



**State of New Jersey**  
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BULLETIN NO. 07-01

TO: ALL NEW JERSEY LICENSED MORTGAGE BANKERS, CORRESPONDENT MORTGAGE BANKERS, MORTGAGE BROKERS, SECONDARY LENDERS AND REGISTERED MORTGAGE SOLICITORS

FROM: STEVEN M. GOLDMAN, COMMISSIONER

RE: GUIDANCE ON NON-TRADITIONAL MORTGAGE PRODUCT RISKS

On November 14, 2006 the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) issued guidance on non-traditional mortgage product risks. This guidance is parallel to the final guidance published on October 4, 2006 in the Federal Register which was issued by the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS) and the National Credit Union Administration (NCUA).

The New Jersey Department of Banking and Insurance fully endorses this guidance on non-traditional mortgage product risks. The CSBS and AARMR guidance has been posted on the CSBS's website which is located at <http://www.csbs.org>. All New Jersey licensed mortgage bankers, correspondent mortgage bankers, mortgage brokers, secondary lenders, their officers, directors and employees, and their registered mortgage solicitors are encouraged to review and follow this guidance.

The Department strongly agrees with the points stressed in the guidance that practices involving collateral-dependent loans, risk layering, reduced documentation, simultaneous second-lien loans, introductory interest rates and potential "payment shock," lending to subprime borrowers and non-owner occupied investor loans carry a higher than normal risk to both the lender and the borrower.

The Department views the guidance as setting industry-wide best practices standards. Accordingly, the Department is considering rulemaking in this area or, where necessary, seeking legislation.

1/8/07  
Date

/s/ Steven M. Goldman  
Steven M. Goldman  
Commissioner

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