

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: January 2014 **LETTER NO.:** 14-CU-01
TO: Federally Insured Credit Unions
SUBJ: Supervisory Guidance on Qualified and non-Qualified Mortgages
ENCL: Supervisory Letter — CFPB's Ability-to-Repay and Qualified Mortgage Rule

Dear Board of Directors and Chief Executive Officer:

The enclosed letter to NCUA examiners provides a preview of how credit union mortgage lenders will be expected to comply with the Consumer Financial Protection Bureau (CFPB)'s recently finalized rule on Ability-to-Repay (ATR) and Qualified Mortgages (QMs).

This rule becomes effective January 10, 2014, and applies to all federally insured credit unions.

As with any new requirement in its early stages after becoming effective, NCUA field staff will take into account a credit union's *good-faith efforts* to comply with the new rule.

NCUA field staff will be placing particular emphasis on the safety and soundness implications of mortgage lending under this new paradigm. Whether your credit union originates Qualified or non-Qualified Mortgages, examiners will be evaluating credit risk, liquidity risk, and concentration risk.

I want to emphasize that credit unions may originate both Qualified *and* non-Qualified Mortgages. Non-QM lending can be an effective member service if conducted safely and soundly. NCUA will not subject a mortgage to safety-and-soundness criticism solely because of the loan's status as a QM or non-QM. Credit unions choosing to make non-QMs will need to take into account the potential new market and legal risks.

The enclosed Supervisory Letter also describes specific examination procedures and expectations for credit union mortgage lenders.

NCUA [Regulatory Alert 14-RA-01](#) provides additional information about the new rule and its exemptions.

I encourage you to review both letters and to contact your regional office or state supervisory authority if you have any questions.

Sincerely,

Debbie Matz
Chairman

Enclosure