



ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

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REGULATORY ALERT

MB/BK-13-02

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previously issued August 28, 2007 MB/BK-07-02

TO: Department of Financial Institutions' ("DFI") Mortgage Licensees

FROM: Robert D. Charlton, Assistant Superintendent

RE: **Adoption of Statement on Subprime Mortgage Lending**

On June 29, 2007, the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA) publicly released the Statement on Subprime Mortgage Lending (Subprime Statement). The Statement applies to all banks and their subsidiaries, bank holding companies and their nonblank subsidiaries, savings associations and their subsidiaries, and credit unions.

Recognizing that the interagency Subprime Statement does not apply to subprime loan originations of independent mortgage lenders and mortgage brokers, the Conference of State Bank Supervisors (CSBS), the American Association of Residential Mortgage Regulators (AARMR) and the National Association of Consumer Credit Administrators (NACCA) developed a parallel statement, issued on July 17, 2007.

CSBS, AARMR and NACCA strongly support the purpose of the Subprime Statement and are committed to promoting uniform application of the Statement's origination and underwriting standards for all mortgage brokers and lenders. DFI has adopted the parallel Statement because it promotes consistent regulation in the mortgage market and to clarify how residential mortgage providers can offer subprime products in a way that clearly discloses the risks borrowers may assume.

These guidelines are designed to level the playing field in the mortgage market in order to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans. You are strongly encouraged to consider this Statement as a "best practice" and as an additional tool to assist you in maintaining compliance with Arizona Revised Statutes (A.R.S. §§ 6-909 and 6-947).

For questions regarding this Regulatory Alert or the Statement, please contact Robert D. Charlton, Assistant Superintendent, at (602) 771-2800 extension 12777.