



August 10, 2020

Comment Intake – QM Extension of Sunset Date
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

*Submitted electronically to
www.regulations.gov*

RE: Docket No. CFPB–2020– 0021; RIN 3170–AA98; Qualified Mortgage Definition Under the Truth in Lending Act (Regulation Z): Extension of Sunset Date

To whom it may concern:

The Credit Union Association of the Dakotas (CUAD), which represents state and federally chartered credit unions in the states of North Dakota and South Dakota, appreciates the opportunity to provide comment to the Consumer Financial Protection Bureau (CFPB) concerning its proposed rule to extend the sunset date of government-sponsored enterprises (GSE) qualified mortgage definition under the Truth in Lending Act.

CUAD fully supports extending the sunset date for the temporary GSE qualified mortgage (QM) definition and believes an extension is necessary to ensure individuals continue to have access to affordable mortgage loans. As it currently stands, the Temporary GSE QM loan definition expires with respect to each GSE when that GSEs exits conservatorship or on January 10, 2021, whichever comes first. With the GSEs currently in conservatorship, this temporary definition would expire in January without an extension.

However, CUAD implores the CFPB to ensure there are no gaps in QM coverage. Allowing gaps to occur will only disadvantage borrowers. With the ongoing COVID-19 pandemic, every effort should be made to ensure borrowers continue to have access to affordable credit, especially borrowers of modest means or underserved groups. To avoid any gaps CUAD requests the CFPB implement a reasonable transition period. This will allow credit unions to transition processes and implement significant changes to the QM rules in an orderly and efficient manner instead of a “flip the switch” scenario which could create delays for the borrower and unnecessary burdens for the mortgage industry.

CUAD appreciates and thanks the CFPB in its decision to revise the General QM definition, including removing the debt-to-income restriction. As discussed by the CFPB in its proposed rule, “The Bureau expects that such amendments would allow some portion of loans that currently could

2005 North Kavaney Dr. • Bismarck, ND 58501
1741 S. Cleveland Avenue, Suite 304 • Sioux Falls, SD 57103
800.279.6328 • www.cuad.coop



receive QM status under the Temporary GSE QM loan definition to receive QM status under the General QM loan definition if they are made after the Temporary GSE QM loan definition expires, thereby helping to facilitate a smooth and orderly transition away from the Temporary GSE QM loan definition.” *85 FR 41449* CUAD is concerned that having the temporary GSE QM expire when a final rule amending the general QM definition becomes effective will not be a smooth transition, and that there will be borrower applications caught between regulatory changes and subsequently negatively impacted.

The Temporary GSE QM category was created to ensure “access to responsible, affordable credit for consumers with DTI ratios above 43 percent, as well as facilitate compliance by creditors by promoting the use of widely recognized, federally related underwriting standards.” *85 FR 41452* By the CFPB’s own findings, the “The GSEs’ share of the conventional, conforming purchase-mortgage market was large before the ATR/QM Rule, and the Assessment found a small increase in that share since the Rule’s effective date, reaching 71 percent in 2017.” *85 FR 41453* It would be a public disservice to induce a hiccup into the industry that may result in borrowers being unable to obtain affordable mortgages. Therefore, it is necessary that the CFPB allow for a sufficient transition period so that any issues that will arise can be identified and corrected in an orderly fashion.

CUAD recommends the CFPB set the temporary GSE QM expiration date be least 12 months following the effective date of the new general QM definition. This would be beneficial to both the borrowers and the mortgage industry so there are no negative unintended consequences. Even though the CFPB does not intend for the Temporary GSE QM loan definition to expire prior to April 1, 2021, consumers and credit unions will no doubt still be dealing with the ongoing COVID-19 pandemic in terms of the economy, the market, and staffing. Implementing any significant regulatory change when resources and personnel are already strained cannot be ignored. We must ensure that consumers continue to have access to affordable mortgages.

Thank you for this opportunity to share our comments and concerns.

Respectfully,

A handwritten signature in black ink that reads "Jeffrey Olson".

Jeffrey Olson
CEO/President

A handwritten signature in black ink that reads "Amy Kleinschmit".

Amy Kleinschmit
Chief Compliance Officer