

Ability to Repay / Qualified Mortgage Rule (ATR/QM)

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Issue Update

The ATR/QM Rule implements a key element of the Dodd-Frank Act. The Rule prohibits a creditor from making a mortgage loan unless there is a reasonable and good faith determination, based on verified and documented information, that the consumer will have a reasonable ability to repay the loan and related obligations. Bankers agree with the objectives of this law, but the regulation is extremely prescriptive and places significant impediments to banks' abilities to properly serve their communities or tailor products to meet local/individual needs.

Why It Matters To Your Community

Community banks everywhere are hampered by rigidities in current regulations, decreasing credit availability across all communities. ABA's policy is not to eliminate valuable consumer safeguards that guarantee that consumers can afford their loans, but rather, reform overly-rigid requirements to allow banks to tailor affordable options to meet specific customer needs.

Recommended Action Items

The Bureau should revise underwriting and other restrictions imposed by this regulation in a way that expands responsible lending while maintaining protections to assure that consumers receive loans that they can afford. Targeted and focused adjustments to current regulations will go a very long way in removing barriers that adversely impact bank lending across all communities. Recommendations to improve ATR rules are as follows:

- Prioritize Reforms Necessary for Viable Safe Harbors. The "GSE QM" is a critical risk-abating alternative in current law but is set to expire once GSEs' conservatorship ends or 2021, whichever is earlier. BCFP has undertaken a review of ATR rules and is now considering options to replace the important "GSE QM." ABA members should thank the Bureau for this careful review and press on the urgency of this rulemaking endeavor in light of impending sunset requirements.
- Eliminate Inflexible Underwriting Criteria. The ATR rules should not mandate rigid guidelines, but rather allow for appropriate alternative standards that still assure ability to repay. ABA has advanced various solutions, including: (a) Instead of rigid DTI limits, creditors should have option of choosing residual income and/or other alternative market-accepted standards; and, (b) Appendix Q should be expanded to offer underwriting options used by other market-accepted standards, such as VA loans.
- Fix Points and Fees Test. The so-called "points and-fees" test to qualify for QM status is complex, unclear and inconsistent. The Bureau should revisit this provision as it poses needless hurdles to qualifying consumers into affordable loans.
- Issue Clarifications. Provide compliance guidance for new "Portfolio QM" provisions, which provide Qualified Mortgage designation for certain mortgages held in portfolio by banks with less than \$10 billion in assets.