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STATE OF LOUISIANA
OFFICE OF FINANCIAL INSTITUTIONS
BATON ROUGE, LOUISIANA



John Ducrest, CPA
Commissioner

PRESS RELEASE
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Louisiana Office of Financial Institutions Adopts Regulatory Statement on Subprime Mortgage Lending

Commissioner John Ducrest, CPA, 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 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 Commissioner Ducrest. The Office of Financial Institutions endorses the statement which is attached hereto and is also posted on the Office website: www.ofi.louisiana.gov. All Louisiana licensed mortgage originators, mortgage lenders, mortgage brokers, their officers, directors and their employees are strongly encouraged to review and comply with the Statement.

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.

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