

**WASHINGTON** — U.S. bank regulators have ordered Fremont Investment & Loan, a major lender in the troubled subprime home-mortgage business, to tighten its loan policies and operations to avoid future losses from defaults by borrowers.

The move is the first by federal regulators against an individual institution related to the recent turmoil in the market for subprime mortgages — higher- interest loans for people with blemished credit records or low incomes who are considered to be higher risks.

The Federal Deposit Insurance Corp. announced the cease-and-desist order with Fremont Investment, a bank based in Brea, California, and its parent companies, Fremont General and Fremont General Credit. The companies agreed to comply with the order without admitting or denying the FDIC's allegation that Fremont Investment was operating "without effective risk-management policies and procedures" in its subprime mortgage and commercial real-estate lending operations.

The FDIC said it had found that, among other things, the bank was making subprime mortgage loans without having the proper criteria for assessing borrowers' ability to repay, and that it was marketing and making the loans "in a way that substantially increased the likelihood of borrower default or other loss to the bank."

Fremont General said recently it was getting out of subprime mortgage lending and had been in talks with potential buyers of its home mortgage business.

Federal Deposit Insurance and other bank regulators, in general, have been worried recently about a surge in defaults on subprime home mortgages in an increasingly troubled market for them. The regulators called on lenders last week to exercise caution in making subprime loans and to strictly evaluate borrowers' ability to repay them.

"Our concern has always been that banks make loans that borrowers are able to repay," Sheila Bair, chairman of the FDIC, said. "We believe that the agreement with Fremont addresses this basic concern."

Mortgage delinquencies and foreclosures are spiking, especially among people who took out subprime mortgages during the sizzling housing boom that waned in the second half of 2005.

Several companies that specialize in subprime mortgages have seen their shares plummet in recent weeks.

