



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-51-2007
June 20, 2007

NONTRADITIONAL MORTGAGE PRODUCTS

Interagency Final Illustrations of Consumer Information for Nontraditional Mortgage Products

Summary: On June 8, 2007, the federal bank, thrift and credit union regulatory agencies published final illustrations of consumer information intended to assist institutions as they implement the consumer protection portion of the Interagency Guidance on Nontraditional Mortgage Product Risks. The three illustrations present examples of the types of information contemplated in the guidance. Institutions have discretion in determining whether to tailor and use the illustrations provided.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Compliance Officer

Related Topics:

. Interagency Guidance on Nontraditional Mortgage Product Risks:

<http://www.fdic.gov/news/news/financial/2006/fil06089.html>

. Unfair and Deceptive Acts and Practices by State-Chartered Banks:

<http://www.fdic.gov/news/news/financial/2004/fil2604.html>

Attachment:

Final Illustrations

Contacts:

Mira Marshall, Acting Chief, CRA/Fair Lending Section, at mmarshall@fdic.gov or (202) 898-3912; or Victoria Pawelski, Policy Analyst, at vpawelski@fdic.gov or (202) 898-3571

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at

www.fdic.gov/news/news/financial/2007/index.html.

To receive FILs electronically, please visit

<http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- The final three illustrations generally mirror the illustrations proposed on October 4, 2006, but some modifications have been made to address issues raised by commenters.
- The illustrations include a narrative explanation of nontraditional mortgage products, a chart comparing interest-only adjustable rate mortgages (ARMs) and payment option ARMs to traditional fixed-rate mortgages, and a table that shows the impact of various payment options on the loan balance.
- Use of the illustrations is optional. Depending on factors such as the institution's product offerings, the consumer's needs, and market conditions, an institution can choose whether to use the illustrations in whole or in part.
- The FDIC and the other agencies will make the illustrations accessible on their web sites for downloading and printing. In addition, the agencies will post a rewritable template for the comparison chart, so that institutions may adjust the information to reflect current market conditions.