

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

December 18, 2013

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

**SR 13-20 / CA 13-23 Interagency Statement on Supervisory Approach for Qualified and Non-
Qualified Mortgage Loans**

Applicability: This guidance applies to all institutions supervised by the Federal Reserve, including those institutions with \$10 billion or less in total consolidated assets.

On Friday, December 13, 2013, the Federal Reserve issued [SR 13-20 / CA 13-23](#), which transmits the attached interagency statement that clarifies safety-and-soundness expectations and Community Reinvestment Act (CRA) considerations for regulated institutions engaged in residential mortgage lending in light of the Consumer Financial Protection Bureau's (Bureau) Ability-to-Repay and Qualified Mortgage Standards Rule (Ability-to-Repay Rule).

The statement is intended to guide institutions as they assess the implementation of the Bureau's Ability-to-Repay Rule, which takes effect January 10, 2014. From a safety-and-soundness perspective, the agencies emphasize that an institution may originate both qualified and non-qualified residential mortgage loans (QM and non-QM, respectively), based on its business strategy and risk appetite. The agencies will not subject a residential mortgage loan to safety-and-soundness criticism solely because of the loan's status as a QM or non-QM loan. Regardless of whether a residential mortgage loan is a QM or non-QM, an institution should address key risk areas in residential mortgage lending, including loan terms, borrower qualification standards, loan-to-value limits, documentation requirements, and portfolio- and risk-management practices.

From a consumer protection perspective, the agencies responsible for conducting CRA evaluations do not anticipate that an institution's decision to originate only QMs, absent other factors, would adversely affect its CRA evaluations. As recently addressed in the [Interagency Statement on Fair Lending Compliance and the Ability-to-Repay and Qualified Mortgage Standards Rule](#), the requirements of the Bureau's Ability-to-Repay Rule and the fair lending laws are similarly compatible.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
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(213) 364-1026 (Safety & Soundness)

Attachment

[Interagency Statement on Supervisory Approach for Qualified and Non-Qualified Mortgage Loans](#)