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## **The Alabama Banking Department Adopts Regulatory Guidance on Nontraditional Mortgage Products**

Superintendent John D. Harrison today announced the adoption of a set of regulatory guidelines covering the marketing of nontraditional mortgages by state-licensed entities.

The guidance was developed by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) and applies to state-licensed mortgage brokers and companies. The guidance is intended to promote consistent regulation in the mortgage market and to clarify how residential mortgage providers can offer nontraditional mortgage products in a way that clearly discloses the risks borrowers may assume.

Superintendent Harrison said, "These guidelines are designed to level the playing field in the mortgage market in order to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans. The guidance imposes no additional rules upon Alabama, state-chartered banks that are already subject to similar guidance issued by federal bank regulators. It does, however, provide these important guidelines to our non-depository licensees who are engaged in mortgage lending."

The CSBS/AARMR guidance parallels final guidance released on September 29, 2006 by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration.

The interagency guidance, however, applies only to insured financial institutions and their affiliates. To promote consistency, the CSBS/AARMR guidance substantially mirrors the interagency guidance, except for the deletion of sections inapplicable to non-depository institutions.

Superintendent Harrison commented that CSBS and AARMR's goal is for all states to adopt the guidelines so that all consumers will be equally protected and all originators of residential mortgages will be subject to similar supervisory guidance.

The Alabama Banking Department licenses over 1,600 companies engaged in making mortgage loans to Alabama consumers. In addition, the Alabama Banking Department is responsible for licensing and regulating approximately 2,500 companies involved in consumer finance as well as 127 banks and 5 independent trust companies.

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