

Fannie/Freddie Announce End Dates for QM Rules

By: Jann Swanson | Mon, Apr 12 2021, 10:41 AM

Both Fannie Mae and Freddie Mac (the GSEs) have released information to their lenders confirming that **any loans they purchase after July 1, 2021 must conform to the agreement made on their behalf in January** by the Federal Housing Finance Agency (FHFA) with the Department of Treasury, amending the Preferred Stock Purchase Agreement (PSPA). Although there were several requirements in the amended PSPA designed to limit risk, last weeks letters were specifically concerned with the new qualified mortgage (QM) rule from the Consumer Financial Protection Bureau (CFPB). The revised PSPA specifically prohibits the GSEs from acquiring loans that do not meet this rule.

This effectively ends the use of the temporary GSE qualified mortgage rule, better known as the "GSE Patch." Under the patch, loans that were eligible for purchase by Fannie Mae or Freddie Mac were exempted from the QM rule that debt-to-income (DTI) ratios for mortgages could not exceed 43 percent. The CFPB rule **replaces the patch with a threshold tied to the loan's annual percentage rate and the average prime offer rate.**

Going forward, all Mortgages subject to the Revised QM Rule must be originated under the requirements of the Revised QM Rule and continue to meet Freddie Mac and Fannie Mae Guide requirements. Those originated using the GSE Patch may not be sold to the GSEs if they are subject to the Revised QM Rule and do not meet its requirements. Mortgages originated using the original General QM definition (e.g., Appendix Q) are ineligible. The change will be effective for mortgages with Application Received Dates on or after July 1 and for all Mortgages with Settlement Dates after August 31, 2021.

Freddie Mac said it will not make the determination of whether a Mortgage, including a Mortgage assessed through Loan Product Advisor[®], complies with or is exempt from the Revised QM Rule or whether a Seller's designation of the status of a Mortgage under the Revised QM Rule is correct. These determinations of compliance with the Revised QM Rule and other applicable laws are the Seller's responsibility.

Freddie Mac's letter, over the signature of Danny Gardner, Senior Vice President, Client and Community Engagement also announced that the company would continue to purchase government loans pursuant to FHFA guidance. The amended PSPA's list of permissible loans that may be purchased by Freddie Mac does not include QMs that are government funded, guaranteed, or insured Mortgages. The FHFA provided Freddie Mac with **an exception to allow the continued purchase of government loans that meet the QM requirements for "other agencies."** These include Section 502 GRH Mortgages, Section 184 Native American Mortgages, and FHAVA Mortgages

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