**Joint Release**

**Federal Deposit Insurance Corporation**
**Conference of State Bank Supervisors**
**American Association of Residential Mortgage Regulators**

For immediate release September 4, 2007

# FDIC, CSBS and AARMR Suggest Servicers Avoid Debt-to-Income (DTI) Ratios Above 50 Percent for Modified Obligations

The Federal Deposit Insurance Corporation (FDIC), the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) are cautioning their supervised institutions about DTI ratios above 50 percent when applying loss mitigation techniques intended to achieve long-term sustainable obligations to provide stability to borrowers, investors, and the marketplace. The FDIC, CSBS and AARMR are noting that, absent mitigating circumstances, debt-to-income ratios (DTI) above 50 percent increase the likelihood of future difficulties in repayment and delinquencies or defaults. This action supplements the statement issued today by the federal financial regulatory agencies and the CSBS on loan mitigation strategies for servicers of residential mortgages.

In developing the appropriate loss mitigation strategy for individual borrowers, it is essential to consider the borrower's ability to repay the modified obligation. As noted in the interagency Statement, one methodology commonly used by servicers is an analysis of the borrower's resulting debt-to-income (DTI) ratio. Attention should also be given to the borrower's other obligations and resources, as well as additional factors that could affect the borrower's capacity to repay. The DTI ratio should include the customer's total monthly housing-related payments (e.g., principal, interest, taxes, and insurance, or what is commonly known as PITI) as a percentage of their gross monthly income.

"This supplemental information provides a benchmark for servicers to consider when working with borrowers to modify loans that will be sustainable in the long term," said FDIC Chairman Sheila Bair.

"As state officials, we are concerned about the devastating impact foreclosures can have upon the local communities we serve. Successful modifications benefit consumers, investors and the market as a whole," stated Jeffrey C. Vogel, Wyoming Banking Commissioner and CSBS Chairman.

"This guidance will be an important consumer protection tool for state mortgage regulators to use in the coming months," said David Bleicken, President of AARMR.

# # #

**Media Contacts:**

| | | |
|---|---|---|
| FDIC | Andrew Gray | 202-898-7192 |
| CSBS | Michael Stevens | 202-728-5701 |
| AARMR | David Bleicken | 717-787-7217 |

**FDIC: PR-74-2007**