

CFPB Issues Rule Extending the “GSE Patch”

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On October 20, the Consumer Financial Protection Bureau (CFPB) issued a final rule extending the Government Sponsored Enterprise “GSE Patch”, which was set to expire on January 10, 2021. The GSE Patch is now extended until the earlier of (1) the mandatory compliance date of a final rule amending the General Qualified Mortgage (QM) loan definition in Regulation Z (QM underwriting rule), which the CFPB is expected to issue soon; or (2) a GSE leaving federal conservatorship.

The GSE Patch provided that mortgages that meet Freddie Mac or Fannie Mae requirements (i.e., loans that would be eligible for purchase by either GSE) would be deemed to be QMs, and thus would not have to meet the normal QM qualifications of 12 CFR 1026.43. Under that regulation, the GSE Patch was to expire on the earlier of January 10, 2021, or the date that a GSE leaves federal conservatorship.

In issuing today’s rule, the CFPB stated that it wished to ensure that between January 10, 2021 and finalization of the CFPB’s proposed QM underwriting rule (which will modify the definitional requirements of a QM under 12 CFR 1026.43), borrowers will not be prevented from obtaining, and would not face higher costs for, loans that before January 10 would have been GSE Patch loans. Accordingly, the CFPB issued today’s final rule extending the GSE Patch.

Here is a link to today’s GSE Patch extension rule:

https://files.consumerfinance.gov/f/documents/cfpb_atr-qm-patch-extension-final-rule_2020-10.pdf

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