VI. What Charges Count Toward the QM Points and Fees Cap?
## QM: Points and Fees Caps for 2016

<table>
<thead>
<tr>
<th>Loan Amount Range*</th>
<th>Allowable Points and Fees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$101,749 and up</td>
<td>3%</td>
</tr>
<tr>
<td>$61,050 - $101,748.99</td>
<td>$3,052</td>
</tr>
<tr>
<td>$20,350 - $61,049.99</td>
<td>5%</td>
</tr>
<tr>
<td>$12,719 - $20,349.99</td>
<td>$1,017</td>
</tr>
<tr>
<td>$0 - $12,718.99</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Adjusted annually*
Prepaid Finance Charges (PPFC)
Categorical Exclusions

Always excluded:

- Daily interest, or other interest

- Government guaranty fees
  - Ex: FHA upfront and annual premiums, VA funding fee, USDA guarantee fee

- All **monthly** PMI charges and premiums payable after consummation
  - However, *upfront* PMI charges must meet certain conditions to be excluded
PPFC Conditional Exclusions – Third Party Charges

PPFC paid to bona fide third parties may be excluded from points and fees

- But - any part of the charge retained by the creditor, loan originator, or affiliate is counted
- However, if required elsewhere that the fee be included, then that trumps this exclusion and the fee must be counted
  - Example: upfront PMI
PPFC Conditional Exclusions – Discount Points

The number of discount points that can be excluded depends on the loan’s rate:

- If the pre-discount rate does not exceed APOR + 1%:
  you can exclude up to 2 bona fide discount points

- If the pre-discount rate does not exceed APOR + 2%:
  you can exclude up to 1 bona fide discount point
Discount points can be excluded only if they are “bona fide”

To be bona fide, the points must:

- Buy a rate reduction for the borrower
- Reduce the loan rate by an amount consistent with “industry norms”
Compensation paid to third party originators is included in points and fees
  • Including compensation paid through the interest rate

However - compensation to your own employee loan originators is not included
Real Estate Settlement Fees: Conditional Exclusions

 Ville Real estate settlement costs

- Costs described in the Truth in Lending finance charge rule 1026.4(c)(7)
  - Title-related charges, appraisal fees, credit report fees, and document preparation fees, etc

 Ville To be excluded, the fees must meet 3 conditions:

1. Reasonable
2. Without direct or indirect compensation to the creditor, and
3. Not paid to an affiliate of the creditor
Right to Cure

- Limited post-consummation right to cure for loans that exceed the points and fees limit, but otherwise meet the QM requirements.

- Subject to certain conditions, e.g. refund, time limitations, policies and procedures.

- Sunsets on January 10, 2021.