

Joint Press Release

July 17, 2007

Federal and State Agencies Announce Pilot Project to Improve Supervision of Subprime Mortgage Lenders

Board of Governors of the Federal Reserve System

Office of Thrift Supervision

Federal Trade Commission

Conference of State Bank Supervisors

American Association of Residential Mortgage Regulators

For immediate release

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Three federal agencies and two associations of state regulators will cooperate in an innovative pilot project to conduct targeted consumer-protection compliance reviews of selected non-depository lenders with significant subprime mortgage operations.

The collaborative state/federal pilot is scheduled to begin in the fourth quarter of this year and will focus on non-depository subsidiaries of bank and thrift holding companies, as well as mortgage brokers doing business with, or working for, these entities. Additionally, the states will conduct coordinated examinations of independent state-licensed subprime lenders and their associated mortgage brokers. The agencies will select a sample of entities under their respective supervisory or other authorities for review or investigation. The agencies will also share information about the reviews and investigations, take action as appropriate, collaborate on the lessons learned, and seek ways to better cooperate in ensuring effective and consistent reviews of these institutions.

The agencies collaborating on the effort are the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the Federal Trade Commission, and state agencies represented by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. By joining together in applying a coordinated review program, the regulatory agencies will be better positioned to evaluate and more consistently assess subprime mortgage lending practices across a broad range of mortgage lenders and other participants within the industry.

The agencies will evaluate the companies' underwriting standards, as well as senior management oversight of the risk-management practices used for ensuring compliance with state and federal consumer protection regulations and laws, including the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Federal Trade Commission Act, and the Home Ownership and Equity Protection Act. The agencies

will initiate appropriate corrective or enforcement action as warranted by the findings of the reviews or investigations.

At the conclusion of the reviews, the agencies will analyze the results and determine whether the project is to be continued. If so, the agencies will determine the focus of future reviews at that time.

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