



CFPB Extends Compliance Date for New QM Rule

The Consumer Financial Protection Bureau (CFPB) has **proposed to delay the mandatory compliance date of the General Qualified Mortgage (QM) final rule** from July 1, 2021 to October 1, 2022. The rule, proposed last June, is designed as a replacement for the so-called GSE patch. CFPB says it is proposing the extension to **ensure that homeowners struggling with the financial impacts of the COVID-19 pandemic have the options they need.**

As originally written at the time of the housing crisis, the Ability to Repay/Qualified Mortgage Rule (ATR-QM Rule) provided a safe harbor to protect lenders from lawsuits charging them with failing to appropriately quantify a borrower's ability to repayment a loan. In general, the QM rule requires that a loan comply with prohibitions on certain loan features, points, and fee limitations. It also requires that a borrower's debt-to-income (DTI) ratio does not exceed 43 percent and that creditors "calculate, consider, and verify debt and income for purposes of determining the consumer's DTI ratio using the standards contained in Appendix Q of Regulation Z."

The FHA, VA, and USDA have different rules on debt, so they were excluded from the DTI limit, leaving it only to apply to the GSEs and non-government affiliated lenders. This exclusion was rectified by the patch which eliminated the 43 percent debt limit for loans that otherwise complied with guidelines that qualified those loans for purchase or guarantee by one of the GSEs.

The patch would sunset when the GSEs were released from conservatorship or no later than January 10, 2021 so, with no change in the GSEs' status CFPB proposed several rules, one to extend that expiration date, the other to amend the ATR/QM to make the patch unnecessary.

The latter, now a final rule, is set to take effect in July. Among other things, the rule removes the General QM loan definition's 43 percent DTI ratio limit and **replaces it with a limit based on the loan's pricing.** Details of the rule can be found [here](#).

CFPB says the COVID-19 pandemic has left almost 3 million American homeowners behind on their mortgages with Black and Hispanic communities bearing the brunt of job losses while still not fully recovered from the impact of the Great Recession. Forbearance plans and foreclosure moratoriums have helped many homeowners stay in their homes, but those interventions may end before either the broader economy or the housing market have recovered from the impact of the pandemic. The extension of the mandatory compliance date may help **ensure stability and access to affordable, responsible credit in the mortgage market.**

The extension of the compliance date is contained in a Notice of Proposed Rule Making (NPRM) on which comments can be made until April 5, 2021. CFPB says that extending the mandatory compliance will allow lenders more time to offer QM loans based on the homeowners' debt-to-income (DTI) ratio, and not solely based on a pricing cut-off. It will also give lenders more time to use the GSE Patch, which provides QM status to loans that are eligible for sale to Fannie Mae or Freddie Mac.

If this NPRM is finalized as proposed, the old, DTI-based General QM definition; the new, price-based General QM definition; and the GSE Patch (unless the GSEs exit conservatorship prior to October 1, 2022) would all remain available for loan applications received prior to October 1, 2022.



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