

# COMPARISON OF QUALIFIED MORTGAGE, QUALIFIED RESIDENTIAL MORTGAGE AND BASEL III CATEGORY 1 MORTGAGE

	QUALIFIED MORTGAGE	QUALIFIED RESIDENTIAL MORTGAGE	BASEL III CATEGORY 1 MORTGAGE
PROHIBITED FEATURES	Negative amortization  Interest only  Balloon payment	Negative amortization  Interest only  Balloon payment  Junior lien  ARM adjustment increases limited to 2 percentage points in 12-month period and 6 percentage points over life of loan  No piggy-back second mortgage together with purchase money mortgage  Prepayment penalty	Negative amortization  Interest only  Balloon payment  Junior lien  ARM adjustment increases limited to 2 percentage points in 12-month period and 6 percentage points over life of loan
MATURITY	Loan term may not exceed 30 years	Loan term may not exceed 30 years	Loan term may not exceed 30 years
DOWN PAYMENT	No requirements	20% required for purchase money transaction	No requirements
POINTS AND FEES	May not exceed 3% of total loan amount for loans of \$75,000 or more	May not exceed 3% of total loan amount	No requirements
LOAN-TO-VALUE RATIO	No requirements	80% LTV on purchase money 75% combined LTV on rate and term refinance 70% combined LTV on cash-out refinance	Capital risk weights based on LTV calculated in the manner required by the regulation 35% for LTV ≤ 60% 50% for 60% < LTV ≤ 80% 75% for 80% < LTV ≤ 90% 100% for LTV > 90%
CREDIT/PERFORMANCE HISTORY	No requirements	Current on all debt obligations; no 60-day delinquencies in previous 24 months; no foreclosures, deeds-in-lieu, short sales, personal property repossessions or bankruptcies within previous 36 months	Loan is not 90 days or more past due or on non-accrual status
UNDERWRITING STANDARDS	<u>Safe Harbor</u> Must consider and verify income or assets <u>Rebuttable Presumption</u> Must consider and verify: <b>income or assets</b> <b>employment status</b> <b>simultaneous mortgage loan</b> <b>current debt obligations</b> <b>monthly DTI ratio</b> <b>credit history</b>  Monthly payment based on maximum interest rate in first five years, using payment schedule that fully amortizes loan over its term and takes into account all mortgage-related obligations	Must verify and document: Gross income <b>28% front-end ratio</b> <b>36% back-end ratio</b>  Monthly payment based on maximum interest rate in first five years, using payment schedule that fully amortizes loan over its term and takes into account all mortgage-related obligations	Ability to repay is based on documented, verified income  Borrower able to repay loan based on maximum interest rate in first five years and taking into account all of borrower's obligations (including for mortgage obligations, principal, interest, taxes, insurance, and assessments) and the maximum possible contractual exposure over life of the mortgage as of the closing
APPRAISAL REQUIREMENTS	No requirements	Must obtain written appraisal performed not more than 90 days prior to closing by licensed appraiser conforming to generally accepted appraisal standards	No requirements
ASSUMABILITY	No requirements	May not be assumed by any person who was not a borrower at closing	No requirements
SERVICING STANDARDS/LOSS MITIGATION	No requirements	Loan documents must commit creditor to take certain loss mitigation actions, including starting actions within 90 days of delinquency and taking into account borrower's ability to pay	No requirements
SALE RESTRICTIONS	No requirements	The mortgage documents must provide that the creditor may not sell, transfer or assign servicing rights for the mortgage loan unless the agreement requires the purchaser, transferee or assignee servicer to abide by the default mitigation commitments of the creditor required by the Qualified Residential Mortgage rule.	Loans sold with credit-enhancing representations and warranties subject to a 100% credit conversion factor. Early payment default and early premium refund exceptions eliminated. Repurchase obligation triggered by misrepresentation, fraud, or incomplete documentation exception remains.

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