



ALABAMA BANKING DEPARTMENT ADOPTS SUB-PRIME LENDING AND NON- TRADITIONAL MORTGAGE GUIDELINES

In two separate press releases issued today, the Alabama Banking Department announced the adoption of regulatory guidance on subprime mortgage lending and on non-traditional mortgage products. With regard to sub-prime lending, today's statement specifically addresses underwriting standards, management practices and consumer protection provisions for mortgage originators in their offerings of adjustable-rate mortgage products to subprime borrowers. With regard to non-traditional mortgage products, today's announcement speaks to the adoption of guidelines covering the marketing of non-traditional mortgages by state-licensed entities.

State banking department officials stressed to CBAA that these guidelines are not in addition to the already imposed federal guidelines, impose no additional rules upon Alabama's state-chartered banks, and that regulators are not looking as much for isolated incidents but general patterns or practices that may not be in accordance with federal guidelines.

The statement on sub-prime mortgage lending 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. According to the press release, the joint statement was developed to apply to lenders not regulated by the federal financial regulatory agencies.

Separately, the guidelines on non-traditional mortgage products, developed by CSBS and AARMR, apply to state-licensed mortgage brokers and companies and are intended to promote consistent regulation in the mortgage market and clarify how providers can offer non-traditional mortgage products in a way that clearly discloses borrower risks.

Banking Superintendent John Harrison stated, "These guidelines are designed to level the playing field in the mortgage market in order to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans."

State chartered banks may expect to receive the announcements and guidelines by mail within the next few business days. Questions may be directed to **Deputy Superintendent of Banks Trabo Reed** via email at Trabo.Reed@Banking.Alabama.gov or by calling the department at 334-242-3542. Also, non-depository licensee questions may be directed to **Bureau of Loans Supervisor Scott Corcadden** at Scott.Corcadden@Banking.Alabama.gov or by calling the department.

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