Qualified Mortgage Amendment to Sec. 941 of the Restoring American Financial Stability Act

On page 893, after line 21, insert:

"(3) EXEMPTION FOR QUALIFIED MORTGAGES.— The federal banking agencies, the Commission, the Secretary of Housing and Urban Development, and the Director of the Federal Housing Finance Agency shall jointly issue regulations for the exemption of qualified mortgages. The term "qualified mortgage" shall be based on standards that have been demonstrated to exhibit lower risk of default, including—

A. documentation and verification of the financial resources relied upon to qualify the obligors;
B. the ratio of housing payments to borrower monthly income, total monthly installment payments to income, or residual income after all monthly obligations;
C. mitigating the potential for payment shock on adjustable rate mortgages through product features and underwriting standards;
D. requirements for coverage at the time of origination by mortgage guarantee insurance by an agency of the Federal government, by an agency of a State; or by a provider regulated by a State insurance regulator for high combined loan-to-value ratio loans, and
E. prohibiting or restricting the use of balloon payments, negative amortization, prepayment penalties, interest-only and other features that have been demonstrated to exhibit a higher risk of borrower default.

On Page 893, Line 22, strike "(3)" and in insert "(4)"

<u>AMENDMENT DESCRIPTION</u>

The amendment would ensure the housing market has ample liquidity for high quality, well-underwritten mortgages. The amendment requires the federal banking agencies, the SEC, HUD, and FHFA to issue joint regulations that would exempt certain "qualified mortgage loans" from the risk retention requirements of the bill. These agencies would jointly issue rules that would define "qualified mortgages" as those that that meet minimum underwriting standards that produce a lower risk of consumer default. These standards are based on specific criteria designed to ensure the exemption applies only to traditional loan products that are well-documented, carefully underwritten, stable, affordable and present a low risk of default.