



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

**Financial Institution Letter**  
**FIL-40-2008**  
**May 29, 2008**

## **SUBPRIME MORTGAGE PRODUCTS**

### **Interagency Illustrations of Consumer Information for Hybrid Adjustable Rate Mortgage Products**

**Summary:** The federal bank, thrift and credit union regulatory agencies have published the attached Illustrations of Consumer Information for Hybrid Adjustable Rate Mortgage Products, which are intended to assist institutions as they implement the Consumer Protection Principles portion of the interagency Statement on Subprime Mortgage Lending (Subprime Statement). The 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.

**Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**

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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**Note:**

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**Highlights:**

- The illustrations are intended to assist institutions in providing consumer information as discussed in the Consumer Protection Principles portion of the interagency Subprime Statement.
- A narrative illustration explains some of the key features of certain adjustable rate mortgage (ARM) loans identified in the Subprime Statement.
- The narrative emphasizes features that borrowers should understand – escrow payments or their absence, prepayment penalties, balloon payments, and premiums for no-doc/low-doc loans.
- Charts contain numerical examples that are designed to show the potential consequences of payment shock for an ARM loan structured with a reduced initial interest rate.
- Use of the illustrations by institutions is optional.