

## Loan Delivery Information for Qualified Mortgage (QM) Edits

Updated September 20, 2021

**The Loan Delivery edits related to Points and Fees for Qualified Mortgages will be implemented as Fatal severity on October 25, 2021 (previously October 1, 2021).** As a reminder (as stated in [Lender Letter LL-2021-11](#) and the [Loan Eligibility Under the Revised QM Definition FAQs](#)), while we are working to update our systems, we do not use our systems to enforce compliance with industry regulations and applicable law. Instead, we rely on our lenders' representations and warranties with regard to compliance with applicable law as outlined in the Selling Guide. Lenders should check with their legal counsel on how to comply with the Revised QM Rule.

On May 26, 2021, Fannie Mae announced additional details regarding Loan Eligibility Under the Preferred Stock Purchase Agreement and Revised General Qualified Mortgage (QM) Rule in [Lender Letter LL-2021-11](#). The Lender Letter reminded lenders of the current requirement to deliver a number of data elements related to QM in the Uniform Closing Dataset (UCD) file (submitted to us at or before loan delivery), including the method by which the creditor satisfied the Ability to Repay (ATR) requirements or reason for exemption, the Annual Percentage Rate (APR) and Average Prime Offer Rate (APOR) percentages, and points and fees.

Fannie Mae is working to update Loan Delivery and EarlyCheck to perform a check of the APR-APOR thresholds and points and fees requirements in the Lender Letter. We will utilize the UCD and Uniform Loan Delivery Dataset (ULDD) (aligned with Freddie Mac) as provided to perform the checks at time of delivery/purchase. See the Business Rule section below for details and timing on the new edits.

Loan eligibility APR-APOR thresholds and points and fees requirements per the Lender Letter (allowable loan amounts and values may change each year – review the Consumer Finance Protection Bureau ([CFPB](#)) site for the latest information):

Regulation Z Section	Eligibility Criteria	Current Selling Guide	New Requirements												
1026.43(e)(2)(iii)	Points and fees	<p><b>ATR Covered loans (Loan Delivery edits C48 and C49):</b></p> <table border="1"> <thead> <tr> <th>Original Loan Amount</th> <th>Max Allowable Points and Fees</th> </tr> </thead> <tbody> <tr> <td>less than \$13,783</td> <td>8%</td> </tr> <tr> <td>greater than or equal to \$13,783 and less than \$22,052</td> <td>\$1,103</td> </tr> <tr> <td>greater than or equal to \$22,052 and less than \$66,156</td> <td>5%</td> </tr> <tr> <td>greater than or equal to \$66,156 and less than \$110,260</td> <td>\$3,308</td> </tr> <tr> <td>greater than or equal to \$110,260</td> <td>3%</td> </tr> </tbody> </table> <p><b>Exempt loans (Loan Delivery edit C47):</b> 5% of the total loan amount</p>	Original Loan Amount	Max Allowable Points and Fees	less than \$13,783	8%	greater than or equal to \$13,783 and less than \$22,052	\$1,103	greater than or equal to \$22,052 and less than \$66,156	5%	greater than or equal to \$66,156 and less than \$110,260	\$3,308	greater than or equal to \$110,260	3%	Same
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Regulation Z Section	Eligibility Criteria	Current Selling Guide	New Requirements														
<a href="#">1026.43(e)(2)(vi)</a>	Annual Percentage Rate-Average Prime Offer Rate (APR-APOR) Spread	6.50 percentage points	<p><b>ATR Covered loans:</b> The loan’s APR cannot exceed the APOR by the spread in the tables below:</p> <p>First-lien covered transaction (<b>Loan Delivery edit C53</b>):</p> <table border="1" data-bbox="753 422 1505 690"> <thead> <tr> <th>Original Loan Amount</th> <th>Max Allowable Spread</th> </tr> </thead> <tbody> <tr> <td>less than \$66,156</td> <td>6.5000%</td> </tr> <tr> <td>greater than or equal to \$66,156 less than \$110,260</td> <td>3.5000%</td> </tr> <tr> <td>greater than or equal to \$110,260</td> <td>2.2500%</td> </tr> </tbody> </table> <p>First-lien covered transaction secured by a manufactured home (<b>Loan Delivery edit C54</b>):</p> <table border="1" data-bbox="753 772 1505 949"> <thead> <tr> <th>Original Loan Amount</th> <th>Max Allowable Spread</th> </tr> </thead> <tbody> <tr> <td>less than or equal to \$110,260</td> <td>6.5000%</td> </tr> <tr> <td>greater than \$110,260</td> <td>2.2500%</td> </tr> </tbody> </table> <p><b>Exempt loans:</b> The loan’s APR cannot exceed the APOR by 6.5000% or more calculated in accordance with the Revised General QM rule in TILA.<sup>1</sup>(<b>Loan Delivery edit C52</b>).</p> <p><b>NOTE:</b> For short term ARMs, lenders must calculate the APR using the maximum interest rate that could apply during the first five years after the first payment is due.</p>	Original Loan Amount	Max Allowable Spread	less than \$66,156	6.5000%	greater than or equal to \$66,156 less than \$110,260	3.5000%	greater than or equal to \$110,260	2.2500%	Original Loan Amount	Max Allowable Spread	less than or equal to \$110,260	6.5000%	greater than \$110,260	2.2500%
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## Business Rules for Loan Delivery and EarlyCheck

The new edits will validate the data related to the APR-APOR thresholds and points and fees provided in UCD meets the requirements outlined in the Lender Letter. When lenders are researching loans impacted by these new edits, **we recommend that you contact your closing team who submitted the UCD data or the correspondent that submitted the UCD data for assistance in validating that the data in the UCD submission is correct.**

- If the data points are incorrect in UCD
  - Update the data in your system that creates the UCD XML file and re-submit the UCD XML file in the UCD Collection Solution
  - Re-run the edits in the Loan Delivery Application. The fatal edit(s) should be resolved
- If all the data points are correct in UCD
  - If you continue receiving the fatal edits in Loan Delivery, the loan **is not eligible** for delivery

<sup>1</sup> Note: The Lender Letter inadvertently referred to the regulatory provisions of the Homeownership and Equity Protection Act (HOEPA).



When validating the UCD data for the edits, verify the following applicable data points are correct in the UCD XML file:

- AbilityToRepayExemptionReasonType
- AbilityToRepayMethodType
- AmortizationType
- APRPercent
- AveragePrimeOfferRatePercent
- CurrentRateSetDate
- LienPriorityType
- LoanPurposeType
- MortgageType
- RegulationZTotalLoanAmount
- RegulationZTotalPointsAndFeesAmount

**NOTE:** Additional Data elements to review when validating UCD data

- AutomatedUnderwritingSystemType
- AutomatedUnderwritingSystemTypeOtherDescription
- LoanManualUnderwritingIndicator

**NOTE:** There is the potential that this edit could also fire in EarlyCheck when submitting a MISMO 3.0 ULDD file format, the steps to resolve the issue are the same as above.

## APR-APOR Spread Edits

The following edits are being introduced in Loan Delivery and EarlyCheck. These three edits will transition to Fatal severity on 9/1/2021 enforcing the APR-APOR spread threshold requirements.

**NOTE:** The Loan Delivery edits will calculate the spread based on the APR and APOR values submitted in the UCD casefile. Providing a value of zero for the APOR datapoint in UCD may result in the Loan Delivery edit being issued (if the calculated spread (APR-APOR) is above the allowable threshold). The applicable APOR value should be provided in the UCD file and resubmitted in UCD (contact your closing team or correspondent that submitted the UCD data for assistance if needed). If you need further assistance contact the [UCD Mailbox](#).

Edit No.	Edit Fatal Date	Loan Delivery Edit Feedback Message	EarlyCheck	Corresponding UCD Edit
C52	9/1/21	UCD indicates this loan is exempt from Qualified Mortgage requirements. APR spread greater than 6.5% is not permitted for Conventional, First Lien loans exempt from QM requirements. Validate the data in UCD and LD to ensure accuracy. Refer to the Loan Delivery Qualified Mortgage (QM) Edit job aid for further assistance.	MISMO 3.0 file only	There are no 1 to 1 edits that correspond to this edit in UCD. The underlying datapoints are being used by Loan Delivery and are enforced as part of the Phase 1 UCD Critical Edit Mandates. Lenders will need to Verify the data in the UCD data submission for accuracy
C53	9/1/21	UCD indicates this loan must meet Qualified Mortgage requirements. The APR spread is greater than the allowed APR spread for the Original Loan Amount provided for this Conventional, First Lien Qualified Mortgage. Validate the data in UCD and LD to ensure accuracy. Refer to the Loan Delivery Qualified Mortgage (QM) Edit job aid for further assistance.	MISMO 3.0 file only	
C54	9/1/21	UCD indicates this loan must meet Qualified Mortgage requirements. The APR spread is greater than the allowed APR spread for the Original Loan Amount provided for this Conventional, First Lien, Manufactured Home Qualified Mortgage. Validate the data in UCD and LD to ensure accuracy. Refer to the Loan Delivery Qualified Mortgage (QM) Edit job aid for further assistance.	MISMO 3.0 file only	

**NOTE:** The APR-APOR calculations in the Loan Delivery edits are based off the APR and APOR data provided in the UCD submission and the original loan amount in Loan Delivery. The Loan Delivery data point HMDA Rate Spread (SID 208) is not used.



## Total Points and Fees Edits

The following edits are being introduced in Loan Delivery and EarlyCheck on 10/1/2021 and 10/25/2021 as Fatal severity.

**NOTE:** *The edits use the original loan amount provided in Loan Delivery for the original loan amount range. The Regulation Z Total Loan Amount is used from UCD in the calculation for the max allowable Points and Fees amount. The Regulation Z Total Loan Amount is calculated by the Original Loan Amount/Note Amount minus the finance charges and therefore, it should not exceed the Original Loan Amount/Note Amount.*

Edit No.	Edit Fatal Date	Loan Delivery Edit Feedback Message	EarlyCheck	Corresponding UCD Edit
C47	10/1/21	UCD indicates this loan is exempt from Qualified Mortgage requirements. A Calculated Regulation Z Total Points and Fees Amount of greater than 5% of the Regulation Z Total Loan Amount is not permitted for loans exempt from QM requirements. Validate the data in UCD and LD to ensure accuracy. Refer to the Loan Delivery Qualified Mortgage (QM) Edits job aid for further assistance.	MISMO 3.0 file only	There are no 1 to 1 edits that correspond to this edit in UCD. The underlying datapoints are being used by Loan Delivery and are enforced as part of the Phase 1 UCD Critical Edit Mandates. Lenders will need to Verify the data in the UCD data submission for accuracy
C48	10/25/21	UCD indicates this loan must meet Qualified Mortgage requirements. A calculated Regulation Z Total Points and Fees Amount that is greater than allowed for the applicable Original Loan Amount under Qualified Mortgage regulations is not allowed for loans that must meet QM requirements. Validate the data in UCD and LD to ensure accuracy. Refer to the Loan Delivery Qualified Mortgage (QM) Edits job aid for further assistance.	MISMO 3.0 file only	
C49	10/25/21	UCD indicates this loan must meet Qualified Mortgage requirements. A provided Regulation Z Total Points and Fees Amount that is greater than allowed for the applicable Original Loan Amount under Qualified Mortgage regulations is not allowed for loans that must meet QM requirements. Validate the data in UCD and LD to ensure accuracy. Refer to the Loan Delivery Qualified Mortgage (QM) Edits job aid for further assistance.	MISMO 3.0 file only	

## Edit Updates for Uniform Closing Dataset (UCD) Closing Solution

The following UCD edits recently transitioned to fatal severity on 7/31/2021 in the UCD Closing Solution application, as part of the UCD Phase 1 critical edits. The edits enforce the requirement to deliver a number of data elements related to QM in the UCD file, including the method by which the creditor satisfied the ATR requirements or reason for exemption, the APR and APOR percentages, and points and fees. These QM related fields are now used in the Loan Delivery business rules.

**We recommend Fannie Mae sellers contact their closing team who submitted the UCD data or the correspondent that submitted the UCD data for assistance in validating the data in UCD submission is correct.**

UCD Edit ID	UCD Edit Feedback Message	Associated Data Point(s)	MISMO definition	Resolution
3015	<b>Annual Percentage Rate</b> is required. Data must be numeric up to 3 digits, with up to 4 decimal places.	APRPercent	The annual percentage rate for the loan based on the accepted industry standard defined by Regulation Z (Section 12 C.F.R. 1026.18(e)) used for Qualified Mortgages and general disclosure purposes.	Must Exist



UCD Edit ID	UCD Edit Feedback Message	Associated Data Point(s)	MISMO definition	Resolution
3026	<b>Ability to Repay Method Type</b> is required and must be a valid enumeration.	AbilityToRepayMethodType	Specifies the method by which the creditor satisfied Regulation Z Ability-to-Repay requirements.	Must exist and be one of the following Enumerations <ul style="list-style-type: none"> <li>▪ "General" - A loan made subject to Regulation Z general Ability-to-Repay standards.</li> <li>▪ "Exempt" - A loan that is exempt from Regulation Z Ability-to-Repay requirements.</li> </ul>
3027	<b>Average Prime Offer Rate Percent</b> is required. Data must be numeric up to 3 digits, with up to 4 decimal places.	AveragePrimeOfferRatePercent	An annual percentage rate that is derived from average interest rates, points, and other loan pricing terms currently offered to consumers by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics. The Federal Reserve Board publishes average prime offer rates for a broad range of types of transactions in a table updated at least weekly. This rate is used in determining Higher Priced Mortgage Loans (HPML).	Must Exist
3029	<b>Regulation Z Total Loan Amount</b> is required. Data must be numeric up to 9 digits, with up to 2 decimal places.	RegulationZTotalLoanAmount	The total loan amount, expressed in dollars, calculated in accordance with Regulation Z, Truth in Lending. This amount is used in calculations for both Qualified Mortgage and HOEPA.	Must Exist
3030	<b>Current Rate Set Date</b> is required. Provide the data in the YYYY-MM-DD format.	CurrentRateSetDate	Date on which the interest rate for the loan was set by the lender for the final time before closing.	Must exist
3122	If Ability to Repay Method Type equals Exempt, then <b>Ability to Repay Exemption Reason Type</b> is required and must be a valid enumeration.	AbilityToRepayExemptionReasonType AbilityToRepayMethodType	Specifies the reason that transaction is exempt from Regulation Z Ability-To-Repay requirements.	AbilityToRepayMethodType = "Exempt" then provide one of the following values <ul style="list-style-type: none"> <li>▪ "LoanProgram" - Indicates that transaction is exempt from Regulation Z ability-to-repay requirements because the loan program is exempt from requirements</li> <li>▪ "PropertyUsage" - Indicates that transaction is exempt from Regulation Z ability-to-repay requirements because the occupancy type for the property is exempt from requirements</li> </ul>
3123	If Regulation Z Excluded Bona Fide Discount Points indicator is true, then <b>Loan Price Quote</b>	LoanPriceQuoteInterestRatePercent RegulationZExcludedBonaFideDiscountPointsIndicator	The mortgage loan interest rate for which the price quote is calculated.	Must Exist



UCD Edit ID	UCD Edit Feedback Message	Associated Data Point(s)	MISMO definition	Resolution
	<b>Interest Rate Percent</b> is required. Data must be numeric up to 3 digits, with up to 4 decimal places.			
3125	If Loan Discount Points is greater than zero, then <b>Regulation Z Excluded Bona Fide Discount Points Indicator</b> is required. Provide the data as true or false.	FeeType FeeTotalPercent RegulationZExcludedBonaFideDiscountPointsIndicator	When true, indicates that excluded bona fide discount points were charged for this loan.	If Discount point exist and are greater than zero, provide a value of TRUE or FALES for Regulation Z Excluded Bona Fide Discount Points Indicator
3126	If Regulation Z Excluded Bona Fide Discount Points Indicator is true, then <b>Regulation Z Excluded Bona Fide Discount Points Percent</b> is required. Data must be numeric up to 3 digits with up to 4 decimal places.	RegulationZExcludedBonaFideDiscountPointsPercent RegulationZExcludedBonaFideDiscountPointsIndicator	The bona fide discount points, expressed as a percent, that are excluded from points and fees calculated in accordance with Regulation Z, Truth in Lending..	Must Exist
3128	<b>Regulation Z Total Points and Fees Amount</b> is required. Enter the total points and fees excluding bona fide discount points. Data should be numeric up to 9 digits, with up to 2 decimal places.	RegulationZTotalPointsAndFeesAmount RegulationZExcludedBonaFideDiscountPointsIndicator	The total amount of points and fees, expressed in dollars, calculated in accordance with Regulation Z, Truth in Lending. This amount is used in calculations for both Qualified Mortgage and HOEPA purposes..	Must Exist
3311	<b>Regulation Z Total Affiliate Fees Amount</b> is required. Data must be numeric up to 9 digits, with up to 2 decimal places.	RegulationZTotalAffiliateFeesAmount	The total amount of fees, expressed in dollars, paid to an affiliate(s) of the creditor.	Must Exist

## Additional Resources

[FAQs: Loan Eligibility Under the Revised QM Definition](#)

[Loan Delivery Release Notes](#)

[Loan Delivery Business Rules Dictionary](#) (login required)

[UCD Critical Edits Transition Resources](#)

[Ask Poli Selling](#)