



Statement on Responsible Subprime Lending

Our trade associations believe that all mortgage lenders should embrace responsible subprime lending principles. We support the efforts by industry and the federal banking regulatory agencies to strengthen underwriting standards and to protect borrowers against unfair and deceptive mortgage lending practices.

Efforts to strengthen subprime lending standards and assist current customers are underway.

First, to assist current borrowers with subprime loans who are delinquent or in danger of becoming delinquent, our members with borrowers with certain subprime loans are actively working to contact their customers who may need assistance to offer options and prevent foreclosures whenever possible. These efforts include loan refinancing; loan restructuring; forbearance; rescue funds and other steps to assist homeowners who are in financial difficulty. Our members are also working with respected non-profit third parties to reach out to homeowners in distress and offer free, independent counseling to find solutions and avoid foreclosures whenever possible.

Second, many lenders have already tightened underwriting standards to reduce the risk of default on subprime loans. In addition, Federal

regulators have adopted guidance on nontraditional mortgages and have proposed a statement on subprime lending. We believe the efforts of our members, together with the actions of the regulators, will be effective in dealing with the current problems in subprime mortgage lending. We urge the federal regulators to ensure that the proposed statement on subprime mortgage lending strikes a careful balance that provides enhanced consumer protections without unintentionally limiting the availability of home ownership to credit worthy borrowers. We also urge state regulators to apply the same standards to mortgage lenders under their jurisdiction. Consistent regulation and uniform standards for all originators is essential to safe underwriting and protection for consumers.

Any action taken by policymakers should involve all participants. Such action should establish a single uniform national standard that will provide consistent protections to consumers in all 50 states and U.S. territories. A national uniform standard should provide fair and consistent application to both bank and non-bank mortgage lenders. This standard should preserve the existing regulatory and enforcement authority of the federal banking regulators over federally chartered institutions and their affiliates.

Regulatory action, such as the pending federal statement on subprime lending and any additional proposals should be based on several key principles:

- Lenders should only make home loans to consumers with subprime credit whom they reasonably believe have the ability to repay the loans based on information available at the time the loan is made.
- Loan terms, features, benefits and risks should be clearly disclosed to consumers in ways that enable them to make an educated decision about the loan product that they choose. The timing and estimated amounts of future payment changes should be clearly communicated to consumers in accordance with applicable disclosure laws and good business practices.

- Regulators, loan servicers and investors should work together to make available to homeowners appropriate options to help them sustain homeownership.

Responsible subprime lending has helped many Americans improve their lives and achieve the dream of homeownership. We believe all regulatory and legislative action on this issue should strive to maintain the availability of mortgage credit to those who need it. Our trade associations look forward to working with all market participants, the regulatory agencies and Congress in addressing the issues in the housing market and preserving the opportunity of homeownership for all Americans who seek it.

Signed,

American Bankers Association
America's Community Bankers
Consumer Bankers Association
Housing Policy Council
The Financial Services Roundtable
Mortgage Bankers Association