



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*

Summary: P&I Payment Assumptions for ATR Determination (ARMs)

§ **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