Relaxed QRM Rules Expected Next Week

By: Jann Swanson | Thu, Oct 16 2014, 12:57 PM

Federal regulators may finally produce the **long anticipated** market standards for Qualified Residential Mortgages (QRM), perhaps even **as early as next week.** The new rules are designed to ensure the quality of mortgages that are pooled and packaged into securities for sale to investors on the secondary market. Insiders expect that the final regulations will be **more relaxed** than those originally proposed, largely in response to demands by real estate and mortgage industry groups.

The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act required that lenders who made loans without government backing with the intent to sell them on the secondary market be required to **"keep skin in the game."** That is to retain a portion of each loan's risk as an incentive to more closely monitor the quality of the loans they planned to securitize.

Regulators including the Federal Reserve, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Office of Comptroller of the Currency issued an initial set of rules in 2011 to set these risk sharing standards and set off an uproar from industry stakeholders and consumer groups.

Those rules **would have** required lenders to retain **5 percent** of every loan unless the borrower put up a **minimum of 20 percent as a down payment**. The regulators withdrew that proposal and submitted more relaxed rules for comment last year. It is anticipated that the new final regulations will be designed to ensure mortgage credit is broadly available.

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