



Bankers Advisory

COMPLIANCE MONITOR

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Changes Related to the Use of the Freddie Mac Primary Mortgage Market Survey for Subprime Loans in New York

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Effective January 1, 2016, Federal Home Loan Mortgage Corporation ceased publication of regional breakout figures in its weekly Primary Mortgage Market Survey for 30 and 15 year fixed rate mortgages as well as 5/1hybrid and 1 year adjustable rate mortgages. These figures were used to determine if loans should be classified as subprime and consequently, if lenders needed to adhere to additional legal and regulatory requirements.

In light of this announcement, the Superintendent has chosen the FreddieMac PMMS average commitment rate as new means to determine if a loan qualifies as subprime.

Additionally, Federal Home Loan Mortgage Corporation discontinued publication of both average regional and national breakout figures for 1 year adjustable rate mortgages. Thus, the Superintendent established that the 1 year Average Prime Offer rate as published by the Federal Financial Institutions Examination Council will be used to determine if a loan with a fixed rate of less than three years is subprime.

Please note that the Superintendent will revise applicable regulations.

A copy of the Superintendent's letter can be found at: <http://www.dfs.ny.gov/legal/industry/il160119.pdf>