



IDAHO
DEPARTMENT OF FINANCE

C. L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

Contact: Michael Larsen
Consumer Finance Bureau Chief
(208) 332-8000

NEWS RELEASE

For Immediate Release

August 8, 2007

IDAHO DEPARTMENT OF FINANCE ADOPTS INDUSTRY GUIDANCE ON SUBPRIME MORTGAGE LENDING

Boise, Idaho ... Gavin Gee, Director of the Idaho Department of Finance today announced the adoption of regulatory guidance covering underwriting standards, management practices, and consumer protection provisions that mortgage originators should follow when marketing and selling certain adjustable-rate mortgage (ARM) products to subprime borrowers. The guidance is officially designated as "The Statement on Subprime Mortgage Lending."

The Guidance 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. To promote nationwide uniformity in the mortgage marketplace, CSBS, AARMR, and NACCA developed the Guidance to apply to lenders not regulated by the federal financial regulatory agencies. Currently more than half the states are in the process of adopting or have adopted the Guidance.

"This Guidance addresses the concerns we have identified in the sub-prime mortgage markets," stated Gee. "We believe a coordinated effort among federal and state regulatory agencies is necessary to provide consistent and effective policy and overall supervision of the mortgage industry."

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 Federal Financial Institutions Examination Council's State Liaison Committee.

CONSUMER FINANCE BUREAU

Bureau Chief – Michael Larsen

800 Park Blvd, Suite 200, Boise, ID 83712

Mail To: P.O. Box 83720, Boise ID 83720-0031

Phone: (208) 332-8002 Fax: (208) 332-8099

<http://finance.idaho.gov>

PROTECTING THE INTEGRITY OF IDAHO FINANCIAL MARKETS SINCE 1905

NEWSRELEASE

August 8, 2007

Page 2

However, the state mortgage regulators modified the Guidance 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 Interagency Guidance on Nontraditional Mortgage Product Risks, adopted by the Department of Finance on November 27, 2006, the Guidance offers sound underwriting and consumer protection principles that institutions and all residential mortgage providers should consider when making residential mortgage loans. Some of those principles include:

- Mortgage providers' analysis of a borrower's repayment capacity should include an evaluation of the borrower's ability to repay the debt by its final maturity at the fully indexed rate, assuming a fully amortizing repayment schedule.
- A mortgage provider's analysis of a borrower's debt-to-income ratio should include an assessment of a borrower's total monthly debt obligations as a percentage of gross monthly income.
- Recognizing that loans to subprime borrowers present elevated credit risk, providers should verify and document the borrower's income (both source and amount), assets and liabilities. Stated income and reduced documentation loans to subprime borrowers should be accepted only if there are mitigating factors that clearly minimize the need for direct verification of repayment capacity. Reliance on such factors also should be documented.

Gee said the Idaho Department of Finance has also adopted Model Examination Guidelines developed by CSBS and AARMR for use by state regulators nationwide for examining lenders and brokers offering subprime and non-traditional mortgage loans to consumers. The Statement on Subprime Mortgage Lending and the Model Examination Guidelines are available on the Department's website at:

<http://finance.idaho.gov/DeptPolicies.aspx>

The Idaho Department of Finance currently licenses and regulates 1,922 mortgage broker/lender companies, 4,720 individual mortgage loan originators, and 1,600 consumer finance companies conducting business in Idaho.

* * *

Department of Finance Press Releases and other information can be found on the Internet via the worldwide web at <http://finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378