PRESS RELEASE

Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
September 4, 2008

Media Contact:
Andrew Gray (202) 898-7192
angray@fdic.gov

FDIC Report Highlights Suggestions for Expanding Mortgage Loans to Low- and Moderate-Income Households

The FDIC today issued a report on ways mortgage lenders can responsibly and profitably expand the availability of home loans to low- and moderate-income (LMI) borrowers and still make a profit. The report -- a summary of best practices discussed by participants at an FDIC forum in July on problems in the mortgage market -- said that basic, traditionally underwritten, 30-year fixed-rate mortgages are the most suitable home loan for most LMI borrowers.

"As bankers increase mortgage lending, and do it the old-fashioned way with down payments, long-term fixed rates, documented income and the like, homeownership will once again be the surest way for building wealth and re-energizing neighborhoods," said FDIC Chairman Sheila C. Bair in commenting on the report.

The FDIC's July 8th Forum on Mortgage Lending for LMI Households featured speeches by Treasury Secretary Henry M. Paulson, Jr., Federal Reserve Board Chairman Ben S. Bernanke, and JPMorgan Chase Chairman and CEO James Dimon.

The FDIC report also said that lenders can profitably make fixed-rate mortgages and other loan products more widely available to the LMI market by responsibly adding flexible and innovative features, such as extending repayment schedules, expanding alternative underwriting processes for consumers with limited credit history, and creating innovative insurance products to address temporary income disruptions.

Other best practices discussed in the report involve improving incentives and compensation throughout the mortgage process, increasing transparency and due diligence by providing more information about individual loan terms and pools of loans, and fostering public and private partnerships to facilitate LMI mortgage lending.

The report on best practices was issued through an FDIC Financial Institution Letter distributed to insured institutions but is also intended for the benefit of other mortgage professionals. The FDIC issued the findings for informational purposes only and not as supervisory guidance to FDIC-supervised banks.

The complete Financial Institution Letter with the summary of best practices is available on the FDIC Web site at http://www.fdic.gov/news/news/financial/2008/fil08088.html. To see videos from the July 8 forum, including speeches and panel discussions, go to http://www.vodium.com/goto/fdic/advisorycommittee.asp.