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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Part 203

[Docket No. FR-5845-N-01]

HUD's Qualified Mortgage Rule: Annual Threshold Adjustments to the Points and Fees Limit

AGENCY: Office of the Assistant Secretary for Housing – Federal Housing Commissioner, HUD.

ACTION: Announcement of HUD's qualified mortgage rule's annual threshold adjustments.

SUMMARY: The Consumer Financial Protection Bureau (CFPB) issued a final rule entitled "Truth in Lending (Regulation Z) Annual Threshold Adjustments (CARD ACT, HOEPA and ATR/QM)" on August 15, 2014. The final rule re-calculated the annual dollar amounts for the points and fees limit in CFPB's "qualified mortgage" definition to reflect the annual percentage change in the Consumer Price Index in effect on June 1, 2014. HUD's "qualified mortgage" definition incorporates CFPB's qualified mortgage points and fees limit and the requirement that the points and fees limit be adjusted annually. This document clarifies that all annual adjustments to the qualified mortgage points and fees limit issued by the CFPB to reflect the Consumer Price Index apply to HUD's points and fees limit provision, including CFPB's most recent final rule.

DATES: Effective date: [**INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

FOR FURTHER INFORMATION CONTACT: Michael P. Nixon, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Room 9278, Washington, DC 20410; telephone number 202-402-5216, ext. 3094 (this is not a toll-free number). Persons

with hearing or speech impairments may access this number through TTY by calling the Federal Relay Service at 800-877-8339 (this is a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Background

On December 11, 2013, at 78 FR 75215, HUD published a final rule that established a definition of "qualified mortgage" for single family residential mortgages that HUD insures, guarantees, or administers. Under HUD's qualified mortgage rule, qualified mortgage status attaches at origination and insurance endorsement to those single family residential mortgages insured under the National Housing Act (12 U.S.C. 1701 et seq.), section 184 loans for Indian housing under the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a) , and section 184A loans for Native Hawaiian housing under the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). HUD's definition of "qualified mortgage" is codified for each program at 24 CFR 201.7, 203.19, 1005.120 and 1007.80.

HUD has defined "qualified mortgage" in a manner that aligns HUD's definition, to the extent feasible and consistent with HUD's mission, with that of the "qualified mortgage" definition promulgated by the CFPB, and which is codified at 12 CFR 1026.43. HUD undertook the alignment for the purpose of lessening future differences in standards for HUD's single family residential insured mortgages and those established by the CFPB, which apply to conventional, federally-related mortgages for which designation as a qualified mortgage is sought.

HUD's alignment to CFPB's standards at 24 CFR 203.19 includes a cross-reference to the CFPB's limit on points and fees for a qualified mortgage at 12 CFR 1026.43(e)(3). The CFPB's qualified mortgage limit on points and fees requires that to be a "qualified mortgage,"

the transaction's points and fees must not exceed 3 percent of the total loan amount for a loan amount greater than or equal to $100,000; $3,000 for a loan amount greater than or equal to $60,000 but less than $100,000; 5 percent of the total loan amount for loans greater than or equal to $20,000 but less than $60,000; $1,000 for a loan amount greater than or equal to $12,500 but less than $20,000; and 8 percent of the total loan amount for loans less than $12,500. The definition also provides that the dollar amounts should be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) that was reported on the preceding June 1. Members of the public interested in more detail about HUD's qualified mortgage regulations may refer to the preamble of HUD's September 30, 2013, proposed rule and HUD's December 11, 2013, final rule, at 78 FR 59890 and 78 FR 75215, respectively.

II. HUD Notice of CFPB's Final Rule

On August 15, 2014, the CFPB issued a final rule "Truth in Lending (Regulation Z) Annual Threshold Adjustments (CARD ACT, HOEPA and ATR/QM)." (79 FR 48015) CFPB's final rule amended the points and fees limit at 12 CFR 1026.43(e)(3), as required by 12 CFR 1026.43(e)(3)(ii), to reflect the annual inflation in the (CPI-U), as published by the Bureau of Labor Statistics, as of June 1, 2014. The adjustment adopted reflected a 2 percent increase in the CPI-U for the required period and is rounded to whole dollars for ease of compliance. The new points and fees limit, effective January 1, 2015, requires that for a covered transaction to be a qualified mortgage the total points and fees must not exceed 3 percent of the total loan amount for a loan greater than or equal to $101,953; $3,059 for a loan amount greater than or equal to $61,172 but less than $101,953; 5 percent of the total loan amount for a loan greater than or equal to $20,391 but less than $61,172; $1,020 for a loan amount greater than or equal to

$12,744 but less than $20,391; and 8 percent of the total loan amount for a loan amount less than $12,744.

HUD's reference to 12 CFR 1026.43(e)(3) in its final rule included the requirement that the points and fees limit be updated annually to reflect the CPI-U. Therefore, this document clarifies that all adjustments to the CFPB's point and fees limit consistent with 12 CFR 1026.43(e)(3)(ii) are to be incorporated into HUD's points and fees limit per the effective date of the CFPB's adjustment, including the most recent change issued on August 15, 2014.

Dated: February 9, 2015.

Biniam Gebre,
Acting Assistant Secretary for
Housing- Federal Housing Commissioner.

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