PRESS RELEASE

Federal Deposit Insurance Corporation

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

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FDIC Chairman Sheila Bair's Statement on the Federal Reserve Board's Final Rule for Home Mortgage Loans

Federal Deposit Insurance Corporation Chairman Sheila C. Bair today issued the following statement on the Federal Reserve Board's approval of a final rule for home mortgage loans.

"I applaud the Federal Reserve Board's decision today to issue final, strengthened rules under HOEPA that will correct many of the abuses which led to the current housing crisis and help assure that mortgage borrowers have stronger, more consistent consumer protections regardless of the lender they are using or the state where they reside. I am particularly pleased that the FRB eliminated the "pattern or practice" requirement to demonstrate a violation of the ability to repay standard. This change will strengthen our ability to enforce a fundamental rule of underwriting: that all lenders, banks and nonbanks, should only make loans where they have documented a reasonable ability on the part of the borrower to repay. I also commend the Board's decision to crack down on abusive prepayment penalties. After two years, subprime borrowers who have made regular payments on their mortgages should have the opportunity to refinance into lower cost loans without penalty. These final rules will assure their ability to do so, and will also assure that those with adjustable-rate mortgages will not be caught having to pay penalties to avoid steep resets through refinancing.

"These new standards represent a positive and groundbreaking step toward getting back to basics on responsible mortgage underwriting. Importantly, the Federal Reserve's rules should effectively cover the subprime mortgage loan market and apply not only to depository institutions, but to nonbank mortgage lenders as well. This will help ensure that all consumers receive mortgage loans that they can afford to repay and address the problem of uneven regulation which has existed between depository institutions and nonbank lenders. Chairman Bernanke, in particular, deserves credit for his strong leadership in finalizing these important rules."