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Federal Financial Regulatory Agencies and CSBS Issue Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages

Federal Reserve System: Board of Governors

United States: Federal Deposit Insurance Corporation (FDIC)

United States: Department of the Treasury: Office of the Comptroller of the Currency (OCC)

United States: Department of the Treasury: Office of Thrift Supervision

United States: National Credit Union Administration (NCUA)

See next page for additional authors

Joint Press Release

September 04, 2007

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Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

Office of the Comptroller of the Currency

Office of Thrift Supervision

National Credit Union Administration

Conference of State Bank Supervisors

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The federal financial regulatory agencies and the Conference of State Bank Supervisors (CSBS) on Tuesday issued a statement encouraging federally regulated financial institutions and state-supervised entities that service securitized residential mortgages to review to determine the full extent of their authority under pooling and servicing agreements to identify borrowers at risk of default and pursue appropriate loss mitigation strategies designed to preserve homeownership.

Significant numbers of hybrid adjustable-rate mortgages will reset throughout the remainder of this year and next. Many subprime and other mortgage loans have been transferred into securitization trusts that are governed by pooling and servicing agreements. These agreements may allow servicers to contact borrowers at risk of default, assess whether default is reasonably foreseeable, and, if so, apply loss mitigation strategies designed to achieve sustainable mortgage obligations. Servicers may have the flexibility to contact borrowers in advance of loan resets.

Appropriate loss mitigation strategies may include, for example, loan modifications, deferral of payments, or a reduction of principal. In addition, institutions should consider referring appropriate borrowers to qualified homeownership counseling services that may be able to work with all parties to avoid unnecessary foreclosures.

The statement, which was issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration, and CSBS, is attached.

Attachment

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