

**Communication Between Federal Reserve Staff
and Representatives of Bank of America and Wells Fargo
February 7, 2011**

Participants: Kathy Gray, Karen Jackson, Carol Dubie (Wells Fargo)

Maureen Yap (Federal Reserve Board)

Summary: Staff from the Federal Reserve Board received a follow-up communication from Wells Fargo representatives regarding the ability to repay and qualified mortgage provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Wells Fargo representatives specifically proposed recommendations for streamlined refinance program qualifications.

Streamlined Refinance Program –
 WFHM Recommendations to Meet the Dodd-Frank
 Ability to Repay / Basis for Determination Requirements
 in Section 1411.129C(a)(3)

Dodd-Frank 1411.129C(a)(3) – Ability to Repay / Basis for Determination	Summary of WFHM Recommendation for Streamlined Refinance Program Qualifications
Credit History	No more than 1 x 30 in last 12 months.
Current Income	Income is stated; Verbal Verification of Employment (“VVOE”) is required: <ul style="list-style-type: none"> • from employer (for salaried borrowers) • from disinterested third party such as CPA, regulatory agency, contractor, or professional organization, or a copy of a current business license (for self-employed borrowers)
Expected Income	Income must be stable, regular, and reasonably expected to continue for at least the next three years.
Employment Status	Each borrower who was employed at the time of origination of the loan being refinanced must be employed at the time of origination of the new loan.
Other Financial Resources	Assets are stated; assets must be verified if being used to pay down the balance of the first mortgage or pay off/pay down a subordinate mortgage or equity line.
DTI (or Residual Income after non-mortgage debt and mortgage obligations)	If DTI > 50%, underwriter must review to determine borrower’s ability to pay, or refer loan for full documentation. 20% maximum P&I increase, based on payment made most frequently in last 12 months.
Current Obligations	Review credit report for current obligations: debts on the application must be reconciled with the debts on the credit report.