

MFM Qualified Mortgage Policy



APR TEST

QM status will be granted only if the annual percentage rate (APR) does not exceed the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by the amounts specified below:

For a covered transaction with a...	With a loan amount*...	APR may not exceed APOR by...
First Lien	Greater than or equal to \$114,847	2.25 or more percentage points
	Greater than or equal to \$68,908, but less than \$114,847	3.5 or more percentage points
	Less than \$68,908	6.5 or more percentage points
First Lien secured by manufactured home	Less than \$114,847	6.5 or more percentage points
Subordinate lien	Greater than or equal to \$68,908	3.5 or more percentage points
Subordinate lien	Less than \$68,908	6.5 or more percentage points

*Adjusted annually for inflation.

LIMITATION ON POINTS AND FEES

In addition to the above APR standards, Member First Mortgage will adhere to the following points and fees limitations for QM loans (adjusted annually)

2022 Limits:

Loan Amount	Total Points and Fees May Not Exceed:
>\$114,847	3% of the total loan amount
>\$68,908 but <\$114,847	\$3,445
>\$22,969 but <\$68,908	5% of the total loan amount
>\$14,356 but <\$22,969	\$1,148
<\$14,356	\$8% of the total of the loan amount

The following items are included in the points and fees calculation:

- Finance charges unless specifically excluded from the QM points and fees, such as origination fees and discount points;
- Real estate related fees if they are not reasonable in amount or if they are paid to a creditor or creditor's affiliate;
- LO Compensation paid directly or indirectly by a consumer or creditor to an LO or broker other than compensation paid by a mortgage broker, creditor or retailer of manufactured homes to an employee;
- PMI premiums that either exceed the FHA premium or are not required to be refunded when the loan is paid in full. To simplify: any portion of a "single-pay" premium that is in excess of 1.75% (1.75% being the current FHA UFMIP) would count towards the 3% cap;
- Loan-Level Price Adjustments (LLPAs);
- Maximum prepayment penalty that a consumer could be charged for prepaying the loan;
- Prepayment penalty charge for any underlying lien (including subordinate financing) being paid off with the proposed transaction if the underlying lien is currently held or serviced by the creditor or its affiliate; and
- Premiums for credit insurance; credit property insurance; other life, accident, health or loss-of-income insurance where the creditor is beneficiary; or debt cancellation or suspension coverage payments.

The following items are not included in the points and fees calculation:

- Interest fees or the time-price differential;
- FHA Upfront Mortgages Insurance Premiums (UFMIP) and annual Mortgage Insurance Premiums (MIPs);
- USDA Guaranty fees;
- VA Funding fees;
- Monthly private mortgage insurance (PMI). The portion of upfront PMI that does not exceed the current FHA upfront MIP may also be excluded if the premium is refundable on a prorated basis and a refund is automatically issued upon loan satisfaction.
- Bonafide third-party fees only if they are not retained by the creditor, broker, an individual LO, or affiliate of either;
- Real estate related fees if reasonable in amount and not paid directly or indirectly to a creditor or creditor's affiliate, including, but not limited to:
 - Title fees including title insurance, property survey, title exam, etc.;
 - Fees for preparing loan related documents (deeds, mortgages, etc.);
 - Notary fees;
 - Credit report fees;
 - Appraisal/inspection fees;
 - Fees related to flood hazard determinations;
 - Amounts paid into escrow or trustee accounts that are not otherwise included in the finance charge (except for amounts held for future payment of taxes);
- Bonafide Discount Points
- Up to two bonafide discount points (as defined under the ATR/QM Rule) may be excluded if the interest rate before the discount does not exceed the APOR for a comparable transaction by more than 1% point; and
- Up to 1 bonafide discount point if the interest rate before the discount does not exceed the APOR for a comparable transaction by more than 2 points;
 - Creditor paid charges (except for the loan originator compensation paid by the creditor that is required to be included in the points and fees); and
 - Seller paid charges that must be specifically included in the QM points and fees, such as loan originator compensation, origination fees, non-bonafide discount points, credit insurance, or prepayment penalties, etc.

ABILITY TO REPAY

As basis for determining whether a loan meets QM Standards, Member First Mortgage will consider the following information in the determination of borrower's ability to repay:

- The borrowers current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan
- If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status
- The Borrower's full monthly payment on the covered transaction**
- The Borrower's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made
- The Borrower's monthly payment for mortgage-related obligations
- The Borrower's current debt obligations, alimony, and child support
- The Borrower's monthly debt-to-income ratio or residual income
- The Borrowers credit history

**MFM will make consideration using:

(A) For ARM mortgages: Payment based on the fully indexed rate or any introductory interest rate, whichever is greater; or

(B) For Fixed Rate mortgages: Monthly, fully amortizing payments that are substantially equal.

Factors Considered Include:

- **Income:** Source of income may include:
 - Salary
 - Wages;
 - Self-employment income;
 - Military or reserve duty income;
 - Bonus pay;
 - Tips;
 - Commissions;
 - Interest payments;
 - Dividends;
 - Retirement benefits or entitlements;
 - Rental income;
 - Royalty payments;
 - Trust income;
 - Public assistance payments; and
 - Alimony, child support, and separate maintenance payments
- **Assets:** The creditor may consider any of the consumer's assets, other than the value of the dwelling that secures the covered transaction. Source of assets may include:
 - Funds in a savings or checking account;
 - Amounts vested in a retirement account;
 - Stocks;
 - Bonds;
 - Certificates of deposit; and
 - Amounts available to the consumer from a trust fund

Debt to Income Ratio/Residual Income

- **Monthly debt-to-income ratio:** MFM will consider the borrower's DTI as basis for determination of ability to repay by calculating the ratio of the consumer's total monthly debt obligations as stated below to the consumer's total monthly income.
- Max DTI should not exceed 50%. If DTI exceeds 50%, on an exception basis only, then borrower's Monthly residual income may be calculated to support the ability to repay. Additional compensating factors must be present.
- For purposes of DTI calculation the following definitions apply:
 - The payment on the covered transaction**
 - Simultaneous loans
 - Other mortgage-related obligations
 - Current debt obligations, alimony, and child support.

Monthly Residual Income Calculation

- If required, MFM will calculate the borrower's Monthly residual income by subtracting the consumer's total monthly debt obligations, monthly income tax deductions and monthly housing maintenance amount, from the consumer's total monthly income.
- MFM will use the Residual Income Guidelines chart from the VA Lenders Handbook to determine if the borrower have adequate residual income to meet the ability to repay standards.

For purposes of residual income calculation, the following definitions apply:

- The payment on the covered transaction**
- Simultaneous loans
- Other mortgage-related obligations
- Current debt obligations, alimony, and child support
 - Monthly income tax deductions (Federal, State, Local and FICA)
 - Monthly housing maintenance based on factor of .14 cents per square foot.

**Payment is defined as:

- (A) For ARM mortgages: Payment based on the fully indexed rate or any introductory interest rate, whichever is greater; or
- (B) For Fixed Rate mortgages: Monthly, fully amortizing payments that are substantially equal.

Record of Income and Debt Calculations:

MFM will retain the following documentation to demonstrate how we determined ability to repay (ATR)

- Income calculation worksheet prepared by underwriter for all non self employed borrowers
- Loan Beam or other acceptable income calculation form for Self Employed borrowers
- Final Automated Underwriting System (AUS) Certifications
- Underwriting Transmittal Summary (for 1008)
- Final Loan application

Documentation and Verification Standards

MFM will apply the documentation requirements for each loan from the Fannie Mae or Freddie Mac Automated Underwriting Findings (AUS finding) for income, asset, and credit verification.

In addition, MFM will follow the underwriting standards in the following manuals:

- Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020;
- Sections 5102 through 5500 of the Freddie Mac Single-Family Seller/Service Guide, published June 10, 2020;
- Sections II.A.1 and II.A.4-5 of the Federal Housing Administration's Single Family Housing Policy Handbook, issued October 24, 2019;
- Chapter 4 of the U.S. Department of Veterans Affairs' Lenders Handbook, revised February 22, 2019;
- (E) Chapter 4 of the U.S. Department of Agriculture's Field Office Handbook for the Direct Single Family Housing Program, revised March 15, 2019; and
- (F) Chapters 9 through 11 of the U.S. Department of Agriculture's Handbook for the Single Family Guaranteed Loan Program, revised March 19, 2020.
- Chapter 4 of the U.S. Department of Veterans Affairs' Lenders Handbook, revised February 22, 2019;