Ability-to-Repay & Qualified Mortgages

IX. Synthesis, Review and Resources
Balloon QMs: A Summary

- “Small creditors” operating in rural or underserved areas
  - Must hold QM in portfolio for at least 3 years

- Limitations on QM balloon loan terms and features:
  1. Fixed rate
  2. Minimum of 5 years and maximum of 30 years
  3. Points and fees cap applies
  4. Substantially equal periodic payments over 30 years max

- Remember: You may underwrite to the maximum periodic payment for balloon QM – not necessary to underwrite to the balloon
Non-QM ARM or step-rate mortgage:
- Use the higher of the fully-indexed rate or the initial rate, and
- Monthly, fully amortizing, substantially equal payments

General and small creditor QM ARM or step-rate mortgage:
- Use the maximum interest rate that could apply during the 5 years after the first payment due date, and
- Fully amortizing payments (either full term or after re-set to max rate)

Temporary government QM:
- Use relevant agency rules
Recap

2. Core Requirements of ATR/QM
3. Non-QM Compliance: 8 Factors
4. QM Presumptions
5. Establishing QM Status
6. QM Points & Fees Cap
7. Understanding Supervisory Expectations for QM and Non-QM
8. Effective Compliance Management for ATR/QM
Resources – CFPB’s Website

¿ ATR/QM generally – Regulation Z, Section 1026.43
  • Points and fees – Section 1026.32(b)
  • Records retention – Section 1026.25(c) and Official Interpretations

¿ Small Entity Compliance Guide to Ability-to-Repay and Qualified Mortgages

¿ Interagency Examination procedures and narrative for Truth in Lending

¿ Guide to QM for Lenders, and other CFPB summary charts
Resources – Interagency Statement and Financial Institution Letter

- **Interagency Statement from October 22, 2013**
  - FDIC-PR-91-2013

- **Financial Institutions Letter from December 13, 2013**
  - FIL-59-2013