



State of Washington

DEPARTMENT OF FINANCIAL INSTITUTIONS

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June 15, 2007

Re: Foreclosures

Dear Consumer Loan Licensee:

Recently the federal financial institutions regulatory agencies issued a *Statement on Working with Mortgage Borrowers* encouraging their financial institutions to work constructively with residential borrowers who are financially unable to make their house payments. As regulators of the non-depository institutions in this state, we are doing the same.

As you know many residential borrowers face significant payment increases as their adjustable rate mortgage loans reset. These borrowers may not have sufficient financial capacity to service a higher debt load, especially if they were qualified based upon a low introductory payment. We are encouraging borrowers who are unable to meet their obligations to contact their lender or servicers to discuss possible payment alternatives at the earliest indication of such problems.

We encourage you to consider making prudent arrangements that increase the potential for financially stressed residential borrowers to keep their homes. We also encourage you to consider work-out arrangements such as modifying loan terms and converting variable rate mortgages into fixed rate products. You are not required to immediately foreclose on the collateral underlying a loan when the borrower has repayment difficulties.

You might consider working in conjunction with a reputable organization such as the Center for Foreclosure Solutions sponsored by the NeighborWorks to assist borrowers in avoiding foreclosure through credit counseling. These types of programs also help financially stressed borrowers avoid predatory foreclosure rescue scams.

Under the Homeownership Counseling Act¹, creditors should inform certain borrowers who are delinquent on their mortgage loans about the availability of homeownership counseling. The Department of Housing and Urban Development maintains a list of approved counselors.

¹ All creditors that service loans secured by a mortgage or lien on a one-family residence are subject to the homeownership counseling notification requirements.

Consumer Loan License letter

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If a service member defaults on a mortgage, the Servicemembers Civil Relief Act prohibits the sale, foreclosure, or seizure of the service member property secured by the mortgage during the period of military service, or within 90 days thereafter. We encourage you to work with service members and their families who are unable to meet any of their mortgage obligations.

Please provide a copy of this letter to all of your branch managers in Washington. If you have any comments or questions, please contact Deborah Bortner, Director of Consumer Services, at (360) 902-0511.

Sincerely,

Scott Jarvis
Director