



ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Ernie Fletcher
Governor

Teresa J. Hill
Secretary

Capital Plaza Tower
500 Mero Street, 5th Floor
Frankfort, Kentucky 40601
Phone: (502) 564-5525
Fax: (502) 564-3354
www.eppc.ky.gov

NEWS RELEASE

Contact: Kelly May
(502) 573-3390 Ext. 252

OFFICE OF FINANCIAL INSTITUTIONS ADOPTS REGULATORY GUIDANCE ON NONTRADITIONAL MORTGAGE PRODUCTS

Guidelines will require mortgage providers to clearly disclose all risks

FRANKFORT, Ky. (Nov. 28, 2006) – The Kentucky Office of Financial Institutions (OFI) today announced adoption 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.

“These guidelines are designed to provide complete disclosure regarding mortgage transactions in order to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans,” said Cordell Lawrence, executive director of OFI.

While nontraditional mortgage loans provide flexibility for consumers, OFI is concerned that consumers may enter into these transactions without fully understanding the product terms. Nontraditional mortgage products have been advertised and promoted based on their affordability in the near term – that is, their lower initial monthly payments compared with those of traditional mortgages.

-more-

NONTRADITIONAL MORTGAGE GUIDANCE, Page 2

In addition to apprising consumers of the benefits of nontraditional mortgage products, providers should take appropriate steps to alert consumers to the risks of these products, including the likelihood of increased future payment obligations. This information should be provided in a timely manner to assist the consumer in the product selection process.

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 guidance on nontraditional mortgage product risks will affect 204 mortgage lenders and 325 mortgage brokers in Kentucky. For a copy of the complete guidance visit OFI online at www.kfi.ky.gov.

OFI is an agency of the Department of Public Protection in the Environmental and Public Protection Cabinet. It is charged with licensing, chartering and regulating the activities of state-chartered/licensed depository and nondepository financial institutions.

-30-