



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

Financial Institution Letter
FIL-17-2008
March 3, 2008

FDIC STATEMENT ON REPORTING OF SECURITIZED SUBPRIME ADJUSTABLE RATE RESIDENTIAL MORTGAGES

Summary: The Federal Deposit Insurance Corporation (FDIC) strongly encourages state nonmember institution mortgage servicers to utilize the HOPE NOW alliance's loan modification and loss mitigation reporting standards for securitized adjustable rate subprime residential mortgage loans. The FDIC also supports efforts by the State Foreclosure Prevention Working Group to collect data on loan modifications and foreclosure prevention activity.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
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Related Topics:

Servicing for Mortgage Loans
Subprime Mortgage Lending
Workout Arrangements for Residential Borrowers
Securitized Subprime Residential Mortgage Loans
Non-Traditional Mortgage Product Risks

Attachment:

Appendix

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Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2008/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:

- On December 6, 2007, Treasury Secretary Paulson and the HOPE NOW alliance announced a "Statement of Principles, Recommendations and Guidelines for a Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans" (Guidelines). Financial institutions and servicers should consider implementing the Guidelines in order to streamline refinancing, loan modification, and loss avoidance for securitized subprime adjustable rate mortgage loans.
- Given current market conditions, servicers who take no action and choose to rely on the traditional loan-by-loan process leading to foreclosure could run a risk of legal liability to investors for their failure to take steps to limit losses to the loan pool as a whole.
- The FDIC encourages financial institutions and servicers to utilize HOPE NOW's reporting standards to assist industry efforts to measure foreclosure prevention activity. Similarly, the FDIC supports efforts by the State Foreclosure Prevention Working Group to collect data on loan modifications and foreclosure prevention activity.
- Expanded data and information resources may assist financial institutions and other investors in securitization trusts track and analyze the activity and performance of modified subprime residential loans.

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The Federal Deposit Insurance Corporation (FDIC) strongly encourages state nonmember institution mortgage servicers to utilize the HOPE NOW¹ alliance's loan modification reporting standards for subprime adjustable rate residential mortgages. This standard reporting format will help investors in securitization trusts, including financial institutions, monitor foreclosure prevention efforts related to subprime mortgage loans. Consistent loan modification reporting will foster transparency in the securitization market and provide standardized data across the mortgage industry. The FDIC also encourages state nonmember institution mortgage servicers to be responsive to other ongoing data and information requests designed to track loss mitigation efforts, including the State Foreclosure Prevention Working Group.²

The FDIC supports the HOPE NOW alliance, and believes that long-term sustainable loss mitigation techniques that preserve homeownership are generally in the best interest of borrowers, servicers, and investors because such strategies are typically less costly than foreclosure, particularly when applied before default.

The contact information for reporting is HOPE NOW – Mr. Trey Barnes, McDash Analytics, tbarnes@mcdash.com, or (904) 285-6220.

Sandra L. Thompson
Director
Division of Supervision and Consumer
Protection

¹ HOPE NOW is an alliance between counselors, mortgage market participants and mortgage servicers to create a unified, coordinated plan to reach and help as many homeowners as possible. The Department of the Treasury and the Department of Housing and Urban Development encouraged the formation of this alliance. HOPE NOW, and its latest report on loan modification activity, is on the web at www.hopenow.com.

² The State Foreclosure Working Group was formed in the summer of 2007 by the offices of 37 state attorneys general and several state banking regulators to encourage solutions to the growing foreclosure crisis. The group's latest report on subprime mortgage servicing is available at www.csbs.org.

APPENDIX

The following guidance and information should be consulted for additional details about matters discussed in this Financial Institution Letter.

Supervision

- *Letter (attached) from Treasury Under Secretary for Domestic Finance Robert K. Steel and FDIC Chairman Sheila C. Bair to House Committee on Financial Services Chairman Barney Frank on December 21, 2007, regarding the American Securitization Forum's Streamlined Foreclosure and Loss Avoidance Framework.*
- *Clarification Letter from the SEC's Office of the Chief Accountant, January 8, 2008, found at: <http://www.sec.gov/info/accountants/staffletters/hanish010808.pdf>*
- *Statement on Loss Mitigation Strategies for Servicers of Residential Mortgages, FIL-76-2007, September 4, 2007, found at: <http://www.fdic.gov/news/news/financial/2007/fil07076a.html>*
- *Statement on Servicing for Mortgage Loans-Supplemental Information for Loss Mitigation Strategies, FIL-77-2007, by the FDIC, the Conference of State Bank Supervisors, and the American Association of Residential Mortgage Regulators, September 4, 2007, found at: <http://www.fdic.gov/news/news/financial/2007/fil07077.html>*
- *Statement on Subprime Mortgage Lending, FIL-62-2007, July 10, 2007, found at: <http://www.fdic.gov/news/news/financial/2007/fil07062.html>*
- *Statement on Working with Mortgage Borrowers, FIL-35-2007, April 17, 2007, found at: <http://www.fdic.gov/news/news/financial/2007/fil07035.html>*
- *Interagency Guidance on Nontraditional Mortgage Product Risks, and Addendum to Credit Risk Management Guidance for Home Equity Lending, FIL-89-2006, October 5, 2006, found at: <http://www.fdic.gov/news/news/financial/2006/fil06089.html>*

Consumer Information

- <http://www.fdic.gov/consumers/consumer/index.html>
- *FDIC Consumer News, <http://www.fdic.gov/consumers/consumer/news/index.html>*
- *Consumer Response Center, <http://www.fdic.gov/consumers/consumer/ccc/index.html>*

Hours of Operation: 8:30 a.m. to 4:30 p.m. Central Time M - F

Toll-free Number: 1-800-378-9581

Mailing Address: Federal Deposit Insurance Corporation
Consumer Response Center
2345 Grand Avenue, Suite 100
Kansas City, MO 64108-2638

E-mail Address: Consumeralerts@fdic.gov

To File Complaint: [FDIC's Electronic Customer Assistance Form](#)

- *Consumer Affairs Program, <http://www.fdic.gov/consumers/consumer/affairs/index.html>*
 - *Money Smart financial education program information, <http://www.fdic.gov/consumers/consumer/moneysmart/index.html>*
 - *Money Smart computer-based instruction (English or Spanish), <http://www.fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html>*
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