



first community mortgage

# WHOLESALE ANNOUNCEMENT 2021-11

## June 7, 2021

### Revised Qualified Mortgage (QM)

#### Effective June 7, 2021

**Loan Eligibility for Fannie Mae and Freddie Mac Changes Due to PSPA and Revised QM Rule Implementation. All covered transactions will be required to comply with the APR to APOR spreads as required by the Revised General Qualified Mortgage rule.**

Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that describes the minimum standards required to determine that consumers have the ability to repay (“ATR”) the loan. The ATR/QM Rule requires a creditor to make a reasonable and good faith determination of a consumer’s ability to repay. The ATR/QM rules provide a safe harbor or rebuttable presumption that the loan is a qualified mortgage. The rule applies to almost all closed end consumer credit transactions secured by a dwelling.

On January 14, 2021, Fannie Mae and Freddie Mac, through the FHFA as their conservator, entered into a Letter Agreement with the Department of Treasury to amend the Preferred Stock Purchase Agreement (“PSPA”). According to the amended PSPA - Fannie Mae and Freddie Mac will no longer be permitted to purchase Qualified Mortgages that fall under the Temporary Qualified Mortgage (Agency QM) category, also known as the GSE patch.

On April 8, 2021, Fannie Mae and Freddie Mac published bulletins announcing changes to loan eligibility requirements due to the amended PSPA and revised General Qualified Mortgage Rule. All covered transactions under Regulation Z will be required to comply with the Revised General Qualified Mortgage Rule.

The Agency QM “The Patch” will expire on 6/30/2021 for all Fannie Mae and Freddie Mac eligible loans (Agency loans). All agency loans must follow the new Revised QM Rules and meet the **new pricing-based thresholds** for applications taken on or after July 1, 2021.

#### Comparison of General QM Loans:

- **General QM Loans aka Legacy QM Loans**
  - o Loans subject to a 43% DTI Cap
  - o Underwriting follows Appendix Q to Regulation Z
  - o Effective 1/10/2014 – 9/30/2022
- **Agency “The Patch”**
  - o Meet Agency Guidelines
  - o Effective 1/10/2010 – 6/30/2021
- **Revised General QM (New)**
  - o APR not to exceed APOR by specific thresholds in Regulation Z
  - o Underwriting criteria - Creditor must:
    - **Consider** the consumer’s current or reasonably expected income or assets and
    - **Verify** the consumer’s current or reasonably expected income or assets.
  - o Effective 3/1/2021 (mandatory general compliance date 10/1/2022)
  - o Mandatory conventional/conforming loan compliance 7/1/2021



# WHOLESALE ANNOUNCEMENT 2021-11

## June 7, 2021

### Revised Qualified Mortgage (QM)

first community mortgage

The chart shows the APR threshold limits for the corresponding loan amounts.

Loan Amount	APR / APOR Threshold Limit
Greater Than or Equal to \$110,260	Less than 2.25%
Greater than or Equal to \$66,156 but less than \$110,260	Less than 3.50%
Less than \$66,156	Less than 6.50%
Manufactured homes – Less than \$110,260	Less than 6.50%

Any loan with an APR to APOR spread < 1.5% is QM Safe Harbor, all other QM loans as noted above are QM Rebuttal Presumption.

#### Links to the Fannie Mae and Freddie Mac Bulletins Below:

[Fannie Mae LL-2021-09](#)

[Freddie Mac Bulletin 2021-13](#)

[Fannie Mae LL-2021-11](#)

[Freddie Mac Bulletin 2021-19](#)

#### Timing

Loans with Application Dates on or after July 1, 2021, will be required to comply with the Revised General Qualified Mortgage Rule.

Loans with Application Dates prior to July 1, 2021, that are considered Qualified Mortgages under the Temporary QM (GSE Patch) must be closed prior to July 31, 2021. If a loan has an application date prior to July 1, 2021, and does not close by July 31, 2021, the Revised General Qualified Mortgage rule must be followed.

Note: FHA, VA and RD QM Requirements remain unchanged with this announcement.

#### Example

3 different 30 Year Fixed loans are locked on 7/5/2021.

APOR	APR	QM?
2.81%	3.85%	Yes (Rate Spread is 1.04%)
2.81%	5.06%	No (Rate Spread is 2.25%)
2.81%	5.37%	No (Rate Spread is 2.56%)

The non-QM loans in the example above would not be eligible for financing.