DEPARTMENT OF CORPORATIONS

California's Investment and Financing Authority

Los Angeles, California
March 19, 2007

IN REPLY REFER TO:
FILE NO:

TO: CALIFORNIA FINANCE LENDERS AND CALIFORNIA RESIDENTIAL MORTGAGE LICENSEES

Recent trends in non-current loans suggest that non-traditional mortgage loans pose higher risks than do traditional amortizing mortgage loans. In addition, non-traditional mortgage lending activity has drawn increased scrutiny from a wide range of sources, with concerns being expressed regarding the possibility that some borrowers are being exposed to undue levels of risk given their financial and repayment capacity, possibly without their full understanding of the terms and features of the mortgage loan products they are obtaining. It is in the interests of the Department, its licensees, and the borrowers to ensure that the needs of mortgage customers are met in a manner that is safe and sound for the licensees, yet does not expose the borrowers to an undue level of risk that they may not fully understand.

In order to be able to develop appropriate guidance for its licensees and its examination staff, the Department has decided to conduct a survey to obtain additional information regarding the extent and nature of the non-traditional mortgage loan products being offered by its licensees.

In order to ensure that we have complete and accurate information in a timely manner, please ensure that the survey for your company is completed and submitted on or before April 3, 2007. The efforts of you and your staff in providing this information to our Department is greatly appreciated, and the information that is compiled from the survey responses will be utilized in formulating appropriate guidance for our Department's licensees and examination staff.

To that end, the Commissioner is hereby requesting that licensees submit a special report, pursuant to California Financial Code Section 22159 and California Residential Mortgage Code Section 50307.

Please go to http://www.corp.ca.gov/pdf/mortgagesurvey.pdf, complete the survey and submit. Use your license number in the survey. If the submit button does not allow you to submit the form, forward the survey as an attachment to fsdsurvey@corp.ca.gov. If your company does not offer non-traditional mortgage products, please complete the survey form as applicable to indicate this fact.

We appreciate your cooperation in furnishing us with accurate information in a timely manner.

Should you have any questions regarding this survey, please contact the Department's Help Desk at (866) ASK-CORP, (866) 275-2677.