



## **MFM Bulletin: 011-2022**

**Date:** March 28, 2022

**Subject:** Revised QM Procedures for Portfolio Loans

On June 7, 2021 MFM issued Bulletin 008-2021 announcing changes to Fannie Mae and Freddie Mac loan eligibility due to the revised Qualified Mortgage (QM) Rule. To provide continuity and consistency, MFM will also apply the new QM standards to all Credit Union Portfolio loans. This policy is effective immediately.

MFM will test all Credit Union Portfolio loans according to the new CFPB guidelines through ComplianceEase. Loans will be tested to ensure the APR falls within the allowable QM thresholds and the limitation on points and fees are met. Instructions for how to review the ComplianceEase Report in Blue Sage are available on the following page.

The previous QM standard of maximum 43% DTI and adherence to Appendix Q has been removed under the new QM rules. However, the new QM rules still require the lender to make a reasonable, good faith determination of the borrower's ability to repay (ATR). To meet this requirement, MFM will apply a maximum DTI threshold of 50%. MFM will apply the documentation requirements per AUS findings for income, asset and credit/liability verification.

**Any loan that does not meet QM standards for APR, fee limitation and or ATR must be considered non-QM.** A copy of MFM's complete QM Policy is attached below for your reference.

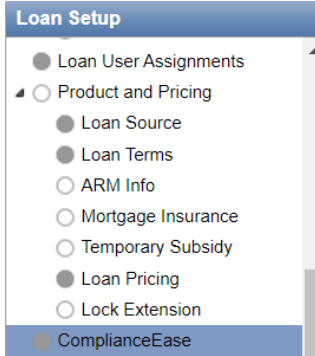
We have amended the current Port Form to remove all reference to 43% DTI and Appendix Q. We have also added additional fields that many CU partners have requested:

- Property Type
- Discount Points
- Property Inspection Waiver (PIW) acknowledgement and approval



## Determining if a Loan Meets QM APR Test

1. Click on the Compliance Ease tab:



2. Open the Findings Report:

Compliance Analysis History											
Report Date/Time	ComplianceEase Pr...	Report Versio...	Risk Indicator	HOEPA/HPM...	TILA/TRID	RESPA	State & Local ...	State Regs	Exceptions	Policies/Custom	Findings
7/07/2021 8:45 AM	ComplianceAnalyze...	1	Minimal	Pass	Pass	Pass	Not Covered	Pass	No Result	Pass	

3. The “Qualified Mortgage APR Threshold Finding” result must be NO and the “Points and Fees” finding must be NO:

FINDINGS SUMMARY				
Qualified Mortgage				
	Result	Loan Data	Comparison Data	Variance
Qualified Mortgage Negative Amortization Loan:	NO			
Qualified Mortgage Interest Only Loan:	NO			
Qualified Mortgage Balloon Payment Loan:	NO			
Qualified Mortgage Loan Term:	NO			
Qualified Mortgage Points and Fees Finding:	NO	\$846.25	\$3,308.00	-\$2,461.75
Qualified Mortgage DTI Threshold Finding:	N/A			
Qualified Mortgage APR Threshold Finding:	NO	4.048%	6.570%	-2.522%
Qualified Mortgage Alert (2021 Version):	ALERT			
Qualified Mortgage Alert (Continued, 2021 Version):	ALERT			
Qualified Mortgage Prepayment Penalty Alert:	ALERT			

4. The test (or Comparison data) is based on the APOR (Average Prime Offer Rate) PLUS the highest spread in the chart below – based on the loan amount. In this case is 3.070% is the APOR rate for the date the rate was set (locked) plus 3.500% from the QM threshold chart (loan amount \$67,000 = 6.570%):

Threshold Index(es)			
Name	Term	Yield	Date
H.15 Conventional Mortgage Rate (Annual)		3.85000%	01/01/2018
Treasury Constant Maturities 30-year	30 Year	2.35000%	05/14/2021
Average Prime Offer Rate 30YR Fixed	30 Year	3.07000%	06/28/2021

Loan Amount	APR - APOR Spread	Category
Any	< 1.50	QM Safe Harbor
≥ 110,260	1.50 to < 2.25	QM Rebuttable Presumption - HPML
≥ 66,156 < 110,625	1.50 to < 3.50	QM Rebuttable Presumption - HPML
< 66,156	1.50 to < 6.50	QM Rebuttable Presumption - HPML