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DCCA ISSUES BEST PRACTICES FOR NONTRADITIONAL MORTGAGE PRODUCTS

HONOLULU -- The Department of Commerce and Consumer Affairs' (DCCA) Professional and Vocational Licensing Division (PVL) and Division of Financial Institutions (DFI) announced today the issuance of a number of "best practices" relating to the marketing of nontraditional mortgages by state-licensed mortgage brokers and mortgage lenders.

The guidance was developed by the Conference of State Bank Supervisors (CSBS), of which the State of Hawaii Division of Financial Institutions (DFI) is a member, and the American Association of Residential Mortgage Regulators (AARMR). The guidance is intended to apply to state-licensed mortgage brokers and mortgage lenders to promote consistent product delivery in the mortgage market by clarifying how residential mortgage providers can offer nontraditional mortgage loans in a way that clearly discloses the risks borrowers may assume.

The CSBS/AARMR guidelines parallel final interagency guidance released on September 29, 2006 by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration.

The interagency guidance, however, applies only to insured financial institutions and their affiliates. To promote consistency, the CSBS/AARMR guidelines substantially mirror the interagency guidance, except for the deletion of sections that are not applicable to nondepository financial institutions.

Celia Suzuki, PVL Mortgage Broker and Solicitor Program Specialist and Nick Griffin, Commissioner of Financial Institutions and Chair of the CSBS/AARMR committee which developed the guidance, said, "These guidelines are designed to level the playing field in the mortgage market in order to protect consumers from taking on high-risk mortgages without having a full understanding of the terms of such loans."

PVL is responsible for 25 professional boards and commissions and 20 licensing programs, in total, licensing 45 different professions and vocations, including mortgage brokers and solicitors. DFI regulates Hawaii financial institutions that have been chartered or licensed under Hawaii's Code of Financial Institutions, Chapter 412, Hawaii Revised Statutes ("HRS"), escrow depositories that have been licensed under Chapter 449, HRS, and money transmitters that have been licensed under Act 153, 2006 Session Laws of Hawaii.

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