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#### MEDIA RELEASE / July 31, 2007

##### **American Association of Residential Mortgage Regulators**

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##### **Conference of State Bank Supervisors**

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#### **State Financial Regulators Issue Model Examination Guidelines for State-Licensed Subprime Mortgage Lenders and Mortgage Brokers**

WASHINGTON D.C. — The American Association of Residential Mortgage Regulators (AARMR) and the Conference of State Bank Supervisors (CSBS) today issued model guidelines for use by state mortgage regulators for the examination of lenders and brokers that offer subprime and non-traditional mortgage loans to consumers

The model guidelines will enhance consumer protection by providing state regulators with a uniform set of examination tools for conducting examinations under both the Nontraditional Mortgage Product Risks Guidance (Guidance) released in 2006 and the Subprime Statement (Statement) released earlier this month. A number of states have already identified they will use the guidelines in upcoming examinations of state-licensed lenders.

The release of the guidelines is the latest step by state regulators to address recent problems in the subprime lending industry. The guidelines were developed to:

- Protect consumers by providing comprehensive examination procedures that states can use to determine compliance with the Guidance and Statement.
- Establish uniform standards applicable for multi-state examinations and enforcement actions or for review by one state of another state's report of examination.
- Provide consistent and uniform guidelines for use by lender and broker in-house compliance and audit departments.

"This project is a continuation of the States' serious focus on recent events in the mortgage industry. A uniform set of examination standards specifically aimed at riskier lending is one of the primary components of our regulatory platform," said Jeff Vogel, Wyoming State Bank Commissioner and current Chairman of CSBS.

In the past year, state regulators have followed federal bank regulators and adopted the Guidance and the Subprime Statement. Earlier this month, state regulators also announced a joint pilot project with the Federal Reserve and the Office of Thrift Supervision to collaboratively examine lenders where there is joint oversight.

"These guidelines should help state regulators put the recent regulatory guidance and subprime statement into action to protect consumers," said Mark Pearce, Deputy Commissioner of Banking for North Carolina, AARMR Board Director and the task force leader on the guidelines project.

State regulators are publishing the full guidelines in order to enable the industry to use the guidelines to develop compliance systems. "Mortgage lenders and brokers will know what states expect for non-traditional and subprime loans that have caused foreclosure problems across the country," added Pearce.

In coming weeks, CSBS will conduct nation-wide training for examiners in the state system to ensure uniformity and consistency in the approach to these complex products.

The Model Examination Guidelines are available for electronic download at CSBS [http://www.csbs.org/Content/NavigationMenu/RegulatoryAffairs/MortgagePolicy/MEGs\\_HOME1.htm](http://www.csbs.org/Content/NavigationMenu/RegulatoryAffairs/MortgagePolicy/MEGs_HOME1.htm) and AARMR ([www.aarmr.org](http://www.aarmr.org)) websites.

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AARMR is the national organization representing state residential mortgage regulators. AARMR's mission is (a) promote the exchange of information between and among the executives and employees of the various states who are charged with the responsibility, pursuant to the laws of the individual states, for the

administration and regulation of residential mortgage lending, servicing and brokering; (b) assist in resolving conflicts of jurisdiction in relation to mortgage lending, servicing, and brokering; (c) promote a better understanding of mortgage regulation; (d) develop model legislation applicable to the administration and regulation of mortgage lending, servicing and brokering; (e) increase the knowledge and ability of those engaged in the administration and enforcement of mortgage regulation and those engaged in mortgage lending, servicing or brokering by organizing and sponsoring lectures, seminars, and training programs and by providing a forum for the exchange of information; and (f) do everything necessary, proper, advisable or convenient for the accomplishment of the Corporation's purposes and goals.

The Conference of State Bank Supervisors is the nationwide regulatory organization for state banking, representing the bank regulators of the 50 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands. The CSBS is responsible for defending state authority to determine banking structure and the products and services state-chartered institutions can offer and for improving the quality of state bank supervision by providing department performance evaluation and accreditation programs and supervisory education/training programs for state banking department personnel.

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