

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

June 26, 2007

**BANKING SUPERVISION AND REGULATION:
FINAL ILLUSTRATIONS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Final Illustrations of Consumer Information for Nontraditional Mortgage Products

The federal bank, thrift, and credit union regulatory agencies issued final illustrations of consumer information intended to help institutions implement the consumer protection portion of the Interagency Guidance on Nontraditional Mortgage Product Risks that the agencies adopted October 4, 2006. The consumer protection section of the guidance sets forth recommended practices to ensure that consumers have clear and balanced information about nontraditional mortgages before choosing a mortgage product or before selecting a payment option for an existing mortgage.

The illustrations consist of the following:

1. a narrative explanation of nontraditional mortgage products
2. a chart comparing interest-only and payment option adjustable rate mortgages (ARMs) to a traditional fixed-rate loan
3. a table that could be included with monthly statements for a payment option ARM showing the impact of various payment options on the loan balance.

Institutions are not required to use the illustrations. They may choose to use the illustrations, provide information based on the illustrations, or provide the consumer information described in the guidance in an alternate format.

To assist institutions that wish to use the illustrations, the agencies will be posting each of the illustrations on their respective web sites in a form that can be downloaded and printed for easy reproduction. The final document, Illustrations of Consumer Information for Nontraditional Mortgage Products, is attached.

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

FEDERAL RESERVE BANK OF SAN FRANCISCO

Attachments: [Docket No. OP-1267](#)
[Illustration 1](#)
[Illustration 2](#)
[Illustration 2 \(template\)](#)
[Illustration 3](#)