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**The Mississippi Department of Banking and Consumer Finance (MDBCF) Issues Intent to Use New Examination Guidelines in Conducting Examinations on State-Licensed Mortgage Lenders and Brokers**

JACKSON, MS — Yesterday, the American Association of Residential Mortgage Regulators (AARMR) and the Conference of State Bank Supervisors (CSBS), which the MDBCF is an active member of both associations, issued model guidelines for use by state mortgage regulators for the examination of lenders and brokers that offer subprime and non-traditional mortgage loans to consumers. Commissioner John S. Allison of MDBCF states his intent to incorporate these guidelines into current examination procedures.

The model guidelines will enhance consumer protection by providing state regulators with a uniform set of examination tools for conducting examinations under both the Nontraditional Mortgage Product Risks Guidance (Guidance) released in 2006 and the Subprime Statement (Statement) released earlier this month, both adopted by MDBCF. Also, MDBCF previously stated that it will use the guidelines in upcoming examinations of state-licensed lenders.

The release of the guidelines is the latest step by state regulators to address recent problems in the subprime lending industry. The guidelines were developed to:

- Protect consumers by providing comprehensive examination procedures that states can use to determine compliance with the Guidance and Statement.
- Establish uniform standards applicable for multi-state examinations and enforcement actions or for review by one state of another state's report of examination.
- Provide consistent and uniform guidelines for use by lender and broker in-house compliance and audit departments.

In the past year, state regulators have followed federal bank regulators and adopted the Guidance and the Subprime Statement. Earlier this month, state regulators also announced a joint pilot project with the Federal Reserve and the Office of Thrift Supervision to collaboratively examine lenders where there is joint oversight.

National officers of both CSBS and AARMR have touted these guidelines as the continuation of the States' serious focus on recent events in the mortgage industry as well as incorporating the recent guidances and statements into meaningful products to help protect consumers. They also state that a uniform set of examination standards specifically aimed at riskier lending is one of the primary components of the States' regulatory platform.

MDBCF has already published full guidelines and statements at <http://www.dbcf.state.ms.us>. These guidelines and statements should enable mortgage lenders and brokers to understand what MDBCF expects of them in the event they offer non-traditional and subprime loans to consumers concerning Mississippi residential property.

In coming weeks, CSBS will conduct nation-wide training for examiners in the state system to ensure uniformity and consistency in the approach to these complex products. MDBCF examiners will be a part of these training sessions.

The Model Examination Guidelines are available for electronic download at the CSBS Web site at [http://www.csbs.org/Content/NavigationMenu/RegulatoryAffairs/MortgagePolicy/MEGs\\_HOME1.htm](http://www.csbs.org/Content/NavigationMenu/RegulatoryAffairs/MortgagePolicy/MEGs_HOME1.htm) and the AARMR Web site ([www.aarmr.org](http://www.aarmr.org)).

*The Mississippi Department of Banking and Consumer Finance is the regulator for all state-chartered banking institutions, credit unions, independent trust companies, and all of the State's consumer financial service industries, including the mortgage industry. The aggregate assets the Department is charged with regulating or supervising is more than \$40 billion. Department press releases and other information are available at [www.dbcf.state.ms.us](http://www.dbcf.state.ms.us).*

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