## NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

## TEMPORARY ORDER PURSUANT TO BANKING LAW § 6-m AND FINANCIAL SERVICES LAW § 302(a)

**WHEREAS,** Banking Law ("BL") § 6-m(1)(c) defines the term "subprime home loan" ("SHL") for the purpose of regulating such loans under New York law; and

**WHEREAS,** BL § 6-m(1)(b) defines "fully indexed rate," as a calculation involving the annual percentage rate ("APR") of a loan; and

**WHEREAS,** the Federal Housing Administration ("FHA") recently revised its policies concerning Mortgage Insurance Premium ("MIP") so that after June 3, 2013, in certain cases, MIP is required to be paid over the life of the loan (the "Mortgagee Letter 2013-04"); and

**WHEREAS**, the Mortgagee Letter 2013-04 effectively increases the MIP used in calculating APR, and thus increases APR on subject loans; and

**WHEREAS,** this increased APR is causing many potential home loans to exceed the threshold rate set by BL § 6-m(1)(c) in defining SHLs and, consequently subjecting those loans to SHL regulations and restrictions; and

**WHEREAS,** the increasing number of home loans considered SHLs has, since June 3, 2013, severely limited the ability of New York homeowners to obtain mortgage financing; and

**WHEREAS,** this disruption in the New York mortgage market is harmful to the public interest and the state's economy;

**WHEREAS,** it is expected that this disruption will self-correct over time as applicable lagging mortgage rate indices align with actual market rates, but that limited intervention is warranted now to foster market stability;

**NOW, THEREFORE,** pursuant to BL§ 6-m(1)(c)(ii) and Financial Services Law § 302(a) it is hereby **ORDERED** that for sixty days (60) from the date of this order the MIP change effectuated by Mortgagee Letter 2013-04 should not be used to calculate APR and fully indexed rates; and

IT IS FURTHER ORDERED THAT this Order applies to all loans previously affected by the Mortgagee Letter 2103-04.

Dated: July 3, 2013 New York, New York

So Ordered:

Benjamin M. Lawsky

Superintendent