Federal Regulatory Update
Mortgage Lending Institute
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Small Creditor Exemptions

- Impetus: small creditors often make in-portfolio loans to nonstandard borrowers
- Hard to meet QM standards
- Small = below $2 B in assets at last calendar YE
- 2,000 or fewer first lien residential mortgages
  - Increase from original of 500

Small Creditor Balloon Notes

- Important product for banks that don’t do ARMs
- Bank must operate in rural or underserved area
- HELP Act amendment, eff. 4/1/16
- Single loan in such area in a rural or underserved census tract or county in prior year will qualify
  - CFPB tool for testing
  - Same rule for escrow exemption for HPML loans

Small Creditor QM

- Same definition
- QM standards are more flexible
- DTI ratio of 43% not required; but DTI must be considered
- More flexibility in employment status and credit history
- 3% fee cap still applies
- Payment underwriting must consider the maximum rate in first five years

Small Creditor QM, continued

- Amortize in 30 years or less
- Consider and verify income, assets and debts
- Can't sell prior to 3 years after consummation
  - Exceptions: another small creditor, pursuant to supervisory action; or resulting from M&A

HMDA Changes--

- WHO must collect and report data
- WHAT applications and loans must be reported
- WHICH data must be collected and reported
- HOW data will be made public

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