

# The 2020 ATR/QM Final Rules

*This presentation does not represent legal interpretation, guidance, or advice of the Consumer Financial Protection Bureau.*



# Overview of the pre-existing ATR/QM Rule

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- Issued by the Bureau in January 2013.
- Requires a creditor to make a reasonable, good-faith determination of a consumer's ability to repay a residential mortgage loan according to its terms.
- Provides a presumption that a creditor has complied with this ability-to-repay requirement if a creditor originates a “qualified mortgage” (QM).
  - Presumption is *conclusive* if the loan's APR exceeds the average prime offer rate for a comparable transaction (APOR) by less than 1.5 percentage points (“safe harbor QMs”)
  - Otherwise, presumption is *rebuttable* (“rebuttable presumption QMs”)
- Contains several QM definitions.

# The key QM definitions in the pre-existing ATR/QM Rule

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- General QM definition
  - Must comply with ATR/QM Rule’s prohibitions on certain loan features, points-and-fees limits, and underwriting requirements
  - 43% DTI limit
  - Creditors must “consider” and “verify” consumer’s income and debt using Appendix Q
- Temporary GSE QM definition (GSE Patch)
  - Must comply with same loan-feature prohibitions and points-and-fees limits
  - Must be eligible for purchase or guarantee by either GSE
  - Not subject to 43% DTI limit or requirement to “consider” and “verify”
  - Expires on January 10, 2021 or when GSEs exit conservatorship
- FHA, VA, and USDA loans are also QMs

# Current Market: ~97 percent of originations are QM

Loan Type	QM Status	% of Originations*
Temporary GSE Loans	QM	62
Federal Agency	QM	17
Portfolio	Some large banks have indicated that 97% of their portfolios are QM	20
Private label securities	Mixed QM status	1
Total		100

\*Based on Q3 2020 first-lien originations. Source Urban Institute “Housing Finance at a Glance.” Dec 2020.

# Why we amended the ATR/QM Rule

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- Without changes to the Rule, there likely would have been a significant reduction in access to mortgage credit after the GSE Patch expired.
- Many GSE Patch loans would not have qualified under the General QM definition after the Patch expired, mainly because their DTI ratios exceed 43%.
  - Based on 2018 data, Bureau estimated that ~957,000 loans with DTI ratios above 43% would fall outside the General QM definition after the Patch expires (~16% of closed-end first-lien residential mortgage loan originations in 2018)
- Some of these loans would have cost more for consumers and some would not have been made at all.

# The Final Rules

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- Extension Final Rule (issued October 20, 2020)
  - Extended the GSE Patch until the mandatory compliance date of the General QM Final Rule.
  - Took effect December 28, 2020
- General QM Final Rule (issued December 10, 2020)
  - Amended the General QM definition to, among other things, remove the 43% DTI limit and replace it with price-based thresholds.
  - Effective March 1, 2021; mandatory compliance date of July 1, 2021
- Seasoned QM Final Rule (issued December 10, 2020)
  - Created a new category of QMs for transactions that meet certain performance requirements over a 36-month seasoning period and meet certain other criteria.
  - Effective March 1, 2021 (first Seasoned QMs will be in 2024)

# General QM Final Rule

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- Removed 43 percent DTI limit
- Adopted price-based approach
  - In general, APR < 2.25 percentage points above APOR for rebuttable presumption QM; APR < 1.50 percentage points for safe harbor QM
  - Higher thresholds for smaller loans, manufactured housing loans, and subordinate liens
  - Special rule for calculating APR for ARMs (max. int. rate in first 5 years)
- Creditors required to consider and verify income, debt and other factors
  - Must consider debt, income, DTI or RI, and other factors
  - Must verify debt, income, and other factors
  - Safe harbor for verification if follow certain government or GSE standards
  - Removed appendix Q

# Rationale for General QM Pricing Approach

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- Pricing indirect measure but strongly correlated with early delinquency
- More flexible than DTI
- Provides bright-line standard

# Access to Credit - Share of Conventional Purchase Loans within General QM (2018 HMDA)

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<b>Approach</b>	<b>QM Overall (share of conventional market)</b>
Temporary GSE QM + DTI 43	94.7
Final Rule (Pricing at 2.25)	96.3
DTI limit 43 (original General QM)	73.1
DTI limit 45	80.5
DTI limit 46	83.5
DTI limit 47	86.3
DTI limit 48	89.1
DTI limit 49	92.2
DTI limit 50	96.3



# Pricing and Delinquency (2018 HMDA-NMDB)

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Rate Spread over APOR in percentage points	Early Delinquency Rate (as of Dec. 2019)
< 0	0.2%
0-0.49	0.2%
0.50-0.99	0.6%
1.00-1.49	1.7%
1.50-1.99	2.7%
2.00 and above	4.2%

# Pricing and Delinquency (2002-2008 HMDA-NMDB)

Rate Spread (interest rate + PMI  
approximation - PMMS) in percentage  
points

Early Delinquency Rate

< 0	2%
0-0.24	2%
0.25-0.49	4%
0.50-0.74	5%
0.75-0.99	6%
1.00-1.24	8%
1.25-1.49	10%
1.50-1.74	12%
1.75-1.99	13%
2.00-2.24	14%
2.25 and above	14%

# Seasoned QM Final Rule

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- A loan can become a Seasoned QM by meeting certain requirements at the end of a seasoning period of  $\geq 36$  months
- Seasoned QMs get a safe harbor from liability under the ATR requirements (i.e., a conclusive presumption of compliance)
  - Applies regardless of pricing
- A loan that is not a QM when made can become a safe harbor QM by seasoning
  - A loans that is a rebuttable presumption QM when made can also become a safe harbor QM by seasoning
    - Even loans that are safe harbor QMs when made can become Seasoned QMs (for extra certainty)

# Requirements for a Seasoned QM

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- Meets certain product restrictions and points-and-fees limits, including:
  - Term  $\leq$  30 years, with fully amortizing payments and no balloon payment
  - Fixed rate
  - Secured by a first lien
  - Not a high-cost mortgage as defined in Regulation Z
- Meets certain underwriting requirements that apply for General QMs
- Held in portfolio by the originator or the first purchaser during the seasoning period
- Meets performance requirements during the seasoning period:
  - No delinquencies of 60 days or more and
  - $\leq$  2 delinquencies of 30 days or more

# Rationale for Seasoned QM Final Rule

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- Encourage safe and responsible innovation in the mortgage origination market
  - Especially for loans that are not QMs at origination
- Non-QM loans are currently relatively scarce
  - Some consumers likely possessing an ability to repay seasoned-QM eligible loans but with less traditional sources and patterns of income may not otherwise qualify for an affordable loan.
- Rationale underlying the rule:
  - If a consumer makes on-time payments for 3 years and loan meets other seasoning requirements, then it is appropriate to conclusively presume that the creditor made a reasonable determination of ability to repay when loan was originated
  - The GSE representation and warranty framework is a precedent for this concept

# Market Impacts of Final Rules

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- The price-based approach may result in a slight expansion in the scope of QM and access to credit compared to the current market
- Non-QM market may remain relatively small – broad scope of QM from price-based approach may limit growth of non-QM lending, though new Seasoned QM loan definition will provide modest incentive for non-QM lending
- Potential for greater non-GSE lending with the expiration of the Patch (though prevalence of GSE lending likely to continue)
- Need to monitor potential pro-cyclical effects of price-based approach, impact on FHA market share and early delinquency rates as a proxy for ATR

# THE HFA INSTITUTE 2021

## USDA Rural Development

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National Council of  
State Housing Agencies



**MRBs and  
Other Federal  
Homeownership  
Programs**  
FEBRUARY 1 – 3



**Housing Credit**  
FEBRUARY 3 – 5



**Section 8 and  
Other Federally  
Assisted  
Multifamily  
Housing**  
FEBRUARY 8 – 10

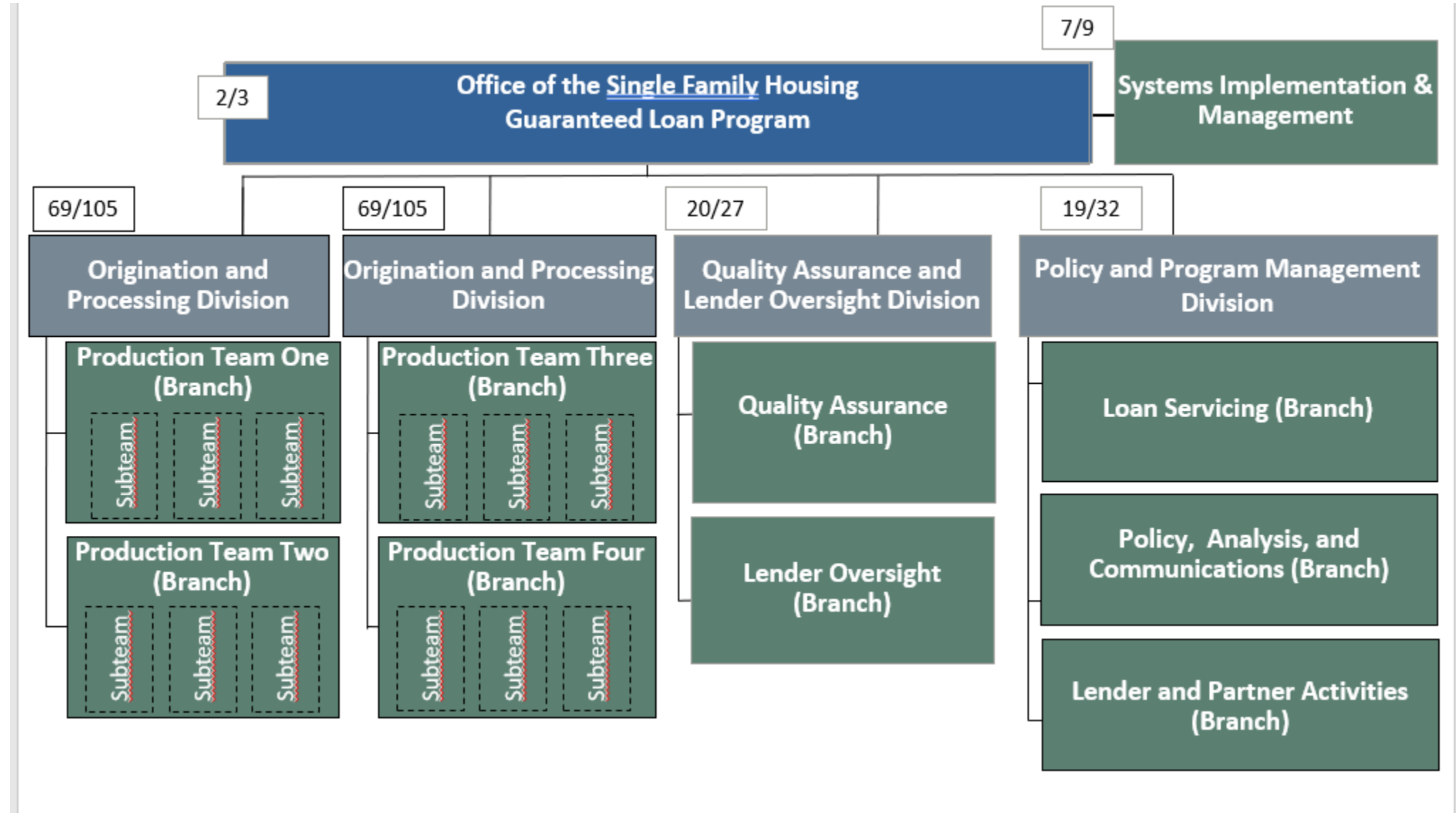


**HOME and  
Housing Trust  
Fund**  
FEBRUARY 10 – 12



# Our Year Post Restructure

- As of March 1, 2020-employees transferred to new roles.
- We are staffing up to our full potential.
- Obligated \$23B in FY 2020.
- Record volume YTD in FY 2021; we're ahead 20% compared to last year.



# Customer Service

- Customer service-our original structure depended on email for customer service. New options include:
  - An 800-number launching Spring 2021. This will be staffed with experts on loan processing, policy, and lender eligibility.
  - Additional self-service options including growth of available Q&A on “Ask USDA”.
- As of January 29, 2021, we are processing files from January 20, 2021

## USDA Extends Foreclosure Moratorium and Mortgage Forbearance Deadline to March 31, 2021

- **Moratorium on Foreclosure through March 31, 2021.**
  - Initiation
  - Completion
  - First Legal Action
  - **Not applicable to vacant and abandoned properties**
- **Deadline to apply for initial 180 Day CARES Act Forbearance – March 31, 2021**
- **Servicing Options Following Forbearance: Special Relief Alternatives/Measures** referenced in Chapter 18 of the program Handbook:
  - Term Extension
  - Capitalization of Delinquency & Term Extension
  - Mortgage Recover Advance (MRA)

## USDA RD - New GUS/URLA Transition

### **February 12, 2021 – Last Day to Submit New Applications and Ensure a Commitment!**

- USDA cannot guarantee issuance of Conditional Commitments for applications received after this date.
- Lenders may continue to submit new applications.
- USDA will accept and review applications but can not assure the completion of the review due to the expected continuation of backlogs from persistent high-volume levels.

### **February 26, 2021 – Last Day for Legacy GUS!**

- Loans not finalized by USDA by close of business must be entered into New GUS for review.
- Legacy GUS files will not transfer into the New GUS as these are two separate systems.

### **February 27-28, 2021 – GUS Unavailable!**

- All Single-Family Housing Guaranteed Loan Program systems, including the GUS, will be unavailable as the transition to New GUS is completed.

## USDA RD - New GUS/URLA Transition

### March 1, 2021 – New GUS Goes Live!

- Legacy GUS will be placed in read-only mode.
- Applications originated with the new URLA can be imported utilizing FNMA DU MISMO 3.4 v1.8.1 format.
- Applications originated with the old URLA 1003 application have the following options:
  - **Option 1** - Import using FNMA DU MISMO 3.4 v1.8.1 format if your LOS allows, and then manually enter all additional information and supporting documentation as required by the redesigned URLA.
  - **Option 2** – Manually enter the loan application into New GUS.

\*\* For either option of loans originated utilizing the old 1003 application, lenders may need to contact the applicant to obtain and document all additional information.



## New GUS Testing is Available Now

- Approved lenders are encouraged to participate in the Open Testing Period.
- Allows the lender to confirm the ability to export the FNMA DU MISMO 3.4 v1.8.1 file from their LOS/POS and import/upload the file into the New GUS.
- Allows the lender to become familiar with the redesigned URLA and upload process.
- Prepares the lender for when New GUS goes live on March 1, 2021 which will minimize any potential delays.
- Allows feedback on real time scenarios so any possible issues can be resolved prior to launch of New GUS.

## Need More Info?

- **Policy issues?**

Go to USDA LINC: <https://www.rd.usda.gov/page/usda-linc-training-resource-library>

- **USDA ITS Service Desk Support Center**

Email: [eAuthHelpDesk@ftc.usda.gov](mailto:eAuthHelpDesk@ftc.usda.gov)

Phone: 800-457-3642

- **Rural Development Help Desk**

For GUS system, outage or functionality assistance

Email: [RD.HD@STL.USDA.GOV](mailto:RD.HD@STL.USDA.GOV)

# Ginnie Mae: 2021 Outlook

## General Priorities:

- Counterparty risk management policy and tools
- COVID-19 response policy: evaluation and refinement
- Investment planning: MBS platform next generation initiative

## COVID-19 Response Policy

### Operational Challenges:

- *Done*: implementation of various flexibilities to address need for remote solutions
- *To Do*: Determine which are permanent. Press forward with Digital Collateral

### Liquidity Support:

- *Done*: Implementation of PTAP, expanded financing alternatives
- *To Do*: Sunset of PTAP; non-traditional issuer initiative

### Security Performance

- *Done*: Steps taken to protect the value of the Ginnie Mae security
- *To Do*: Determine which are permanent; ongoing review based on forbearance resolution data

# FHFA UPDATES



## HFA INSTITUTE 2021

February 2, 2021

# ENTERPRISES' COVID-19 RESPONSE

- Temporary Underwriting Flexibilities and Guidance
  - Verbal Verification of Employment
  - Powers of Attorney
  - Age of Documentation
  - Self-employed Income
  - Verification of Self Employment
  - Remote Online Notarization (moved to the Selling Guides)
- Temporary Appraisals Flexibilities and Guidance
  - Desktop appraisal
  - Exterior-only appraisal
- Temporary Flexibilities for Purchase and Refinance Transactions

# ENTERPRISES' COVID-19 RESPONSE

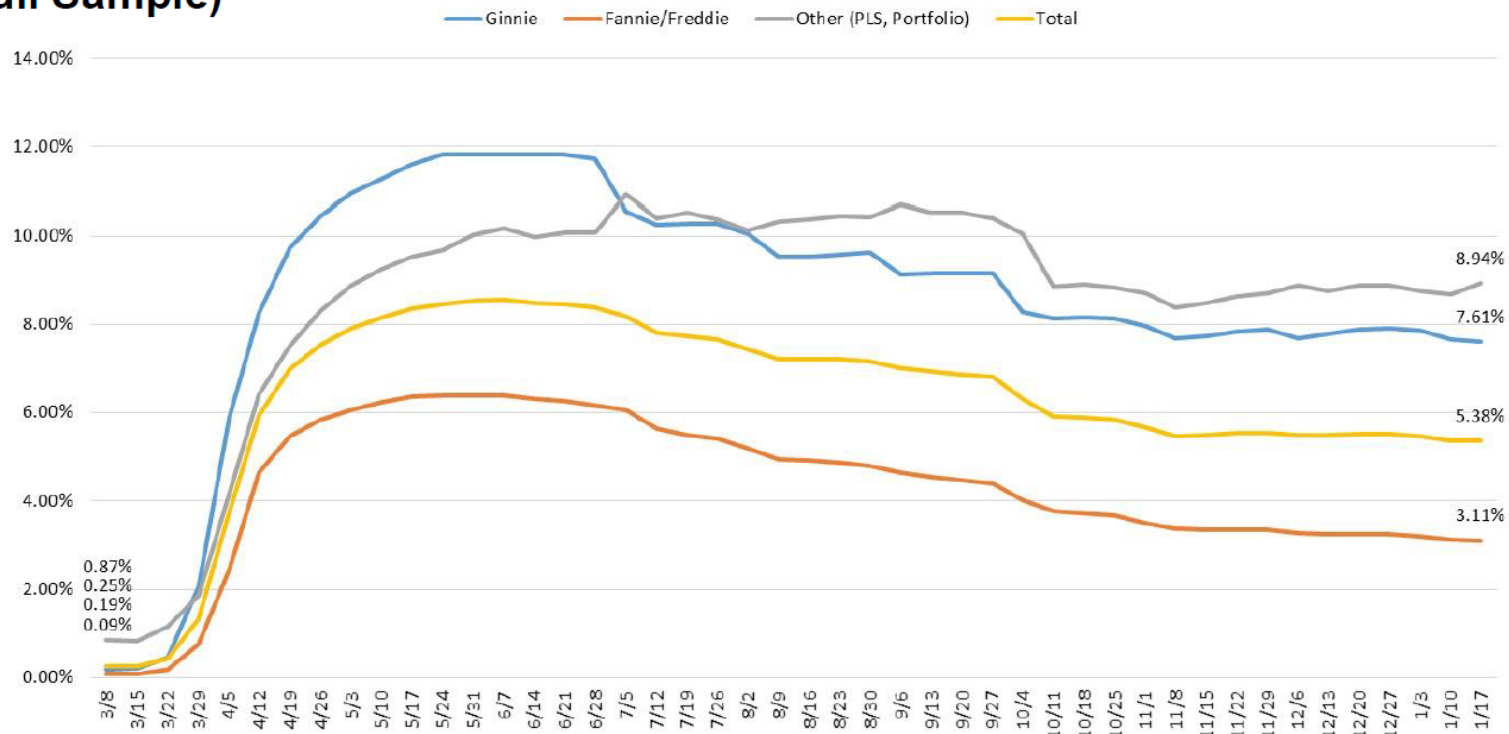
- Temporary Borrower Assistance Measures and Resources
  - COVID Forbearance
  - COVID Payment Deferral
  - Available resources to assist Limited English Proficient borrower, including servicing scripts in top five languages and servicing educational brochure
    - ❖ Mortgage Translations -  
<https://www.fhfa.gov/MortgageTranslations/>
- Eviction and Foreclosure Moratoria

## ENTERPRISES STANDARD LOSS MITIGATION TOOLKIT

COVID Loss Mitigation	Existing Loss Mitigation
COVID-19 Forbearance	Forbearance
Reinstatement	Reinstatement
Repayment Plan	Repayment
Payment Deferral (12)	Payment Deferral (2)
Flex Modification	Flex Modification

# MBA WEEKLY FORBEARANCE AND CALL VOLUME SURVEY – RELEASE DATE 1/25/21

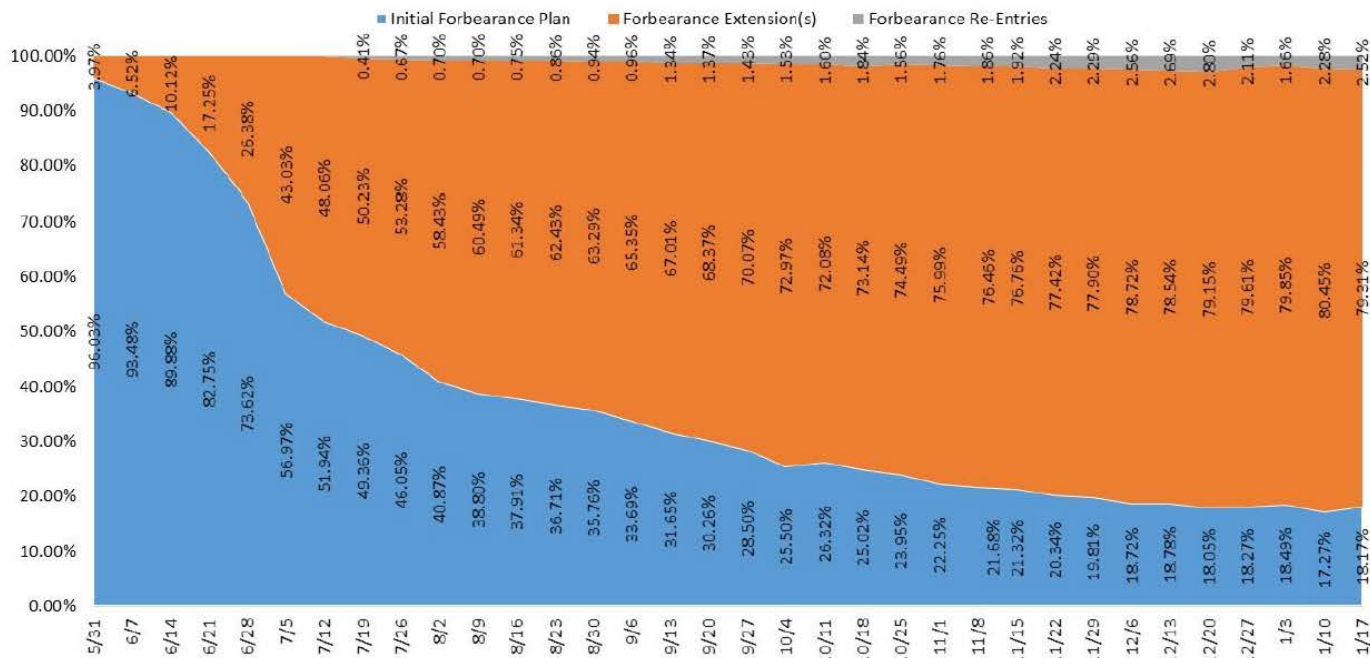
## % of Servicing Portfolio Volume in Forbearance by Investor Type over Time (Full Sample)



Source: MBA's Weekly Forbearance and Call Volume Survey, as of 1/17/21  
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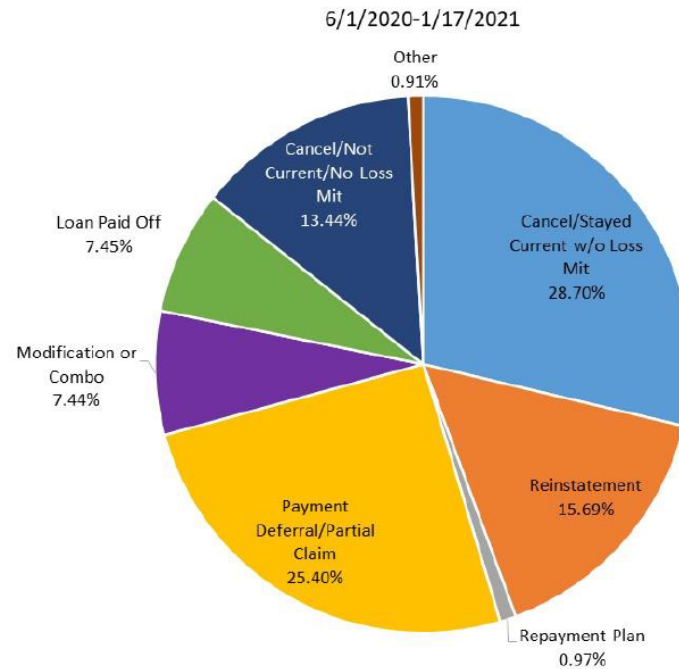
# MBA WEEKLY FORBEARANCE AND CALL VOLUME SURVEY – RELEASE DATE 1/25/21

## % Loans in Forbearance by Stage



Source: MBA's Weekly Forbearance and Call Volume Survey, as of 1/17/21  
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### % of Cumulative Forbearance Exits by Reason



Cumulative Forbearance Exits as a % of Average Servicing Portfolio: 5.89%

Source: MBA's Weekly Forbearance and Call Volume Survey, as of 1/17/21  
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# REGULATORY EFFORTS AND REQUESTS FOR INFORMATION

## Rulemaking

- Capital Rule for the Enterprises
- 2021 Affordable Housing Goals for Fannie Mae and Freddie Mac
  - ANPR on future housing goals (2/28/21)
- Proposes Rule for New Enterprise Products and Activities

## Request for Information

- Climate and Natural Disaster Risk Management (4/19/21)
- Appraisal-Related Policies, Practices, and Processes (4/26/21)

# COVID-19 RESOURCES

- Fannie Mae Lender Letters
  - Selling and Servicing - <https://www.fanniemae.com/here-help-single-family>
- Freddie Mac Bulletins
  - COVID Selling - <https://sf.freddiemac.com/about/covid-19#selling>
  - COVID Servicing - <https://sf.freddiemac.com/about/covid-19#servicing>
- FHFA
  - <https://www.fhfa.gov/Homeownersbuyer/MortgageAssistance/Pages/Coronavirus-Assistance-Information.aspx>
- Other Government Resources
  - <https://www.hud.gov/coronavirus>
  - <https://www.consumerfinance.gov/coronavirus/>