

**MORTGAGE BANKERS ASSOCIATION**  
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**A Multistate Report on Adoption of CSBS/AARMR Guidelines  
re Non-Traditional Mortgage Product Risks**

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On November 13, 2006, the two associations of state agencies that regulate and license private mortgage brokers and mortgage companies – the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) – issued model guidance on how the private mortgage banking industry can continue to offer non-traditional mortgage products in a way that clearly discloses the inherent risks that borrowers may assume, and originate such loan products in a manner that does not bear unreasonable risk of repayment on the consumer (“CSBS/AARMR Guidance”).

In order to maintain regulatory consistency, the CSBS/AARMR Guidance is designed to closely follow, where applicable to non-depository mortgage brokers and lenders, the Final Interagency Guidance On Nontraditional Mortgage Product Risks published just weeks earlier on October 4, 2006, by the five Federal agencies that regulate depository institutions, operating subsidiaries, and their holding companies – Federal Reserve Board, Office of the Comptroller of the Currency, Office of Thrift Supervisions, Federal Deposit Insurance Corporation, and National Credit Union Administration [71 *Federal Register* Number 192, Pages 58609-58618].

Again, the CSBS/AARMR Guidance is merely a model for each state to consider for state regulatory agency adoption as well as for consideration by state legislatures. **As of this writing, the California Department of Corporations has made no public announcement of its intention to adopt the CSBS/AARMR Guidance as an administrative rule or policy statement.** The CSBS/AARMR Guidance has been adopted by state mortgage banking regulators in thirty-three (33) states. For continuing updates on state adoption of the

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CSBS/AARMR Guidance, look to  
[www.csbs.org/Content/NavigationMenu/RegulatoryAffairs/FederalAgencyGuidanceDatabase/State\\_Implementation.htm](http://www.csbs.org/Content/NavigationMenu/RegulatoryAffairs/FederalAgencyGuidanceDatabase/State_Implementation.htm).

State	Date of Adoption	Manner of Adoption	Comments
Arizona	2/22/2007	Regulatory Alert MB/BK-07-01 was issued by the Department of Financial Institutions announcing its adoption of the guidance in its entirety.	Mortgage licensees are encouraged to consider this guidance as a “best practice” and as an additional tool to assist in maintaining compliance with AZ law, ARS Sections 6-909 and 6-947.
Connecticut	11/16/2006	Dept of Banking issued Supervisory Guidance on Nontraditional Mortgage Products.	An agency endorsement of the guidance.
District of Columbia	12/5/2006	Department of Insurance, Securities and Banking adopted the guidance in its entirety and posted it on its website, <a href="http://www.dc.gov">www.dc.gov</a> .	
Georgia	11/14/2006	Department of Banking and Finance adopted the guidance in its entirety and posted it on its website at <a href="http://www.gadbf.org/bulletins.html#PR">www.gadbf.org/bulletins.html#PR</a> .	This guidance should be used as a <u>best practices document</u> when utilizing nontraditional mortgage products.
Hawaii	11/15/2006	Department of Commerce and Consumer Affairs adopted the guidance as industry “best practices” guidelines for state-licensed mortgage brokers and mortgage lenders. <a href="http://www.dcca.hawaii.gov">www.dcca.hawaii.gov</a> .	
Idaho	11/15/2006	Department of Finance adopted the guidance in its entirety and made it available on its website, <a href="http://www.finance.idaho.gov">www.finance.idaho.gov</a> .	
Indiana	11/20/2006	Industry Letter -- “Department of Financial Institutions Endorses Guidance on Nontraditional Mortgage Product Risks”	An agency endorsement of the guidance and invitation for comment from

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State	Date of Adoption	Manner of Adoption	Comments
			interested parties (licensees).
Iowa	11/14/2006	Division of Banking adopted the guidance in its entirety and distributed it to residential mortgage licensees.	
Kentucky	11/28/2006	Office of Financial Institutions adopted the guidance in its entirety and made it available on its website, <a href="http://www.kfi.ky.gov">www.kfi.ky.gov</a> .	
Louisiana	3/16/2007	Office of Financial Institutions adopted the guidance in its entirety and made it available on its website, <a href="http://www.ofi.louisiana.gov">www.ofi.louisiana.gov</a> .	Deemed to be regulatory "best practices" covering the marketing, loan terms and underwriting standards for nontraditional mortgages by state-licensed entities.
Massachusetts	11/14/2006	Industry Letter issued by the Office of Consumer Affairs & Business Regulation announcing its intention to issue Regulatory Bulletin 5.1-103.	Comment period ended 12/4/2006. Bulletin 5.1-103 was approved, effective 1/8/2007.
Michigan	12/21/2006	Office of Financial and Insurance Services adopted the guidance in its entirety and made it available on its website, <a href="http://www.michigan.gov/ofis">www.michigan.gov/ofis</a> .	Deemed to be regulatory "best practices" covering the marketing, loan terms and underwriting standards for nontraditional mortgages by state-licensed entities.
Minnesota		CSBS/AARMR Guidelines are posted on the Department of Commerce's website, <a href="http://www.state.mn.us">www.state.mn.us</a> within the Residential Mortgage Originator informational webpage.	
Mississippi	12/15/2006	Department of Banking and Consumer Finance adopted the guidance in its entirety and made it available on its website,	To strengthen these guidelines, the Department announced

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State	Date of Adoption	Manner of Adoption	Comments
		<a href="http://www.dbcf.state.ms.us">www.dbcf.state.ms.us</a> .	a formal regulation will be issued to incorporate the main points of the guidance. As of this writing, no regulatory proposal has been published for comment.
Missouri		CSBS/AARMR guidance posted on agency website, <a href="http://www.missouri-finance.gov">www.missouri-finance.gov</a> .	
Montana	11/13/2006	Division of Banking and Financial Institutions adopted the guidance in its entirety and made it available on its website, <a href="http://www.banking.mt.gov">www.banking.mt.gov</a> .	
Nebraska	1/30/2007	Department of Banking and Finance adopted the guidance in its entirety and made it available on its website, <a href="http://www.ndbf.org">www.ndbf.org</a> .	
New Hampshire	11/13/2006	Department of Banking and Finance adopted the guidance in its entirety and made it available on its website, <a href="http://www.nh.gov/banking">www.nh.gov/banking</a> .	
New Jersey	1/8/2007	Department of Banking and Insurance issued Bulletin No. 07-01 to all state licensed mortgage bankers, correspondent mortgage bankers, mortgage brokers, secondary lenders and registered mortgage solicitors announcing its endorsement of the guidance in its entirety.	Bulletin 07-01 encourages licensees to review and follow the guidance as posted at <a href="http://www.csbs.org">www.csbs.org</a> .
North Carolina	11/29/2006	NC Banking Commission announced the issuance of proposed guidance taken in its entirety from the CSBS/AARMR Guidance. The guidance is available on its website at <a href="http://www.nccob.org">www.nccob.org</a> .	Public comment period ended 1/29/2007. State guidance, with examiner guidance, was finalized 3/12/2007.
North Dakota		Guidance is posted in its entirety on the Department of Financial Institutions' website.	

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State	Date of Adoption	Manner of Adoption	Comments
Ohio	1/3/2007	Department of Commerce adopted the guidance in its entirety and posted it on its website at <a href="http://www.com.state.oh.us">www.com.state.oh.us</a> . Copies of the state adopted guidance were separately sent out to licensed mortgage brokers and second mortgage lenders.	
Oregon	1/18/2007	Department of Consumer and Business Services, Division of Finance and Corporate Securities adopted the guidance in its entirety and posted it on its website at <a href="http://www.dfcs.oregon.gov">www.dfcs.oregon.gov</a> .	
Pennsylvania	4/13/2007	Department of Banking issued an Industry Letter to licensed mortgage professionals endorsing the guidance and posting it on its website at <a href="http://www.banking.state.pa.us">www.banking.state.pa.us</a> .	"We believe that this document provides excellent insight regarding appropriate, effective and sound business practices in the mortgage marketplace."
South Dakota	11/28/2006	Division of Banking adopted the guidance in its entirety and posted it on its website at <a href="http://www.state.sd.us">www.state.sd.us</a> .	
Tennessee	3/30/2007	Department of Financial Institutions issued Bulletin C-07-01 announcing its adoption of the guidance in its entirety. The guidance is posted at <a href="http://www.state.tn.us/dfi/compliance">www.state.tn.us/dfi/compliance</a> .	Informal adoption of guidance to be treated as "best practices" model.
Texas – Office of Consumer Credit Commissioner		CSBS/AARMR guidance published on agency website.	
Texas – Dept of Savings and Mortgage Lending		CSBS/AARMR guidance published on agency website.	
Utah – Division of Real Estate	January 2007 Newsletter	CSBS/AARMR guidance reported in agency newsletter.	

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State	Date of Adoption	Manner of Adoption	Comments
Vermont	11/27/2006	Banking Division issued its Banking Bulletin #29 – “Guidance to Vermont Licensees on Nontraditional Mortgage Products” adopting the guidance in its entirety.	
Virginia	3/29/2007	Administrative Letter #1611 adopts the CSBS/AARMR guidance in its entirety. Letter 1611 is available at <a href="http://www.sci.virginia.gov/division/banking">www.sci.virginia.gov/division/banking</a> .  The Bureau of Financial Institutions has posted on its website (“Consumer Affairs and Information”) the Federal Interagency publication, “Interest-only Mortgage Payments and Payment-Option ARMs – Are they For You?”	
Washington	11/30/2006	Industry Letter From WA DFI Director Scott Jarvis Addressed to Consumer Loan Licensees, Mortgage Broker Licensees, and Exempt Mortgage Brokers Subject to Authority of RCW 19.146	Advises of DFI’s adoption of guidance as an additional tool in determining whether a lender or mortgage broker is in compliance with prohibited practices under RCW 31.04.027(1), (2), (3), (6) and RCW 19.146.0201(1), (2), (3), (7).
Wyoming	11/15/2006	Division of Banking issues a press release announcing adoption of the guidance in its entirety.	Advises of DoB’s adoption of guidelines, “designed to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans.”

Still more states are contemplating adoption of the CSBS/AARMR Guidelines.

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State	Manner of Proposal
California	SB 385 (Machado) would require the Departments of Corporations and Real Estate to apply the CSBS/AARMR guidance to its mortgage licensees with oversight by the umbrella agency Business, Transportation and Housing; authorize the Commissioners to issue emergency and final regulations to clarify application of the guidance; and require licensees to adopt and adhere to policies and procedures intended to achieve the guidance's objectives. SB 385 would also require the Department of Financial Institutions to impose the Federal Interagency Guidance on Non-Traditional Mortgage Product Risks on state chartered depository institutions.

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