



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

**Financial Institution Letter**  
**FIL-129-2005**  
**December 29, 2005**

## **NONTRADITIONAL MORTGAGE PRODUCTS**

### **Notice of Proposed Interagency Guidance Issued for Public Comment**

**Summary:** The federal banking, thrift and credit union regulatory agencies are seeking comment on the attached proposed interagency guidance relating to nontraditional mortgage products. Comments are due by February 27, 2006.

**Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**

Chief Executive Officer  
Chief Lending Officer  
Compliance Officer

**Related Topics:**

Real Estate Lending Standards  
Consumer Laws  
Publishing Requirements

**Attachment:**

Proposed Interagency Guidance

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**Note:**

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**Highlights:**

- The FDIC, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the National Credit Union Administration have proposed the attached guidance addressing the potential for heightened risk levels associated with nontraditional mortgage lending and the importance of carefully mitigating those risk exposures.
- Prudent management of nontraditional mortgage lending programs requires institutions' increased attention in product development, underwriting, compliance and risk-management functions.
- The proposed guidance addresses prudent underwriting standards; describes appropriate portfolio and risk-management practices; discusses applicable laws and regulations; and describes recommended practices for communicating with and providing information to consumers.
- The FDIC encourages institutions that offer nontraditional mortgage products to review the attached *Federal Register* notice and to comment on their ability to implement the proposed guidance.