OTS 07-041 - OTS Executes Supervisory Agreement with AIG FSB

Office of Thrift Supervision

FOR RELEASE at 11:15 A.M. EDT

Friday, June 8, 2007

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Washington, D.C. -- The Office of Thrift Supervision (OTS) announced today the execution of a Supervisory Agreement with AIG Federal Savings Bank (AIG FSB) for its failure to manage and control in a safe and sound manner the loan origination services outsourced to its affiliate, Wilmington Finance, Inc. (WFI). The Agreement addresses loan origination activities by WFI that had a negative financial impact on certain borrowers of AIG FSB.

The Agreement requires AIG FSB to identify and provide timely assistance to borrowers who have been negatively affected by the loan origination and lending practices of WFI and AIG FSB and who are at risk of losing their homes in foreclosure.

A $128 million reserve was established to cover costs associated with providing affordable loans to borrowers whose creditworthiness was not adequately evaluated when their loan was originated and to reimburse borrowers who paid large broker fees or lender fees at the time of the origination. The companies agreed to increase the reserve if the costs of remediation efforts are higher than initially estimated. The companies anticipate an increase in this reserve for the second quarter of 2007.

The companies further committed in the Agreement their intent to donate $15 million to be used for financial literacy programs and credit counseling.

OTS Director John M. Reich stated that, "Today's announcement makes it clear that the OTS is taking the action necessary to address problems in the mortgage markets and protect the interests of homeowners in jeopardy of losing their homes. The supervisory agreement with AIG FSB provides a model based on the responsible actions by the institution to address important consumer protection issues arising from their past lending practices that were harmful to certain borrowers."

The Agreement specifies the companies must administer a process for handling consumer complaints and engage an independent consultant to monitor and periodically report to the OTS on the status of the reserve and other aspects of the remediation process.
Persons who believe they may be within the group of impacted borrowers may contact AIG FSB customer service.

A copy of the Agreement and a fact sheet providing additional information on the Agreement are attached.


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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.