

General QM Final Rule Job Aid

Amended General QM Definition

The General QM Final Rule [amends](#) the General QM definition. Among other things, it replaces the existing 43 percent DTI limit with a priced-based limit and removes Appendix Q as well as any requirements to use Appendix Q for General QM loans. However, the General QM Final Rule retains the ATR/QM Rule's consider and verify requirements and clarifies how they apply under the revised General QM definition. The General QM Final Rule also retains the existing product-feature and underwriting requirements and limits on points and fees. **The amended QM definition is effective with loans originated on or after July 1, 2021.**

Priced-Based Limit

A loan meets the revised General QM definition only if the annual percentage rate (APR) exceeds the average price offer rate (APOR) for a comparable transaction by less than the applicable threshold set forth in the General QM Final Rule as of the date the interest rate is set.

Generally, this threshold is 2.25 percentage points. However, the General QM Final Rule provides higher thresholds for loans with smaller loan amounts, for certain manufactured housing loans, and for subordinate-lien transactions. The threshold set forth in the General QM Final Rule are:

- For a first-lien covered transaction with a loan amount greater than or equal to \$110,260, 2.25%¹.
- For a first-lien covered transaction with a loan amount greater than or equal to \$66,156 but less than \$110,260, 3.5%¹.
- For a first-lien covered transaction with a loan amount less than \$66,156, 6.5%¹.
- For a first-lien covered transaction secured by a manufactured home² with a loan amount less than \$110,260, 6.5%¹.
- For a subordinate-lien covered transaction with a loan amount greater than or equal to \$66,156, 3.5%¹.
- For a subordinate-lien covered transaction with a loan amount less than \$66,156, 6.5%¹.

¹If the APR is 1.5% or more higher than the APOR the loan has a Rebuttable Presumption of Compliance with ATR and must meet rebuttable presumption requirements below.

²This threshold applies to first-lien covered transactions of less than \$110,260 (indexed for inflation) that are secured by a manufactured home and land, or by a manufactured home only. For a first-lien covered transaction secured by a manufactured home with a loan amount equal to or greater than \$110,260, the applicable threshold is 2.25 percentage points. Manufactured home means any residential structure as defined under regulations of the U.S. Department of Housing and Urban Development establishing manufactured home construction and safety standards (25 CFR 3280.2) Modular or other factory-built homes that do not meet the HUD code standards are not manufactured homes for this purpose.

If a loan's interest rate may or will change in the first five years after the date on which the first regular periodic payment will be due, the creditor must treat the highest interest rate that may apply during that five years as the loan's interest rate for the entire loan term when determining the APR for purposes of these thresholds. Additional information in determining the APR, the APOR, and the applicable threshold is available in the General QM Final Rule.

Note: The General QM Final Rule does not affect the QM definitions that apply to Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), and U.S. Department of Agriculture (USDA).

Rebuttable Presumption Requirements

If the APR is 1.5 percentage points or more higher than the APOR the loan has a Rebuttable Presumption of Compliance with ATR and will require borrower to provide Fully Executed Budget Letter and meet Residual Income requirements below:

Residual incomes for loan amounts < \$80,000	
Family Size	West
1	\$425
2	\$713
3	\$859
4	\$967
5	\$1,004
\$75 for each additional family member up to 7	

Residual incomes for loan amounts +> \$80,000	
Family Size	West
1	\$491
2	\$823
3	\$990
4	\$1,117
5	\$1,158
\$80 for each additional family member up to 7	

To determine residual income:

- Determine Gross Income minus Federal, State, Social Security, Medicare and Workers Comp.
 - Calculator for deductions can be accessed at paycheckcity.com
- Subtract from that all debt including childcare expenses.
- Subtract from that the total housing payment plus maintenance and utilities.
- The remaining amount is the residual income.

Key to Geographic Regions on the Above Tables	
West	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

Higher Priced Mortgage Loans (HPML)

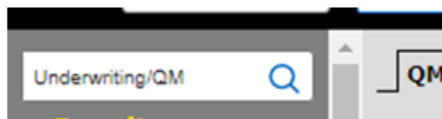
HPML is defined as having an APR that exceeds the APOR by 1.5% or more for conforming limits and 2.5% or more for transactions above the conforming loan limits. For HPML transactions, the following will apply:

- Must follow Rebuttable Presumption requirements; and
- Escrow accounts must be established and maintained for at least five (5) years.

How to Input in Underwriting QM Screen

Step 1:

- Go to Underwriting/QM screen



Step 2:

- If application date is July 1st or later ensure the QM Regulation Version is set to 2020 QM;
- If application date is prior to July 1, 2021, use 2013 QM (system will auto populate this).

QM Regulation Version	2020 QM	<input type="checkbox"/> Locked
Rate Lock Date		<input type="checkbox"/>
Interest Rate Set Date	7/8/2021	<input type="checkbox"/> Locked
Closing Date		<input type="checkbox"/>
QM APR	3.823%	
APOR	3.030%	<input type="checkbox"/> Locked
Par Rate	0.000%	

Step 3:

- Check QM APR Rate Spread for allowable APR – if spread is over 1.5 follow required guidance.

Intermediate Calculation		
QM APR Rate Spread	0.793%	= 3.823% QM APR - 3.030% APOR
Maximum QM APR Rate Spread	2.250%	
Par rate spread	0.000%	= 0.000% Par rate - 3.030% APOR
Excess Upfront MIP	\$6,339.30	UFMIP is not refundable. Entire amount paid by borrower included.
Excess discount points	0.000%	Max(0.000% Borrower Paid Discount Points - 0.000% Excludable Discount Points, 0.000%)
Discount buydown rate	N/A	= (0.000% Par Rate - 2.375% Note Rate) / 0.000% Discount Points
QM total loan amount	\$360,885.82	= \$360,885.82 Amount Financed - \$0.00 Financed QM Fees

Step 4:

Check QM Points and Fees Calculation and ensure we are passing on QM points and fees. If we are failing on points and fees it must be corrected before we can move forward to loan documents. Contact the Lock Desk for bona fide discount points, if applicable. If the loan is still failing after bona fide discount points are added, fees must be reduced until the loan passes.

QM Point and Fees Calculation		
QM Total loan amount	\$494,142.04	
Allowable QM Point and Fees	\$14,824.26	3.000%
Total QM Fee Amount	\$2,094.00	
Originator Compensation	+ \$0.00	
Excess Discount Points	+ \$3,125.00	
Excess Upfront MIP	+ \$0.00	
Maximum prepayment penalty	+ \$0.00	
Total QM Points and Fees	\$5,219.00	1.056%

Meets points and fees test
 Does not have negative amortization or interest-only features
 Does not have a balloon feature
 Does not have an amortization term in excess of 30 years
 Meets price-based QM APR rate spread test
 Used verified income and assets
 Eligible for purchase or guarantee by a qualifying agency.

QM Status
 Higher-priced indicator Locked
 Exempt from ATR regulations