



MORTGAGE BANKERS ASSOCIATION

## Summary of CFPB's Seasoned QM Final Rule

December 10, 2020

On December 10, 2020, the Consumer Financial Protection Bureau (Bureau) released a final rule creating a new category of qualified mortgages (QMs) based on loan seasoning. Under the rule, first-lien, fixed-rate covered transactions that satisfy certain timely payment requirements, and are held in portfolio by the originating creditor or first purchaser for a 36-month period, receive QM safe harbor status as "Seasoned QMs." Like the Bureau's new General QM final rule, the Seasoned QM final rule comes into effect 60 days after publication in the Federal Register.

### Features of the Seasoned QM Final Rule

Seasoned QM Requirements: A covered transaction that is:

- (1) secured by a first-lien;
- (2) has a fixed rate, with payments that are fully amortizing and no balloon payments;
- (3) a term of 30 years or less; and is not a high-cost mortgage under § 1026.32(a).

Performance Requirements: During the duration of the seasoning period, the loan must have no more than two delinquencies of 30 or more days and no delinquencies of 60 or more days. The rule allows payment deficiencies of \$50 or less, provided there are no more than 3 such deficiencies during the seasoning period.

Seasoning Period: The final rule defines the seasoning period as a period of 36 months starting on the date the first payment is due after consummation. Payment accommodations that meet certain requirements and are extended in connection with a disaster or pandemic-related national emergency, do not disqualify the loan from achieving Seasoned QM status. However, time spent in such accommodations does not count toward the 36-month seasoning period requirement.

Points and Fees: The final rule limits Seasoned QM eligibility to loans with points and fees that generally do not exceed 3 percent of the loan amount.

Underwriting: The creditor must consider the "consumer's DTI ratio or residual income, income or assets other than the value of the dwelling, and debts and verify the

consumer's income or assets other than the value of the dwelling and the consumer's debts[.]” The final rule provides that the consider and verify standards for the Seasoned QM are the same as those adopted for the new General QM.

Portfolio Retention: Subject to several exceptions, the loan must be held in the creditor's portfolio for the entire seasoning period. Exceptions to this requirement include transfers pursuant to a capital restoration plan; transfers as part of a sale or merger of the creditor; and one sale or transfer, provided the loan is not securitized as part of the sale or transfer.

Effective Date: The Seasoned QM final rule takes effect 60 days after publication in the Federal Register. Loans for which creditors receive an application on or after the effective date would be eligible to qualify for Seasoned QM status.