



Ability-to-Repay & Qualified Mortgages

III. How to Demonstrate Compliance for Non-QMs: The “Eight Factors”

8 Factors of Ability to Repay: Consider and Verify...

1. Current or reasonably expected **income or assets** (other than the value of the dwelling)
2. Consumer's current **employment status** (if income used to qualify)
3. **Monthly payment** on the loan
4. Monthly payment on any "**simultaneous loan**" on the same property that the creditor "knows or has reason to know"

8 Factors of Ability to Repay: Consider and Verify...

5. Monthly payment made for “**mortgage-related**” obligations
 - *Ex: property taxes, required insurance payments, condo fees*
6. **Current debt obligations**, alimony, and child support
7. Monthly **debt-to-income ratio (DTI) or residual income**
 - *No specific DTI limit*
8. Consumer’s **credit history**

Non-QMS: Common Sense Underwriting

- **Flexibility**
 - Focus is on reasonable underwriting
- **No product feature limitations special to non-QMs, unlike QMs**
 - No ban on balloon, interest-only or neg am loans
 - No cap on points and fees
 - *But remember – prepayment penalties are banned on non-QMs, as well as on adjustable rate QMs and higher-priced QMs.*
 - § *See 12 CFR 1026.43(g); CFPB's Small Entity Compliance Guide for more detail.*