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Iowa Division of Banking Adopts Regulatory Guidance on Nontraditional Mortgage Products

Iowa Superintendent of Banking Tom Gronstal today announced the adoption of a set of regulatory guidelines for state-licensed entities offering nontraditional mortgage loans. The guidelines are designed to promote the best practices mortgage providers should use when making nontraditional mortgage loans in Iowa. The guidelines are being distributed to all residential mortgage providers licensed by the Iowa Division of Banking.

The guidance was developed by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) and applies to state-licensed mortgage bankers, mortgage brokers, and loan companies. The guidance is intended to promote consistent regulation in the mortgage market and to clarify how residential mortgage providers can offer nontraditional mortgage products in a way that clearly discloses the risks borrowers may assume.

Superintendent Gronstal said, "These guidelines are designed to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans."

The CSBS/AARMR guidance parallels final guidance released on September 29, 2006 by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration.

That interagency guidance, however, applies only to insured financial institutions and their affiliates. To promote consistency, the CSBS/AARMR guidance substantially mirrors the interagency guidance, except for the deletion of sections inapplicable to non-depository institutions.

Gronstal commented that CSBS and AARMR's goal is for all states to adopt the guidelines so that all consumers will be equally protected and all originators of residential mortgages will be subject to similar supervisory guidance.

The Iowa Division of Banking regulates 342 state-chartered banks, 110 loan companies, 737 mortgage bankers and brokers, and over 5,000 individual mortgage loan originators.

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