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DEPARTMENT OF AUDIT

DIVISION OF BANKING

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Consumer Alert: Mortgage Payment Increase June 28, 2007

The Wyoming Division of Banking (Division) is issuing this statement developed by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) to encourage consumers to plan for the scheduled recasts of their adjustable rate mortgage (ARM), especially any nontraditional residential mortgage loans, in the upcoming year.

The current challenges facing the residential mortgage industry are cause for serious concern that many consumers could face problems making their monthly loan payment. This concern is especially heightened for consumers who currently have a mortgage loan that is set to adjust resulting in a substantial increase in monthly payments in this year. (This payment adjustment is commonly referred to as "recast" or "reset.") Nontraditional mortgage loans and loans to subprime borrowers frequently feature a recast with a significant payment increase.

The Division, CSBS and AARMR are concerned that many customers may not fully understand the characteristics of these products. In addition, many borrowers may have difficulty affording the higher payments after a recast. With an estimated one million mortgage loans scheduled to recast this year, it is imperative that consumers seek information regarding their loans and make appropriate plans and budget decisions to prepare for this recast.

The Division, CSBS and AARMR urge consumers to educate themselves on the characteristics of their mortgage loan and to plan and budget for their increased payments. This increase could be significant and may place considerable financial stress upon the borrowers. Consumers should be sure to inquire about the terms of any prepayment penalty and effects. Also, if payments are already past due, consumers are strongly encouraged to communicate with the company servicing their loan regarding their situation and possible solutions. Consumers should also consider contacting a trusted financial counselor for guidance on how to proceed. The Division, CSBS and AARMR applaud the initiatives of NeighborWorks, which has established a hotline (888-995-HOPE) to reach struggling homeowners and develop strategic solutions.

In addition to issuing this Consumer Alert, the Division, has issued a Mortgage Servicers and Providers Alert, encouraging them to work with consumers as their residential mortgage loans recast.