

Press Releases

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OTS 07-025 - Federal Regulators Encourage Institutions to Work with Mortgage Borrowers Who Are Unable to Make Their Payments

Office of Thrift Supervision

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For further information

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Joint Release

Board of Governors of the Federal Reserve System
U.S. Department of Housing and Urban Development
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision

Federal Regulators Encourage Institutions to Work with Mortgage Borrowers

Washington, D.C. -- The federal bank, thrift and credit union regulatory agencies are encouraging financial institutions to work with homeowners who are unable to make mortgage payments. Prudent workout arrangements that are consistent with safe and sound lending practices are generally in the long-term best interest of both the financial institution and the borrower. Institutions will not face regulatory penalties if they pursue reasonable workout arrangements with borrowers.

Borrowers who are unable to make their mortgage payments should contact their lender or servicer as soon as possible to discuss available options. Examples of constructive workout arrangements include modifying loan terms, and/or moving borrowers from variable-rate loans to fixed-rate loans. Bank and thrift programs that transition low- or moderate-income homeowners from higher-cost loans to lower-cost loans may also receive favorable consideration under the Community Reinvestment Act (CRA), provided the loans are made in a safe and sound manner. Federal credit unions are exempt from CRA requirements.

The agencies want to remind their institutions that existing regulatory guidance and accounting standards do not require immediate foreclosure on homes when borrowers fall behind on payments. In addition, under the Homeownership Counseling Act, institutions are required to inform delinquent borrowers about the availability of homeownership counseling. Institutions should also consider working with reputable consumer-based organizations to help financially stressed borrowers avoid predatory foreclosure rescue scams.

Agencies' Statement - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-25a.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.