4-17-2007

Federal Regulators Encourage Institutions to Work with Mortgage Borrowers Who Are Unable to Make Their Payments

Federal Reserve System: Board of Governors

United States: Federal Deposit Insurance Corporation (FDIC)

United States: National Credit Union Administration (NCUA)

United States: Department of the Treasury: Office of the Comptroller of the Currency (OCC)

United States: Department of the Treasury: Office of Thrift Supervision

Joint Press Release

April 17, 2007

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The federal bank, thrift and credit union regulatory agencies are encouraging financial institutions to work with homeowners who are unable to make mortgage payments. Prudent workout arrangements that are consistent with safe and sound lending practices are generally in the long-term best interest of both the financial institution and the borrower. Institutions will not face regulatory penalties if they pursue reasonable workout arrangements with borrowers.

Borrowers who are unable to make their mortgage payments should contact their lender or servicer as soon as possible to discuss available options. Examples of constructive workout arrangements include modifying loan terms, and/or moving borrowers from variable-rate loans to fixed-rate loans. Bank and thrift programs that transition low- or moderate-income homeowners from higher-cost loans to lower-cost loans may also receive favorable consideration under the Community Reinvestment Act (CRA), provided the loans are made in a safe and sound manner. Federal credit unions are exempt from CRA requirements.

The agencies want to remind their institutions that existing regulatory guidance and accounting standards do not require immediate foreclosure on homes when borrowers fall behind on payments. In addition, under the Homeownership Counseling Act, institutions are required to inform delinquent borrowers about the availability of homeownership counseling. Institutions should also consider working with reputable consumer-based organizations to help financially stressed borrowers avoid predatory foreclosure rescue scams.

The agencies' statement is attached.

Attachment

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Last Update: April 17, 2007