

September 20, 2007

## **Iowa Division of Banking Adopts Statement on Subprime Mortgage Lending**

Iowa Division of Banking Superintendent Tom Gronstal announced the adoption of regulatory guidelines designed to promote the best practices mortgage providers should use when marketing and making certain subprime loans to Iowa borrowers. The regulatory guidelines cover underwriting standards, management practices, and consumer protection provisions that mortgage originators should follow when marketing certain adjustable-rate mortgage (ARM) products to subprime borrowers.

The statement was developed by the Conference of State Bank Supervisors (CSBS), the American Association of Residential Mortgage Regulators (AARMR), and the National Association of Consumer Credit Administrators (NACCA) in response to the federal financial regulatory agencies' Statement on Subprime Mortgage Lending that was released on June 29. CSBS, AARMR, and NACCA developed the statement to apply to lenders not regulated by the federal financial regulatory agencies.

"We believe a coordinated effort among federal and state regulatory agencies is necessary to provide consistent and effective overall supervision of the mortgage industry," stated Gronstal.

The CSBS/AARMR/NACCA guidance substantially mirrors the federal interagency statement agreed upon by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration, and supported by the FFIEC's State Liaison Committee.

However, the state mortgage regulators modified the statement to address issues particular to non-depository mortgage lenders and brokers who originate loans but do not hold them in portfolio. These lenders are generally licensed and regulated by the states.

In conjunction with the 2006 Interagency Guidance on Nontraditional Mortgage Product Risks, the statement offers sound underwriting and consumer protection principles that institutions and all residential mortgage providers should consider when making residential mortgage loans.

In the near future, state regulators also plan to issue examination guidance for state examiners to use in evaluating state-licensed mortgage lender's compliance with the Statement on Subprime Mortgage Lending and the 2006 Guidance on Nontraditional Mortgage Products.

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