UCD Phase 3 Critical Edits Job Aid: Qualified Mortgage Short Reset ARM APR Percent

Contents

Background

The purpose of this document is to review the new data requirements for Qualified Mortgage (QM) Short Reset adjustable-rate mortgages (ARMs). The new gse:QualifiedMortgageShortResetARM_APRPercent data point has been added to the GSEs' closing solutions to capture a new QM Annual Percentage Rate (APR) value specifically calculated for short reset ARMs. Each GSE will transition existing "warning" severity edits to "critical/fatal" severity on May 1, 2023 to ensure that the gse:QualifiedMortgageShortResetARM_APRPercent datapoint is delivered for all QM ARMs that have an interest rate change within the first five years after the date on which the first regular periodic payment is due.

This document will explain how the data should be provided in the UCD XML file to avoid the critical edits specified in the UCD Critical Edits Matrix available on the Fannie Mae and Freddie Mac UCD webpages. The UCD Specification Impact Memo identifies and defines the new short reset ARM APR datapoint.

UCD Data Requirements and Associated Datapoints

New Data Point

The gse:QualifiedMortgageShortResetARM_APRPercent data point will be required for all ARMs meeting the definition on and after May 1, 2023.

> **Definition:** The annual percentage rate for the loan based on the accepted industry standard defined by Regulation Z (Section 12 C.F.R. § 1026.43(e)(2)(iv)) used for QMs that have an interest rate change within the first five years after the date on which the first regular periodic payment is due (e.g., 3/6 and 5/6 SOFR-indexed ARMs).
>
> **UCD XPath**: This data point will be added to the UCD XML file as an EXTENSION of QUALIFIED_MORTGAGE_DETAIL:

```
…/LOAN
    .../
        QUALIFIED_MORTGAGE
            QUALIFIED_MORTGAGE_DETAIL
                EXTENSION
                    OTHER
                        gse:QualifiedMortgageShortResetARM_APRPercent
```

New QM Requirements

The Revised QM Rule's APR-APOR threshold test adds an APR data requirement for adjustable-rate QM loans that have an interest rate change within the first five years. The lender must use the maximum interest rate that could apply during the first five years after the first payment is due when calculating the qualifying spread rate. Each GSE will update their existing Qualified Mortgage APR-APOR threshold tests for short reset ARMs with an interest rate change within the first five years in each GSEs delivery/selling system.

QM Short Reset ARM APR Percent and Supporting Data Point Feedback Messages

The gse:Qualified Mortgage Short Reset ARM_APR Percent data point is required for all ARMs meeting the definition **on and after May 1, 2023**. The delivery of *gse: Qualified Mortgage Short Reset ARM APR Percent* depends on the values of two data points already delivered in the UCD XML file, Amortization Type and First Rate Change Months Count. Critical Edit feedback messages for these data points are:

Amortization Type

The Amortization Type must be provided in the UCD XML file for all loans and include a valid enumeration of "AdjustableRate" or "Fixed" (Phase 1 critical edit). If it is missing, the following edit messages will be issued:

Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	**Message Text**	**Message Code**	**Message Text**
3017	Amortization Type is required and must be a valid enumeration.	CRIT0012	The amortization type is required and must be 'AdjustableRate' or 'Fixed'.

This document relates to the Uniform Mortgage Data Program®, an effort undertaken jointly by Fannie Mae and Freddie Mac at the direction of the Federal Housing Finance Agency.

First Rate Change Months Count

The First Rate Change Months Count must be provided in the UCD XML file when Amortization Type = "AdjustableRate" and must be greater than "0". If it is missing, the following edit messages will be issued:

Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	Message Text	Message Code	Message Text
3670	When Amortization Type is equal to "Adjustable Rate" the First Rate Change Months Count must be provided.	DQC402 CRIT0214	"The number of months at which the first interest rate adjustment occurs is required for ARMs."
		DQR362 CRIT0215	"The number of months at which the first interest rate change occurs must be greater than 0."

gse: Qualified Mortgage Short Reset ARM APR Percent

If the value in First Rate Change Months Count is less than or equal to "60", then the loan qualifies as a short reset ARM and gse: Qualified Mortgage Short Reset ARM_APR Percent must be delivered with a value greater than "000.0000" in the UCD XML file. If it is missing, the following edit messages will be issued:

Fannie Mae Feedback Messages		Freddie Mac Feedback Messages	
Message Code	Message Text	Message Code	Message Text
3671	For ARM loans with a first interest rate change within the first 5 years, the Qualified Mortgage Short Reset ARM APR Percent must be provided.	DQC3002 CRIT0212	Qualified Mortgage Short Reset ARM APR Percent is required when the first interest rate change is within the first 5 years.
3672	For ARM loans with a first interest rate change within the first 5 years, the Qualified Mortgage Short Reset ARM APR Percent must be greater than 0%.	DQC3003 CRIT0213	Qualified Mortgage Short Reset ARM APR Percent must be greater than 0%.
3673	For ARM loans with a first interest rate change within the first 5 years, the Qualified Mortgage Short Reset ARM APR Percent cannot be a negative value.		

Examples: CD Data Points and Associated UCD XML File Data by Section

ARM with First Adjustment before 5 Years

Business Requirements

The following CD shows a mortgage that adjusts in 5 years, which meets the definition of a QM short reset ARM.

Closing Information		Transaction Information		Loan Information	
Date Issued	11/07/2022	Borrower	Michael Jones & Mary Stone	Loan Term	30 Years
Closing Date	11/15/2022		123 Anywhere Street	Purpose	Purchase
Disbursement Date	11/15/2022		Anytown, NY 12345	Product	Adjustable Rate
Settlement Agent	Epsilon Title Company	Seller	Steve Cole and Amy Doe		
File #	12-5678		321 Somewhere Drive	Loan Type	☑ Conventional ☐ FHA

Loan Terms		Can this amount increase after closing?	
Loan Amount	$144,000	NO	

Interest Rate	3.875%	YES	• Adjusts every **3** years starting in year **5**.
			  • Can go as high as **7**% in year **8**.
			  • See AIR Table on page 4 for details.

Technical Requirements

The following table shows an example of how the QM Short Term ARM APR data point should be delivered in the UCD XML file. This XML UCD file includes the EXTENSION to QUALIFIED_MORTGAGE_DETAIL with the new data point. Data points that will be critical edits are highlighted in light yellow.

<table>
<tr><th>Adjustable Rate Loan with First Adjustment in 5 Years</th></tr>
<tr><td>

```
<LOAN>
    <ADJUSTMENT>
        <INTEREST_RATE_ADJUSTMENT>
            <INTEREST_RATE_LIFETIME_ADJUSTMENT RULE>
                <FirstRateChangeMonthsCount>60</FirstRateChangeMonthsCount>
            </INTEREST_RATE_LIFETIME_ADJUSTMENT RULE>
        </INTEREST_RATE_ADJUSTMENT>
    </ADJUSTMENT>
    <AMORTIZATION>
        <AMORTIZATION_RULE>
            <AmortizationType>AdjustableRate</AmortizationType>
        </AMORTIZATION_RULE>
    </AMORTIZATION>
…
    <QUALIFIED_MORTGAGE>
        <QUALIFIED_MORTGAGE_DETAIL>
            <AbilityToRepayMethodType>General</AbilityToRepayMethodType>
            <EXTENSION>
                <OTHER>
                    <gse:QualifiedMortgageShortResetARM_APRPercent>10.131</gse:QualifiedMortgageShortResetARM_APRPercent>
                </OTHER>
            </EXTENSION>
        </QUALIFIED_MORTGAGE_DETAIL>
    </QUALIFIED_MORTGAGE>
…
</LOAN>
```

</td></tr>
</table>

ARM with First Adjustment after 5 Years

Business Requirements

As indicated in the Loan Terms table below, this first rate adjustment for this loan occurs after more than 60 months.

Closing Information		Transaction Information		Loan Information	
Date Issued	11/07/2022	Borrower	Michael Jones & Mary Stone	Loan Term	30 Years
Closing Date	11/15/2022		123 Anywhere Street	Purpose	Purchase
Disbursement Date	11/15/2022		Anytown, NY 12345	Product	Adjustable Rate
Settlement Agent	Epsilon Title Company	Seller	Steve Cole and Amy Doe		
File #	12-5678		321 Somewhere Drive	Loan Type	☑ Conventional ☐ FHA
Sale Price	$180,000			MIC #	

Loan Terms		Can this amount increase after closing?	
Loan Amount	$144,000	NO	

Interest Rate	3.875%	YES	• Adjusts every **1** years starting in year **7**.
			    • Can go as high as **8**% in year **12**.
			        • See AIR Table on page 4 for details.

Technical Requirements

Because this adjustable rate mortgage does not meet the QM definition for a short reset ARM, the EXTENSION to QUALIFIED_MORTGAGE_DETAIL structure is not delivered.

Adjustable Rate Loan with First Adjustment after 5 Years

```
<LOAN>
    <ADJUSTMENT>
        <INTEREST_RATE_ADJUSTMENT>
            <INTEREST_RATE_LIFETIME_ADJUSTMENT RULE>
                <FirstRateChangeMonthsCount>84</FirstRateChangeMonthsCount>
            </INTEREST_RATE_LIFETIME_ADJUSTMENT RULE>
        </INTEREST_RATE_ADJUSTMENT>
    </ADJUSTMENT>
    <AMORTIZATION>
        <AMORTIZATION_RULE>
            <AmortizationType>AdjustableRate</AmortizationType>
        </AMORTIZATION_RULE>
    </AMORTIZATION>
…
    <QUALIFIED_MORTGAGE>
        <QUALIFIED_MORTGAGE_DETAIL>
            <AbilityToRepayMethodType>General</AbilityToRepayMethodType>
        </QUALIFIED_MORTGAGE_DETAIL>
    </QUALIFIED_MORTGAGE>
…
</LOAN>
```

*This document relates to the Uniform Mortgage Data Program®, an effort undertaken jointly by
Fannie Mae and Freddie Mac at the direction of the Federal Housing Finance Agency.*

Resources

Resource	Fannie Mae Link	Freddie Mac Link
UCD Critical Edits Timeline	https://singlefamily.fanniemae.com/media/document/pdf/ucd-critical-edits-phase-3-will-transition-two-subsets	https://sf.freddiemac.com/tools-learning/uniform-mortgage-data-program/ucd
Critical Edits Matrix	https://singlefamily.fanniemae.com/media/document/xlsx/uniform-closing-dataset-critical-edits-matrix	https://sf.freddiemac.com/content/_assets/resources/xls/other/ucd-critical-edits-matrix.xlsx
UCD Critical Edits Implementation Guide	https://singlefamily.fanniemae.com/media/document/pdf/ucd-critical-edits-implementation-guide	https://sf.freddiemac.com/content/_assets/resources/pdf/other/ucd-critical-edits-implementation-guide.pdf
Specification Update Impact Memo	https://singlefamily.fanniemae.com/media/document/pdf/ucd-specification-update-impact-memo	https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/specification-update-joint-impact-memo.pdf
UCD Feedback Messages	https://singlefamily.fanniemae.com/media/document/xlsx/ucd-feedback-messages	https://sf.freddiemac.com/content/_assets/resources/xls/other/lcla-feedback-msgs-3-31-2022.xlsx
Joint GSE UCD Critical Edits Phase 3 Feedback Message Mapping	https://singlefamily.fanniemae.com/media/document/xlsx/joint-gse-ucd-critical-edits-phase-3-feedback-message-mapping	https://sf.freddiemac.com/content/_assets/resources/xls/fact-sheet/joint-gse-ucd-critical-edits-phase-3-feedback-message-mapping-document_v1.2-2-28-2023.xlsx
UCD Phase 3 Critical Edits Job Aid: Fees	https://singlefamily.fanniemae.com/media/document/pdf/ucd-phase-3-critical-edits-job-aid-fees	https://sf.freddiemac.com/content/_assets/resources/doc/fact-sheet/ucd-joint-gse-job-aid-guide-fees.docx

Additional Information

For more information on UCD, visit the Fannie Mae UCD page or the Freddie Mac UCD page.
If you have questions or need further assistance, please contact your GSE account representative or submit your questions to our UCD mailboxes: UCD@FannieMae.com or UCD@FreddieMac.com.

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