

Press Releases

February 7, 2007

OTS 07-006 - OTS Highlights Consumer Guidance on Understanding ARMs

Office of Thrift Supervision

FOR RELEASE at 2:00 P.M. EDT

For further information

Wednesday, February 7, 2007

Contact: Kevin Petrasic

OTS 07-006

202/906-6677

OTS Highlights Consumer Guidance on Understanding ARMs

WASHINGTON, D.C. - In its third release for Consumer Protection Week, the Office of Thrift Supervision (OTS) highlights two separate pieces of consumer guidance on understanding issues and terms with adjustable rate mortgage loan products (ARMs).

The first is a booklet, entitled "Consumer Handbook on Adjustable Rate Mortgages" (the CHARM booklet), that provides information to consumers on the features and risks of ARMs. The CHARM booklet, issued jointly by the OTS and the Federal Reserve Board, was recently revised and reissued to include discussions about so-called "interest-only" and "payment option" ARMs. It also includes general information for consumers on how ARMs work and discusses some of the issues that consumers may face when financing or refinancing their home with an ARM.

The second piece of guidance is a brochure, entitled "Interest-Only Mortgage Payments and Payment-Option ARMs - Are They for You?," that was issued by the OTS jointly with the FRB, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and the National Credit Union Administration. The brochure focuses exclusively on issues involving "interest-only" and "payment option" ARMs.

Both consumer guides feature a glossary of mortgage-related terms, a mortgage shopping worksheet to assist consumers in comparing the features of different mortgage loan products, information on how monthly payments could increase over the life of an ARM, and information on additional resources available to consumers in making an informed choice and understanding the features of different types of ARMs.

OTS Director John Reich stressed the importance to consumers and to institutions in ensuring that borrowers make informed decisions when obtaining a mortgage loan. "For many Americans, the purchase of their home is not only a lifestyle decision, but often the most important investment decision that they may make in their lifetime. It is important that consumers approach this decision making sure that both the investment and how they choose to finance it are financially sound." Reich added, "It is also important that lending institutions work with their customers to educate them regarding available mortgage products. Institutions that fail to do so risk foreclosure, a costly proposition to both the consumer/borrower and the lending institution."

The attached CHARM booklet and the interagency ARMs brochure are also available at the OTS website under "Consumer and Compliance/Consumer Inquiries" at www.ots.treas.gov.

CHARM Booklet - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-06a.pdf>

ARMs Brochure - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-06b.pdf>

###

The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.