

Rhode Island Department of Business Regulation (“Department”) Adopts Statement on Subprime Mortgage Lending

A. Michael Marques, Director of Business Regulation 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 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 and loan brokers 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 *Marques*.

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 loan brokers who originate loans but do not hold them in portfolio. These lenders and loan brokers 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.

Beyond the Statement on Subprime Mortgage Lending, state regulators also plan to issue Examination Guidance for state supervisors to use in evaluating state-licensed mortgage lenders’ compliance with the new requirements on lending to subprime borrowers.

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