

General Comparison of Ability-to-Repay Requirements with Qualified Mortgages¹

This document reflects rules in effect on April 1, 2016.

	ATR Standard	General QM Definition	Agency/GSE QM (Temporary)	Small Creditor QM	Small Creditor Balloon QM ²
Loan feature limitations	No limitations	No negative amortization, interest-only, or balloon payments	No negative amortization, interest-only, or balloon payments	No negative amortization, interest-only, or balloon payments	No negative amortization or interest-only payments
Loan term limit	No limitations	30 years	30 years	30 years	No more than 30 years, no less than 5 years
Points & fees limit	No limitations	3% ³	3% ³	3% ³	3% ³
Payment Underwriting	Greater of fully indexed or introductory rate ⁴	Max rate in first 5 years	As applicable, per GSE or agency requirements	Max rate in first 5 years	Amortization schedule no more than 30 years
Mortgage-related obligations	Consider and verify	Included in underwriting monthly payment ⁵ and DTI ⁶	As applicable, per GSE or agency requirements	Included in underwriting monthly payment ⁵ and DTI ⁶	Included in underwriting monthly payment ⁵ and DTI ⁶
Income or assets	Consider and verify	Consider and verify	As applicable, per GSE or agency requirements	Consider and verify	Consider and verify
Employment status	Consider and verify	No specific requirement, but Included in underwriting income and DTI ⁷	As applicable, per GSE or agency requirements	No specific requirement, but Included in underwriting income and DTI ⁷	No specific requirement, but Included in underwriting income and DTI ⁷
Simultaneous loans	Consider and verify	Included in underwriting DTI	As applicable, per GSE or agency requirements	Included in underwriting DTI	Included in underwriting DTI
Debt, alimony, child support	Consider and verify	Consider and verify	As applicable, per GSE or agency requirements	Consider and verify	Consider and verify
DTI or Residual Income	Consider and verify	DTI ≤ 43 percent	As applicable, per GSE or agency requirements	Consider and verify	Consider and verify
Credit History	Consider and verify	No specific requirement, but may be included in underwriting debt and DTI ⁸	As applicable, per GSE or agency requirements	No specific requirement but may be included in underwriting debt and DTI ⁸	No specific requirement but may be included in underwriting debt and DTI ⁸

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1 This chart compares the general ATR requirements with the requirements for originating QM loans. Additional requirements may apply, for example the APR thresholds for safe harbor category of QMs or the portfolio retention requirements for small creditors. This chart is not a substitute for the rule. Only the rule and its Official Interpretations can provide complete and definitive information regarding its requirements. The complete rule, including the Official Interpretations and the small entity compliance guide are available at <http://www.consumerfinance.gov/regulations/ability-to-repay-and-qualified-mortgage-standards-under-the-truth-in-lending-act-regulation-z/>.

2 To be eligible to originate a Small Creditor Balloon QM, a creditor must meet the small creditor origination limit and asset limit and operate in a rural or underserved area in the preceding calendar year, or for applications received before April 1, must meet these requirements in either of the two preceding calendar years.

3 Higher thresholds are permitted for loan amounts that are less than \$100,000. The points and fees limit at 12 CFR 1026.43(e)(3) is tiered to increase for loan amounts below \$100,000 and is adjusted annually. As originally set, the tiers are:

- Loans \geq \$100,000 = 3%
- Loans \geq \$60,000 but $<$ \$100,000 = \$3,000
- Loans \geq \$20,000 but $<$ \$60,000 = 5%
- Loans \geq \$12,500 but $<$ \$20,000 = \$1,000
- Loans $<$ \$12,500 = 8%

4 Special rules apply for loans with a balloon payment, interest-only loans, and negative amortization loans.

5 “Included in underwriting monthly payment” means that the rule does not require the creditor to consider and verify this factor separately. However, a creditor must consider this factor when underwriting the consumer’s monthly payment under the rule.

6 “Included in underwriting DTI” means that the rule does not require the creditor to consider and verify these factors separately. However, a creditor considers and verifies these factors when calculating the consumer’s debt-to-income ratio.

7 “No specific requirement, but included in underwriting income and DTI” means that the rule does not require the creditor to consider and verify this factor separately. However, a creditor considers this factor when underwriting the consumer’s income and DTI under the rule.

8 “No specific requirement, but may be included in underwriting debt and DTI” means that the rule does not require the creditor to consider and verify this factor separately. However, a creditor may consider this factor when underwriting the consumer’s debt and DTI under the rule.