proposed *Statement on Subprime Mortgage Lending* for comment on March 8, 2007. Comments were received from financial institutions, trade associations, consumer and community organizations, members of Congress, state and local officials, and members of the public. The agencies made a number of changes to the proposal to respond to commenters' concerns and to provide additional clarity.

The *Statement on Subprime Mortgage Lending* is attached.

 [Attachment](#)

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