

II. What are the eight ATR underwriting factors I must consider and verify under the rule? (Comment 1026.43(c)(2)-4)

A reasonable, good-faith ATR evaluation must include eight ATR underwriting factors:

1. Current or reasonably expected income or assets (other than the value of the property that secures the loan) that the consumer will rely on to repay the loan
2. Current employment status (if you rely on employment income when assessing the consumer's ability to repay)
3. Monthly mortgage payment for this loan. You calculate this using the introductory or fully-indexed rate, whichever is higher, and monthly, fully-amortizing payments that are substantially equal (See "What do I include on the debt side of the debt-to-income ratio when determining ATR?" on page 20 for special rules for calculating payments for interest-only, negative-amortization, and balloon loans.)

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4. Monthly payment on any simultaneous loans secured by the same property
5. Monthly payments for property taxes and insurance that you require the consumer to buy, and certain other costs related to the property such as homeowners association fees or ground rent
6. Debts, alimony, and child-support obligations
7. Monthly debt-to-income ratio or residual income, that you calculated using the total of all of the mortgage and non-mortgage obligations listed above, as a ratio of gross monthly income
8. Credit history

Implementation Tip: You may already have underwriting policies, procedures, and internal controls that consider these factors. However, you should check your policies and procedures to ensure that they reflect that you will consider each of the eight factors. It may also be helpful to document how you consider the factors. However, the rule does not require validation of underwriting criteria using mathematical models.

The rule does not preclude you from considering additional factors, but you must consider at least these eight factors.