

CFPB Further Modifies Rules Governing Qualified Mortgages for Small Creditors

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Earlier this year, the CFPB issued and subsequently amended its qualified mortgage rules that take effect on January 10, 2014. The CFPB initially stated that only small creditors who predominantly originate first lien mortgages in “rural” or “underserved” areas can receive the safe harbor and rebuttable presumption legal protections for balloon mortgages.

This Fall, the CFPB amended its rules so that all small creditors can take advantage of these legal protections for balloon mortgages during a two-year transition period while the CFPB further evaluates what is considered a rural or underserved area. The CFPB’s other requirements to obtain the legal protections for balloon mortgages remain in effect.

To be considered a small creditor, a lender must have under \$2 Billion in assets and originate no more than 500 first lien mortgages per year. The originated balloon loan must be held in the lender’s portfolio for three years, have a fixed interest rate, a stated term not less than five years, and meet the CFPB’s underwriting requirements.

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