

Press Releases

February 25, 2003

OTS 03-06 - Agencies Issue Advisory on Mortgage Banking Activities.

Office of Thrift Supervision

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For further information

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Agencies Issue Advisory on Mortgage Banking Activities

Federal bank and thrift regulatory agencies on Tuesday jointly issued an advisory letter discussing risks related to mortgage banking activities. The letter highlights concerns and provides guidance regarding mortgage banking activities, primarily in the valuation, accounting, and hedging of mortgage servicing assets. The guidance, issued under the auspices of the Federal Financial Institutions Examination Council (the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision), applies to all banks and thrifts; however, it is primarily applicable to those institutions that are actively involved in mortgage banking activities. While the number of institutions with significant exposure to mortgage banking assets is limited, mortgage banking is a significant and growing business line for many institutions. The agencies developed the guidance in response to recent examinations and market developments, especially the record volume of refinancings caused by the decline in interest rates. The guidance details the agencies' expectations regarding risk management activities including valuation and modeling processes, hedging activities, management information systems, and internal audit. The guidance also notes that the agencies may require additional capital for institutions that fail to consider the sound practices set forth in this advisory in their risk management programs.

Interagency Advisory on Mortgage Banking - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2003-06a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and

soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.