

Press Releases

April 11, 2007

OTS 07-023 - OTS Director Reich Addresses California Bankers Association

Office of Thrift Supervision

FOR RELEASE at 6:00 P.M. EDT

For further information

Tuesday, April 10, 2007

Contact: Kevin Petrasic

OTS 07-023

202/906-6677

OTS Director Reich Addresses California Bankers Association

Washington, D.C. - Office of Thrift Supervision (OTS) Director John Reich addressed the Strategic Issues Summit of the California Bankers Association today in Newport Beach, California.

In his prepared remarks, Director Reich discussed a number of the unique advantages of the federal thrift charter. He noted the experience of California based thrifts with the federal thrift charter highlights these strategic benefits, including a unified institution/holding company regulator, seamless interstate branching, and the ability to lend under established uniform national standards.

Reich also talked about the role of California based thrifts in the development of specialized mortgage loan products that address the unique needs of the California housing market. He credited California thrifts for innovation in crafting mortgage products that make home ownership more affordable.

Reich noted, however, that the inappropriate use and misuse of certain mortgage products by some lenders has created issues with unsafe and unsound subprime lending practices and, in some markets, extremely aggressive predatory lending practices. He observed, "coupled with systems and investor funding mechanisms that effectively encouraged quantity over quality, we witnessed a meltdown in some mortgage market sectors of a common sense lending principle--do not make a loan without understanding the nature of its repayment risk."

While noting that most of the fallout from these practices comes from outside the regulated banking industry, Reich stressed the need for maintaining sound underwriting standards for subprime lending by all lenders to avoid the future constriction of credit to the subprime market.

Director Reich's prepared remarks are attached and are also available at the OTS website at www.ots.treas.gov.

Remarks of Director Riech - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2007-23a.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.