



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

**Financial Institution Letter**  
**FIL-67-2007**  
**August 14, 2007**

## **SUBPRIME MORTGAGE PRODUCTS**

### **Interagency Proposed Illustrations of Consumer Information for Subprime Mortgage Lending**

**Summary:** On August 14, 2007, the federal bank, thrift and credit union regulatory agencies published for comment the attached Proposed Illustrations of Consumer Information for Subprime Mortgage Lending, intended to assist institutions as they implement the Consumer Protection Principles portion of the interagency Statement on Subprime Mortgage Lending (Subprime Statement). The two illustrations present examples of the types of consumer information that the agencies recommend institutions provide. The illustrations are not intended as model forms, and institutions will not be required to use them. Comments are due by October 15, 2007.

**Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**

Chief Executive Officer; Chief Compliance Officer

**Related Topics:**

Statement on Subprime Mortgage Lending; Interagency Guidelines for Real Estate Lending; Interagency Guidelines on Subprime Lending; Expanded Examination Guidance for Subprime Lending Programs; Interagency Guidance on Nontraditional Mortgage Product Risks; and Unfair and Deceptive Acts and Practices by State-Chartered Banks

**Attachment:**

Proposed Illustrations

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### **Highlights:**

- The two proposed illustrations are intended to assist institutions in providing consumer information as discussed in the Consumer Protection Principles portion of the interagency Subprime Statement.
- The illustrations include a narrative explanation of some of the key features of certain adjustable rate mortgage (ARM) loans identified in the Subprime Statement, and a chart with numerical examples designed to show the potential consequences of payment shock for an ARM loan structured with a discounted interest rate for the first two years.
- Use of the illustrations by institutions is optional.
- The agencies are requesting comment on the usefulness of the two proposed illustrations to institutions considering implementing the consumer protection portion of the Subprime Statement.

