Special Compliance Updates – Dodd Frank

This is the second in a series of updates designed to inform our lending partners of the impending regulatory changes resulting from the Dodd-Frank Financial Reform Act. This bulletin provides information on the Ability to Repay (ATR)/Qualified Mortgage (QM) rules, as well as HOEPA requirements as they relate to loans administered through a housing finance agency (HFA).

This communication is not intended to provide legal advice. Lenders should consult their own legal counsel to ensure compliance with these rules.

Mortgage loans that are originated and closed by lenders participating in a program administered by an HFA are exempt from the ATR requirement per the following:

Extensions of credit made by HFA’s directly to consumers, as well as extensions of credit made by other creditors pursuant to a program administered by an HFA, are exempt from the ATR requirements. This ATR exemption applies to extensions of credit made pursuant to a program administered by an HFA, regardless of the funding source (e.g., Federal, State, or other sources).

However, HFA loans are not exempt from the new HOEPA requirements as they relate to High-Cost mortgages, and the TILA requirements for Higher-Priced Mortgage Loans (HPMLs). The only loans that are exempt from HOEPA regulations as defined in 24 CFR 266.5 are those originated and directly financed by an (HFA).

As a result of the regulatory changes, the U.S. Bank MRBP Division will accept the HFA exemptions as they relate to all federal, state, and local ATR regulations. We will continue to review for High Cost and Higher Priced loans according to HOEPA and TILA regulations as we have done in the past.

We will continue to purchase Higher-Priced Mortgage Loans, however we will **NOT** purchase High-Cost loans as determined by current HOEPA regulations, which is the same procedure we have in place today.

Please contact the Help Desk at (800)562-5165 for any questions regarding these updates.

**Please respond by fax if you do not want to continue to receive this information. Fax request to: 800-476-5584**