

Summary: Final Rule re: Delayed Mandatory Compliance Date for the Qualified Mortgage Definition Under TILA

12 CFR Part 1026

Prepared by the Legislative & Regulatory Affairs Division

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The Consumer Financial Protection Bureau (CFPB) issued a final rule to delay the mandatory compliance date for the Qualified Mortgage Definition under the Truth in Lending Act (TILA) until October 1, 2022. The Bureau is taking this action to help ensure access to responsible, affordable mortgage credit and to preserve flexibility for consumers affected by the COVID-19 pandemic and its economic effects.

The final rule is effective on June 30, 2021 and the mandatory compliance date of the final rule is October 1, 2022.

Summary:

The Ability to Repay/Qualified Mortgage Rule (ATR/QM) 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. Loans that meet the ATR/QM Rule's requirements for qualified mortgages (QMs) obtain certain protections from liability.

The ATR/QM rule defines several categories of QMs. One category is the General Mortgage QM category. General QMs must comply with the ATR/QM Rule's prohibitions on certain loan features, points and fees limits, and underwriting requirements. Under the original ATR/QM rule, the ratio of the consumer's total monthly debt to total monthly income (DTI or DTI ratio) could not exceed 43 percent for a loan to meet the General QM loan definition. In December 2020, the Bureau issued the General QM Final Rule, which amended Regulation Z by replacing the original, DTI-based General QM loan definition with a limit based on loan pricing and making other changes to the General QM loan definition. The General QM Final Rule took effect on March 1, 2021 and provided a mandatory compliance date of July 1, 2021. On March 3, 2021, the Bureau issued a proposal to delay the General QM Final Rule's mandatory compliance date from July 1, 2021 to October 1, 2022.

The Bureau issued this final rule to delay the rule's compliance date as proposed. For covered transactions for which creditors receive an application on or after March 1, 2021 but prior to October 1, 2022, creditor will have the option of complying with either the original, DTI-based General QM loan definition or the revised, price-based General QM loan definition. Under the final rule, only the revised, price-based General QM loan definition will be available for applications received on or after the October 1, 2022 mandatory compliance date.

This final rule also defines a temporary category of QMs. That category of mortgages is usually referred to as the GSE Patch and includes mortgages that (i) comply with the same loan-feature

prohibitions and points/fees limits as General QMs and (ii) are eligible to be purchased or guaranteed by either the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac)(collectively, the government-sponsored enterprises or GSEs) while operating under the conservatorship or receivership of the Federal Housing Finance Agency (FHFA). Under the previous General QM Final Rule, the GSE Patch mortgage definition would have expired on the earliest of July 1, 2021 or the date the applicable GSE exits Federal conservatorship. Under the new final rule, the Temporary GSE loan definition will expire upon the earlier of October 1, 2022 or the date the applicable GSE exits Federal conservatorship.