

LENDERS COMPLIANCE GROUP

“Converting Risk to Opportunity”

ADVISORY OUTLINE

May 23, 2008

Federal Financial Regulators Issue Final Illustrations of Consumer Information for Hybrid Adjustable Rate Mortgage Products

On May 22, 2008, the federal financial regulatory agencies issued final illustrations for helping consumers understand certain hybrid adjustable rate mortgage (ARM) products. The agencies' *Statement on Subprime Mortgage Lending* (Subprime Statement), which became effective July 10, 2007, recommended that institutions provide clear, balanced, and timely information to consumers about the relative benefits and risks of hybrid ARM products. These illustrations are intended to assist institutions in providing this information.¹

Entitled *Illustrations of Consumer Information for Hybrid Adjustable Rate Mortgage Products*, the document is about to be published in the Federal Register and will be effective on its publication date. A copy of the document can be obtained by accessing the websites of the federal financial regulatory agencies (i.e., OCC, FRS, FDIC, OTS, and NCUA).²

The illustrations consist of (1) an explanation of some key features of products covered by the Subprime Statement, and (2) three charts with examples of the potential payment shock accompanying these types of loans. Institutions are not required to use the illustrations. They may use them, provide information based on them, or provide consumers with information described in the guidance in an alternate format. The Agencies are publishing four documents that set forth illustrations of consumer information for Hybrid Adjustable Rate Mortgage Products.³

The agencies will be posting samples of the illustrations on their web sites for downloading and printing. In particular, versions of the illustrations will be posted in English and in Spanish together with a template of the illustrations that institutions can modify to reflect the latest market conditions.

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¹ Please contact us for our *White Paper* regarding the Subprime Statement.

² For instance, the document is available at OCC's website: <http://www.occ.gov/ftp/release/2008-57a.pdf>.

³ FDIC Press Release at: <http://www.fdic.gov/news/news/press/2008/pr08035a.html>. [FDIC-PR-35-2008]