



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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OCC Issues Guidelines to Prevent Predatory Residential Mortgage Lending Practices

WASHINGTON, DC -- The Office of the Comptroller of the Currency (OCC) today issued residential real estate lending standards as an additional step to protect against national banks becoming involved in predatory, abusive, unfair, or deceptive residential mortgage lending practices.

“The OCC is committed to ensuring that abusive lending practices do not gain a foothold in the national banking system,” said Julie L. Williams, acting Comptroller of the Currency.

The new guidelines incorporate key provisions and central principles of the OCC’s February, 2003 advisory letters alerting national banks to practices that may be considered predatory or abusive and advising national banks on measures to avoid such practices. The advisories addressed national banks’ mortgage origination activity, as well as purchases of loans and use of third-party brokers to conduct mortgage lending. National banks are expected to implement anti-predatory lending standards consistent with and appropriate to the size and complexity of the bank and the nature and size of its lending activities.

In January 2004, the OCC added a regulatory prohibition on making mortgage loans based predominantly on the bank’s realization of foreclosure or liquidation value of the collateral, without regard to the borrower’s ability to repay the loan according to its terms—a prohibition that addresses a central characteristic of predatory lending. In that same rulemaking, the OCC also added provisions prohibiting banks from engaging in unfair or deceptive practices under the Federal Trade Commission Act.

The guidelines issued today for residential mortgage lending standards describe particular practices that are inconsistent with sound mortgage lending practices. They describe other practices that may be conducive to abusive lending, depending on the circumstances, and which, accordingly, warrant a heightened degree of care by bankers.

“The guidelines focus on the substance of a bank’s activities and practices,” said acting Comptroller Williams, “not on the creation of another set of bank policies.”

The standards described in the guidelines are enforceable pursuant to section 39 of the Federal Deposit Insurance Act and the implementing process set forth in part 30 of the OCC’s regulations. If the OCC believes a bank’s practices fail to meet the standards in the guidelines, the OCC may require submission of a corrective plan by the bank. If the national bank fails to submit a plan, or to comply with it, the OCC may issue a cease and desist order against the bank. Orders are formal, public documents, and they may be enforced in district court or through the assessment of civil money penalties.

The guidelines take effect 60 days after their publication in the *Federal Register*.

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The Office of the Comptroller of the Currency was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.