



## CFPB Proposes Amendments to Mortgage Rules

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On April 30<sup>th</sup>, the Consumer Financial Protection Bureau (CFPB) announced certain limited amendments to the Ability to Repay/Qualified Mortgage Rule (“ATR/QM”) and the Servicing Rules which took effect in January of this year. [The proposed amendments](#) were published in the Federal Register on May 6<sup>th</sup>, 2014, and comments are due on or before June 5<sup>th</sup>, 2014.

### ATR/QM Rule

Under the existing rule, QMs are provided either a safe harbor or a rebuttable presumption of compliance with the ATR Rule. To be considered a QM, a loan’s points and fees must not exceed 3% of the amount of the loan (for loans of \$100,000 or more). The proposal provides a cure mechanism for loans originated with a good faith intention of QM status, but that inadvertently exceed the points and fees cap. Specifically, the proposal would allow a lender to refund excess points and fees to the borrower within 120 days of consummation and maintain the loan’s QM status. Lenders must also establish and follow policies and procedures for reviewing their loans and providing refunds.

The Bureau also requested comments on whether and how to create a similar cure provision for loans that inadvertently exceed the 43% debt-to-income ratio (DTI) requirement for certain QM loans.

Lastly, the current ATR rule provides certain exemptions for non-profit lenders that make mortgage loans to low or moderate income borrowers, if they make 200 or fewer dwelling-secured loans per year. The proposed amendments provide that certain interest-free, forgivable, subordinate lien, down payment assistance loans would not count toward the annual 200 loan limit.

### Servicing Rules

Under the existing mortgage servicing rules, “small servicers” are exempt from certain provisions if they service 5,000 or fewer mortgage loans annually and meet certain other requirements. The proposal would create an alternative definition of “small servicer” that would allow certain non-profit entities to service loans for a fee on behalf of other associated non-profits. The proposal would exempt such servicers from the Regulation Z periodic statement requirements, and from certain Regulation X requirements regarding force-placed insurance and loss mitigation.

Instructions for providing comments on any or all of the above proposed amendments are provided in the notice.

## Related People

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