Small Creditor Qualified Mortgages – This document reflects rules in effect on April 1, 2016

### Small Creditor Qualification

1. Did you and your affiliates that regularly extended first-lien covered transactions during the last calendar year have:
   - Assets below $2 billion (adjusted annually) at the end of the last calendar year? 
     - YES
     - NO
      
2. Did you and your affiliates:
   - Extend 2,000 or fewer first-lien covered transactions in the last calendar year? 
     - YES
     - NO
      
3. Did you and your affiliates that regularly extended first-lien covered transactions have:
   - Assets below $2 billion (adjusted annually) at the end of either of the two immediately preceding calendar years? 
     - YES
     - NO
      
4. Did you receive the application before April 1st of the current year? 
   - YES
   - NO

   **Eligible to Originate General Definition QMs** (§ 1026.43(e)(2)) and/or **Temporary Definition QMs** (§ 1026.43(e)(4))

### Loan Features

1. Does the loan have ANY of the following characteristics?:
   - (1) negative amortization;
   - (2) interest-only features;
   - (3) a loan term of more than 30 years. 
     - YES
     - NO

2. Did you and your affiliates:
   - Extend 2,000 or fewer first-lien covered transactions in the last calendar year? 
     - YES
     - NO

3. Did you and your affiliates:
   - Extend 2,000 or fewer first-lien covered transactions in either of the two immediately preceding calendar years? 
     - YES
     - NO

4. Did you receive the application before April 1st of the current year? 
   - YES
   - NO

   **Potential Small Creditor QM**

### Balloon Payment Features

1. Does the loan include a balloon payment? 
   - YES
   - NO

2. Balloon Payment-QM Special Features:
   - Does the loan have ALL of the following characteristics?:
     - (1) loan term of 5 years or longer? 
     - (2) an interest rate that does not increase? 
     - (3) substantially equal payments calculated using an amortization period of 30 years or less? 
     - (4) per your determination, the consumer is able to make the scheduled periodic payments (including mortgage-related obligations) other than the balloon payment? 

3. Did you receive the application before April 1st of the current year? 
   - YES
   - NO

4. In the preceding calendar year, did you originate at least one first-lien covered transaction secured by a property in a rural or underserved area? 
   - YES
   - NO

5. In either of the two preceding calendar years, did you originate at least one first-lien covered transaction secured by a property in a rural or underserved area? 
   - YES
   - NO

**STOP = Non-QM**
Underwriting

Did you do ALL of the following?:
(1) Consider and verify the consumer’s debt obligations and income or assets? [via § 1026.43(c)(7), (e)(5)(i)(B), (f)(1)(iii)]
AND
(2) Calculate the consumer’s monthly payment on the loan? [§ 1026.43(e)(2)(iv), (e)(5)(i)(B), (f)(1)(iv)]
AND
(3) Consider the consumer’s monthly debt-to-income ratio (DTI) or residual income (RI)? [via § 1026.43(c)(7), (e)(5)(i)(B), (f)(1)(ii)]

STOP
= Non-QM

Yes

Points and Fees

Does the loan amount fall within the following points-and-fees limits?
Points-and-fees caps (adjusted annually)
- If Loan Amount ≥ $100,000, then = 3% of total
- If $100,000 > Loan Amount ≥ $60,000, then = $3,000
- If $60,000 > Loan Amount ≥ $20,000, then = 5% of total
- If $20,000 > Loan Amount ≥ $12,500, then = $1,000
- If Loan Amount < $12,500, then = 8% of total
[§ 1026.43(e)(2)(iii), (e)(3), (e)(5)(i)(A), (f)(1)(i)]

STOP
= Non-Small Creditor QM

STOP
= Non-Balloon-Payment QM

Portfolio

At the time of consummation:
Was the loan subject to forward commitment?
[§ 1026.43(e)(5)(i)(C), (f)(1)(v)]

STOP
= Non-Small Creditor QM

NO

= Non-Balloon-Payment QM

STOP
= Non-QM

Is the loan still held by the originating creditor?

Yes

STOP
= Non-QM

NO

The loan is a Small Creditor QM or a Balloon-Payment QM.
Is the loan “higher-priced” for QM purposes?
A Small Creditor or Balloon-Payment QM is higher-priced if the APR, when the interest rate is set, exceeds the APOR by 3.5 percentage points or more.
[§ 1026.43(b)(4)]

YES

STOP
= Non-QM

NO

The loan is a Small Creditor QM or a Balloon-Payment QM.
Is the loan “higher-priced” for QM purposes?
A Small Creditor or Balloon-Payment QM is higher-priced if the APR, when the interest rate is set, exceeds the APOR by 3.5 percentage points or more.
[§ 1026.43(b)(4)]

NO

Safe Harbor Applies
(QM is conclusively presumed to comply with ATR requirements when it is not a higher-priced loan)
[§ 1026.43(a)(1)(ii)]

STOP
= Non-QM

STOP
= Non-Small Creditor QM

STOP
= Non-Balloon-Payment QM

STOP
= Non-QM

= Non-Small Creditor QM

= Non-Balloon-Payment QM

Yes

Rebuttable Presumption Applies
(QM is presumed to comply with ATR requirements if it’s a higher-priced loan, but consumers can rebut the presumption by showing insufficient residual income based on information available at the time of consummation)
[§ 1026.43(e)(1)(ii)]

= Non-Small Creditor QM

= Non-Balloon-Payment QM

YES

Safe Harbor Applies
(QM is conclusively presumed to comply with ATR requirements when it is not a higher-priced loan)
[§ 1026.43(a)(1)(ii)]

NO

= Non-QM

= Non-Small Creditor QM

= Non-Balloon-Payment QM

STOP
= Non-QM

STOP
= Non-Small Creditor QM

STOP
= Non-Balloon-Payment QM

STOP
= Non-QM

= Non-Small Creditor QM

= Non-Balloon-Payment QM

= Non-QM

= Non-Small Creditor QM

= Non-Balloon-Payment QM

= Non-QM

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