



**November 2014**

Dear CU PolicyPro Clients,

From the CU PolicyPro team, we wish you a very happy and safe Thanksgiving weekend! We are currently working on the final update for 2014 and expect it to be released in mid to late December. Please note that our offices will be closed on Thursday and Friday in observance of Thanksgiving.

**In this edition:**

- Monthly OPS Notes Release: CFPB Publishes Amendments to Ability-to-Repay rules
- Content FAQs
- Technical FAQ
- Questions?

**Monthly OPS Notes Release: CFPB Publishes Amendments to Ability-to-Repay Rules**

The Consumer Financial Protection Bureau recently published amendments to Regulation Z, allowing for a post-consummation cure for loans that exceed the points and fees limit for a Qualified Mortgage (QM). The loan has to meet the other requirements for being a QM at the time of consummation to utilize the cure and maintain that QM safe harbor, along with certain other provisions.

Credit unions that originate QMs are provided with a presumption of compliance with the ability-to-repay underwriting requirements. This safe harbor provides credit unions with more certainty about any potential liability. Currently, there are four types of QMs. Two types, the General and Temporary QMs, can be originated by any credit union. The Small Creditor and Balloon-Payment QMs can only be originated by small creditors.

In general, for a loan to be considered a QM, the points and fees cannot exceed the limits below.

Loan Amount	Points and Fees Limit
\$100,000 or more	3%
\$60,000 - \$99,999.99	\$3,000
\$20,000 - \$59,999.99	5%
\$12,500 - \$19,999.99	\$1,000
\$12,499.99 or less	8%

The CFPB's amendments specifically pertain to section 1026.43 of Regulation Z and provides credit unions with the ability to refund points and fees that exceed the applicable QM limit at the time of consummation, with interest. To be able to use the cure provisions, the loan must meet all of the other QM criteria. Additionally, the refund must be made within 210 days after consummation and prior to the occurrence of certain events. In order for the credit union to utilize the cure provision, the following requirements must be met:

1. The credit union must have policies and procedures to address a review of certain mortgage loans to determine if points and fees exceed the applicable limit for a QM and subsequently address the refund to the borrower in accordance with the regulations.
2. Aside from exceeding the points and fees threshold, the loan has met all of the other requirements for a QM.
3. The credit union issues the borrower a refund, in a manner mutually agreeable to the borrower and credit union, and in an amount that is not less than the sum of the following:
  - a. The dollar amount by which the transactions' total points and fees exceeds the applicable QM limit; and
  - b. Interest on the dollar amount, calculated using the contract interest rate applicable during the period from consummation until the payment is made to the borrower.
4. The loan refund is made 210 days prior to the occurrence of any of the following events:
  - a. Any type of action by the borrower in connection with the loan;
  - b. Any written notice from the borrower that the transaction's total points and fees exceed the applicable limits; or
  - c. The borrower becomes 60 days past due on their loan.

In order to reflect these amendments, Policy 7350 - Ability to Repay and Policy 7351 - Small Creditor Ability to Repay, will be revised and changes reflected in the fourth quarter update this year.

This edition of OPS NOTES was prepared by the Michigan Credit Union League.

## Content FAQs

### **Question. Does the credit union have to utilize the cure provision?**

**Answer.** No. The credit union, along with their Leadership Team (including the Board of Directors), needs to make a determination if the credit union will originate non-Qualified Mortgages based on their business strategies and risk appetite. This decision should be made with an understanding of the potential liability the credit union may be exposed to without the safe harbor protection of a Qualified Mortgage. However, there is nothing in the CFPB Mortgage Rules that requires credit unions to originate only Qualified Mortgages.

### **Question. If our credit union wants to utilize the cure provision, do we have to review all of our loans to see if there was an error in the points and fees calculation?**

**Answer.** No. The regulation indicates that although policies and procedures are required for the review of points and fees, post-consummation in order to utilize the cure provision, the credit union need not conduct a post-consummation review of **all** loans originated by the credit union. The credit union should create policies and procedures to address a review process consistent with their credit union's resources.

## Technical FAQ

### **Question: How do I convert my published manual to a PDF?**

**Answer:** While there is no PDF converter in CU PolicyPro, most credit unions have the ability to print or convert a document to PDF. These two methods will give you a different PDF document result.

The first method is "Print to PDF". In this method, a PDF is created by going to the FILE> PRINT option, and choosing PDF as your "printer". It makes an electronic print rather than a hard copy print. This is the method we often recommend, because it gives you more control over what the final document will look like, including the header/footer information, margins, etc. It generally looks more professional. The downside to this method is that the resulting document will act as if it is printed on paper, and the links within the documents will be

underlined text rather than functioning links. The links in the Table of Contents will not link directly to the policies when using this method.

The second method is "Convert To PDF". This is usually an icon found at the top of your browser window.

This converts the webpage you are on (in this case the published manual) to a PDF, and all of the links (including the TOC) function correctly as links. The downside of this method is that the resulting PDF often has a header/footer that you cannot control, you will get no page breaks between policies, and all images (including the PRINT image at the top of the page) will show on the document.

There may also be additional PDF converters or writers that apply different properties as well.

The two above are the most common. If you have additional questions, please contact the CU PolicyPro Support Team at [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

### Questions?

If you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, contact [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

Thanks and have a great week!