

# 'Qualified Mortgage' & 'Ability to Repay' Rules Take Effect Jan. 10th

You're probably quite aware that the housing crisis of 2008 came about in part because lenders were writing mortgages that many borrowers could not reasonably be expected to repay.

Well, starting on Jan. 10th, lenders will be subject to an Ability-to-Repay rule issued by the Consumer Financial Protection Bureau, implementing sections 1411 and 1412 of the Dodd-Frank

act passed in 2010. This rule requires mortgage lenders to consider consumers' ability to repay a mortgage before extending credit to them.

I often hear buyers complaining about the silly documentation demands placed on them during the loan approval process. Rita and I experienced this ourselves when we bought our home in 2012.

Lenders and their underwriters are driven by the fact that they want their

loans to be saleable to Fannie Mae or Freddie Mac after closing, and if they fail to dot some i or cross some t, Fannie or Freddie might require them to buy back the loan. It doesn't take many loan buy-backs to deplete a mortgage company's working capital and even put it out of business.

Even if the lender can survive such buy-backs, the lender's underwriters might reasonably worry about losing their job if they make a mistake that results in a mortgage buy-back. That is why underwriters can appear (and be) so unreasonable in their sometimes petty documentation demands.

So, now another layer of documentation is added under this Ability-to-Repay rule. This is not to say that

it's a bad idea, but the above dynamic will no doubt make the process even more stressful and tedious than it already is.

Lenders must consider and document eight specific criteria:

- 1) the borrower's current or projected income and assets;
- 2) the borrower's income and employment status, if any;
- 3) monthly loan payments, including possible adjustments, if applicable;
- 4) monthly payments on any second mortgages applied for;
- 5) monthly costs of HOA dues, insurance and property taxes;
- 6) other financial obligations of the borrower, such as alimony;
- 7) the borrower's debt-to-income ratio; and
- 8) the borrower's credit history.

One lender I interviewed said that most of these criteria are already part of the approval process and described the new rule as "so much

noise."

The rule, however, does provide new protection for the lender against lawsuits by borrowers claiming that the lender granted the loan irresponsibly because the lender will now be able to show they met the requirements of the Ability to Repay rule.

Loans that meet the Ability-to-Repay rule's minimum verification standards, several additional underwriting requirements, limitations on points and fees, and loan feature limitations are called Qualified Mortgages (QM). The QM rule creates a presumption that the homeowners received a mortgage that they could afford.

The rule applies to many mortgage loans but excludes home equity lines of credit, timeshare plans, reverse mortgages and temporary loans with terms of 12 months or less

*I want to thank my mortgage partners for their help with this article.*

## REAL ESTATE TODAY



By JIM SMITH, Realtor®

## Reflections on the New Year

2013 was quite a year for the real estate industry in Denver and for our brokerage, Golden Real Estate, Inc.

Highlights of the year include:

- ◆ The successful conversion of our MLS, MetroList, from a sadly inferior home-grown platform to a best-of-breed platform hosted by CoreLogic, the nation's leader provider of MLS platforms.
- ◆ At Golden Real Estate, we doubled the number of broker associates from four to eight. The new agents are April Westbrook, Mark Spencer, Suzi Nicholson, and Tom Warriner. With their help, we represented 101 clients in \$35 million worth of closed transactions, compared to 80 clients in \$24 million of transactions in 2012, a 46% increase in volume and earnings.
- ◆ Because of this growth, we also added a terrific administrative assistant, Kim Taylor, who is helping to streamline our operation in many ways.
- ◆ We purchased a drone equipped with a GoPro camera to take aerial photos/videos of our listings.
- ◆ We're changing our own website platform and MLS/IDX search providers, which will roll out in January. Among other improvements, the website will now display better on mobile devices.
- ◆ We doubled the size of this ad to a full page.

## 'Jeffco5' Petition Drive Begins Shortly

### Goal Is to Bring More Representative Government to Jefferson County



The campaign to change our county government from three commissioners elected county-wide to five commissioners elected by district gets underway this month. Since the county commissioners have refused to put the question on the 2014 ballot, it is necessary to gather petition signatures toward that end.

The petitioning process is scheduled to begin Jan 10th. The next public meeting of "Jeffco5 Grassroots" will be on **Saturday January 4th, 10 AM at the Belmar Library**. Those willing to help with the petition drive, please send your name and neighborhood to Bernie at: [mttop@aol.com](mailto:mttop@aol.com).

Think of places in your neighborhood — library, post office, grocery stores — where you could fill a 25-name petition sheet. See the group's website, [www.Jeffco5.com](http://www.Jeffco5.com), for information and/or to donate, or send a check to *Jeffco5Grassroots*, c/o Karen Oxman, 640 11th St, #401, Golden 80401.

We at Golden Real Estate support this effort to bring a more representative form of government to Jefferson County and have volunteered our office on South Golden Road as a place where petition forms can be picked up and returned. (See our address below.)



Serving the West Metro Area

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