To qualify as a QM under the QM final rule (including under the temporary alternative definition of QM for government-backed loans), the points and fees payable in connection with the loan may not exceed 3% of the total loan amount. As it relates to private mortgage insurance, any premium charges payable *after* closing (e.g., monthly premiums) are excluded from the points and fees calculation. With regard to up-front private mortgage insurance premiums (premium charges payable *at or before* closing), the portion of the premium that is not in excess of the up-front FHA premium at the time of the loan's origination is also excluded from the points and fees calculation, as long as the private mortgage insurance up-front premium is required to be refundable on a pro-rated basis and the refund is automatically issued upon notification of the satisfaction of the underlying mortgage. Any private mortgage insurance up-front premium that is in excess of the current FHA up-front premium is included in the calculation of the limitation on points and fees. The CFPB has clarified that only the portion of the private mortgage insurance up-front premium that exceeds the FHA up-front premium must be included in points and fees.

While the final rule does not explicitly address the treatment of up-front premiums that are financed over the life of the loan, the CFPB's guidance regarding the application of the points and fees calculation to private mortgage insurance appears to suggest that any part of the up-front premium in excess of the FHA premium that is financed into the monthly payments that are paid after the loan closing are excluded from the points and fees calculation.

Unlike with private mortgage insurance, all mortgage insurance premiums or mortgage guarantees charged by FHA, VA, USDA, or the Rural Housing Service are excluded from the calculation of points and fees. This includes both up-front and monthly premiums. We are continuing to evaluate the impact, if any, that the new QM definition may have on the structure, marketability and pricing of our mortgage insurance products.

The Dodd-Frank Act establishes a Financial Stability Oversight Council ("FSOC"), which is authorized to subject non-bank financial companies deemed systemically important financial institutions to more rigorous prudential standards and other requirements and to subject such companies to a special liquidation process outside the federal bankruptcy code, administered by the FDIC (although insurance company subsidiaries would remain subject to liquidation and rehabilitation proceedings under state law). In its 2012 Annual Report, the FSOC recommended that FSOC member agencies, HUD, and Congress develop a long-term housing finance reform framework that supports the central role of private capital and the emphasis on consumer and investor protections in any future housing finance system. It is unclear whether the FSOC will take any additional steps to address housing finance reform.

In addition, the Dodd-Frank Act establishes a Federal Insurance Office within the U.S. Department of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office will perform various functions with respect to insurance, including serving as a non-voting member of the FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. The director is also required to conduct a study on how to modernize and improve the system of insurance regulation in the U.S., including by increased national uniformity through either a federal charter or effective action by the states.

See "Risk Factors—*The Dodd-Frank Act may have a material effect on our mortgage insurance and financial guaranty businesses.*"