



PRESS RELEASE

Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
March 7, 2007

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FDIC Issues Cease and Desist Order Against Fremont Investment & Loan, Brea, California, and its Parents

The Federal Deposit Insurance Corporation (FDIC) today announced it had issued a cease and desist order against Fremont Investment & Loan, Brea, California ("Bank"), and its parent corporations, Fremont General Corporation and Fremont General Credit Corporation. The bank and its parents, without admitting or denying the allegations, consented to the order.

In taking this action, the FDIC found that the bank was operating without effective risk management policies and procedures in place in relation to its subprime mortgage and commercial real estate lending operations. The FDIC determined, among other things, that the bank had been operating without adequate subprime mortgage loan underwriting criteria, and that it was marketing and extending subprime mortgage loans in a way that substantially increased the likelihood of borrower default or other loss to the bank.

The order sets forth a variety of corrective actions to be undertaken. The order requires that the bank adopt a five-year strategic plan for its business. The order also requires that the bank, within 90 days, adopt a subprime mortgage lending policy with provisions designed to correct its lending practices, including that it underwrite future subprime loans with an analysis of the borrower's ability to repay at the fully indexed rate and provide borrowers with clear information about the benefits and risks of the products.

The order also requires the bank within 90 days to describe efforts it will make to restructure loans in distress consistent with the marketability of such loans and with sound principles of underwriting. In addition, the order requires the bank to fully comply with all consumer protection laws. The order also requires the bank to correct its commercial real estate lending practices.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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"Our concern has always been that banks make loans that borrowers are able to repay," said FDIC Chairman Sheila C. Bair. "We believe that the agreement with Fremont addresses this basic concern."

Attachment:

<http://www.fdic.gov/bank/individual/enforcement/2007-03-00.pdf> - PDF 53k ([PDF Help](#))