



1700 G Street NW, Washington, DC 20552

June 22, 2020

Unofficial Redline of the QM Patch Extension Proposed Rule

On June 22, 2020, the Consumer Financial Protection Bureau (Bureau) issued a proposal (QM Patch Extension Proposed Rule) to extend the sunset date of the temporary qualified mortgage definition in Regulation Z that encompasses loans that are eligible for purchase or guarantee by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. The Bureau is releasing this unofficial, informal redline to assist industry and other stakeholders in reviewing the changes that the QM Patch Extension Proposed Rule would make to Regulation Z's regulatory text and commentary.

The underlying (unmarked) text in this document reflects the existing text of the relevant provisions of Regulation Z and its commentary. The changes that the QM Patch Extension Proposed Rule would make to Regulation Z and its commentary, if the Bureau were to adopt the changes as proposed, are marked in red.

This redline is not a substitute for reviewing Regulation Z, its commentary, or the proposal. If any conflicts exist between this redline and the text of Regulation Z, its commentary, or the proposal, the documents published in the *Federal Register* are the controlling documents. The redline includes asterisks to indicate where it omits text from current Regulation Z or its commentary that the QM Patch Extension Proposed Rule would not change.

In a separate proposal (General QM Amendments Proposed Rule) released simultaneously with the QM Patch Extension Proposed Rule, the Bureau proposes amendments to the General QM loan definition. The Bureau is releasing a separate unofficial, informal redline to assist industry and other stakeholders in reviewing the changes that the General QM Amendments Proposed Rule would make to Regulation Z's regulatory text and commentary.

PART 1026—TRUTH IN LENDING (REGULATION Z)

Authority: 12 U.S.C. 2601, 2603-2605, 2607, 2609, 2617, 3353, 5511, 5512, 5532, 5581; 15 U.S.C. 1601 *et seq.*

Subpart E—Special Rules For Certain Home Mortgage Transactions

§ 1026.43 Minimum standards for transactions secured by a dwelling.

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(e) * * *

(4) * * *

(iii) *Sunset of special rules.* (A) Each respective special rule described in paragraph (e)(4)(ii)(B), (C), (D), or (E) of this section shall expire on the effective date of a rule issued by each respective agency pursuant to its authority under TILA section 129C(b)(3)(ii) to define a qualified mortgage.

(B) Unless otherwise expired under paragraph (e)(4)(iii)(A) of this section, the special rules in this paragraph (e)(4) are available only for covered transactions consummated on or before the effective date of a final rule issued by the Bureau amending paragraph (e)(2) of this section January 10, 2021. The Bureau will also amend this paragraph as of that effective date to reflect the new status.

Supplement I to Part 1026—Official Interpretations

Section 1026.43—Minimum standards for transactions secured by a dwelling.

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43(e)(4) Qualified mortgage defined—special rules.

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3. *Timing.* Under § 1026.43(e)(4)(iii), the definition of qualified mortgage under ~~§ 1026.43 paragraph~~ (e)(4) applies only to loans consummated on or before the effective date of a final rule issued by the Bureau amending § 1026.43(e)(2) January 10, 2021, regardless of whether Fannie Mae or Freddie Mac (or any limited-life regulatory entity succeeding the charter of either) continues to operate under the conservatorship or receivership of the Federal Housing Finance Agency. Accordingly, § 1026.43(e)(4) is available only for covered transactions consummated on or before the earlier of either:

i. The date Fannie Mae or Freddie Mac (or any limited-life regulatory entity succeeding the charter of either), respectively, cease to operate under the conservatorship or receivership of the Federal Housing Finance Agency pursuant to section 1367 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4617); or

ii. The effective date of a final rule issued by the Bureau amending § 1026.43(e)(2), as provided by § 1026.43(e)(4)(iii)(B) January 10, 2021, as provided by § 1026.43(e)(4)(iii). The

Bureau will also amend this commentary as of that effective date to reflect the new status.