FDIC

Federal Deposit Insurance Corporation
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Financial Institution Letter
FIL-59-2013
December 13, 2013

QUALIFIED and NON-QUALIFIED MORTGAGE LOANS
Interagency Statement on Supervisory Approach

Summary: The federal financial institution regulatory agencies jointly issued an interagency statement on their supervisory approach for residential mortgage loans. The agencies recognize that many institutions are assessing how to implement the Ability-to-Repay and Qualified Mortgage (QM) Standards Rule issued by the Consumer Financial Protection Bureau. The agencies will not subject a residential mortgage loan to regulatory criticism based solely on the loan's status as a QM or a non-QM.

Statement of Applicability to Institutions Under $1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-supervised banks and savings associations, including community institutions.

Distribution:
FDIC-Supervised Banks (Commercial and Savings) and FDIC-Supervised Savings Associations

Suggested Routing:
Chief Executive Officer
Chief Compliance Officer
Chief Credit Officer

Related Topics:
Ability-to-Pay and Qualified Mortgage Standards Rule at http://files.consumerfinance.gov/f/201309_cfpb_titlexiv_updates.pdf

Attachment:
Interagency Statement on the Ability-to-Pay and the Qualified Mortgage Rules

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Note:
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Highlights:

- The agencies:
  - emphasize that an institution may originate both QM and non-QM residential mortgage loans, based on the institution's business strategy and risk appetite;
  - will not subject a residential mortgage loan to safety-and-soundness criticism based solely on the loan's status as a QM or a non-QM;
  - continue to expect an institution to underwrite residential mortgage loans in a prudent fashion and address key risk areas in residential mortgage lending, including loan terms, borrower qualification standards, loan-to-value limits, documentation requirements, and portfolio and risk management practices;
  - do not anticipate that a creditor's decision to offer only QM loans, absent other factors, would elevate a supervised institution's fair lending risk; and
  - believe a decision to originate only QM loans is compatible with meeting Community Reinvestment Act obligations.