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**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
National Credit Union Administration  
Office of the Comptroller of the Currency**

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December 13, 2013

**Interagency Statement on Supervisory Approach for  
Qualified and Non-Qualified Mortgage Loans**

**Purpose**

The agencies<sup>1</sup> are issuing this statement to clarify safety-and-soundness expectations and Community Reinvestment Act (CRA) considerations for regulated institutions engaged in residential mortgage lending in light of the Consumer Financial Protection Bureau's (Bureau) Ability-to-Repay and Qualified Mortgage Standards Rule (Ability-to-Repay Rule), which was issued January 10, 2013, and is effective January 10, 2014.<sup>2</sup>

**Background**

The Bureau's Ability-to-Repay Rule implements Section 129C of the Truth in Lending Act, which requires lenders to make reasonable, good faith determinations that consumers have the ability to repay mortgage loans before extending such loans. The Bureau's Ability-to-Repay Rule provides lenders with a presumption of compliance with the ability-to-repay requirements for loans that meet the regulatory definition of a "qualified mortgage" (QM). In accordance with the Bureau's Ability-to-Repay Rule, a QM may not have certain features, such as negative amortization, interest-only payments, or certain balloon structures, and must meet limits on points and fees and other underwriting requirements.

The Bureau's Ability-to-Repay Rule provides lenders with several ways to satisfy the ability-to-repay requirements, including making loans that do not qualify as QMs, referred to as "non-QM" loans. Please refer to the Bureau's Ability-to-Repay Rule<sup>3</sup> for a detailed explanation.

**Safety-and-Soundness Expectations**

The agencies recognize that many institutions are in the process of assessing how to implement the Bureau's Ability-to-Repay Rule. The agencies emphasize that institutions may originate both QMs and non-QMs, based on their business strategies and risk appetites. Residential mortgage loans will not be subject to safety-and-soundness criticism based solely on their status as QMs or non-QMs.

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<sup>1</sup> Board of Governors of the Federal Reserve System (FRS), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA).

<sup>2</sup> See Ability-to-Repay and Qualified Mortgage Standards Rule under the Truth in Lending Act (Regulation Z), 78 FR 6408 (Jan. 30, 2013), as amended.

<sup>3</sup> Refer to the Bureau's web site at [http://files.consumerfinance.gov/f/201309\\_cfpb\\_titlexiv\\_updates.pdf](http://files.consumerfinance.gov/f/201309_cfpb_titlexiv_updates.pdf).

Regardless of whether residential mortgage loans are QMs or non-QMs, the agencies continue to expect institutions to underwrite residential mortgage loans in a prudent fashion and address key risk areas in their residential mortgage lending, including loan terms, borrower qualification standards, loan-to-value limits, and documentation requirements. Institutions also should apply appropriate portfolio and risk management practices. Institutions should continue to comply with the applicable guidance on residential mortgage lending issued by their respective federal regulators.

### **The Community Reinvestment Act and Fair Lending**

The agencies recognize that some institutions may originate only or predominantly QMs, particularly when the Bureau's Ability-to-Repay Rule first takes effect. In fact, the agencies note that some institutions' existing business models are such that all of the loans they originate satisfy the requirements for QMs.

As recently addressed in the *Interagency Statement on Fair Lending Compliance and the Ability-to-Repay and Qualified Mortgage Standards Rule* issued on October 22, 2013,<sup>4</sup> the requirements of the Bureau's Ability-to-Repay Rule and the fair lending laws are compatible. Similarly, the requirements of the Bureau's Ability-to-Repay Rule and CRA are compatible. Accordingly, the agencies that conduct CRA evaluations<sup>5</sup> do not anticipate that institutions' decision to originate only QMs, absent other factors, would adversely affect their CRA evaluations.

As required by the CRA, the agencies assess institutions' performance in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, consistent with safe-and-sound operations. Each evaluation takes into account the unique performance context of the institution.

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<sup>4</sup> FDIC: See <http://www.fdic.gov/news/news/press/2013/pr13091a.html>;  
FRS: See <http://www.federalreserve.gov/newsevents/press/bcreg/20131022a.htm>;  
NCUA: See <http://www.ncua.gov/News/Pages/NW20131022Interagency.aspx>; and  
OCC: See <http://www.occ.gov/news-issuances/news-releases/2013/nr-ia-2013-164.html>.

<sup>5</sup> The federal financial agencies with supervisory authority for CRA are the FRS, the OCC, and the FDIC.