
Joint Release

**Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision**

For immediate release

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Agencies Provide Consumer Information on Nontraditional Mortgage Loans

The federal bank, thrift, and credit union regulatory agencies today announced the publication of a new resource that can help consumers make more informed choices when considering nontraditional mortgage loans.

Interest-Only Mortgage Payments and Payment-Option ARMs – Are They for You? features a glossary of lending terms, a mortgage shopping worksheet, and a list of additional information sources. This information can help consumers, whether buying a house or refinancing a mortgage, decide if an interest-only mortgage (an I-O mortgage) or an adjustable-rate mortgage (ARM) with the option to make a minimum payment (a payment-option ARM) is right for them.

The publication stresses the importance of understanding key mortgage loan terms, warns of the risks consumers may face, and urges borrowers to be realistic about whether they can handle future payment increases. If consumers are not comfortable with these risks, the publication suggests that they ask about other mortgage products.

Many lenders offer home loans that allow consumers to (1) pay only the interest on the loan during the first few years of the loan term; or (2) make only a specified minimum payment that could be less than the monthly interest on the loan. Lenders have a variety of names for these loans, but with I-O mortgages and payment-option ARMs, consumers could face "payment shock." Monthly payments may double or even triple following the interest-only period or when the payments adjust.

In addition, consumers with payment-option ARMs could face negative amortization, a situation in which the monthly payments do not cover all of the interest owed for that month. The unpaid interest is added to the mortgage balance so that the amount owed on the mortgage exceeds the amount originally borrowed.

The interagency information is available on each agency's web site. A PDF (Portable Document Format) version is provided so that consumer groups, financial institutions, agencies, and other organizations can download and print copies for distribution to their clients and customers. It includes a space on the back panel for organizations to provide their own contact information. The web addresses are:

http://www.federalreserve.gov/pubs/mortgage_interestonly/default.htm

<http://www.fdic.gov/consumers/consumer/interest-only/index.html>

<http://www.occ.gov>

<http://www.ncua.gov/Publications/Index.htm>
<http://www.ots.treas.gov>

Single copies of the brochure are available free of charge from:

Publications, Mail Stop 127, Federal Reserve Board, 20th and C Streets, N.W.,
Washington, DC 20551; 202-452-3245

FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington VA
22226; 877-ASK-FDIC, 703-562-2200

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