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To: Clients and Friends

From: David F. Dulock

Subject: FHA Proposes to Prohibit Post-Payment Interest Charges for Prepayment of Loans under the FHA Single Family Mortgage Insurance Program

In the March 13, 2014, *Federal Register* (79 FR 14200), the Federal Housing Administration (FHA) published a proposed rule ([click here](#)) to revise FHA's regulations to prohibit an FHA approved mortgagee from charging the mortgagor interest through the end of the month in which the mortgage is being prepaid, allowing them instead to charge interest only through the date the mortgage is prepaid. This proposed change to FHA prepayment regulations is in response to the Ability-to-Repay and Qualified Mortgage regulations (ATR/QM Rule) issued by the Consumer Financial Protection Bureau (CFPB), which became effective January 10, 2014. The ATR/QM Rule defines "prepayment penalty" in closed-end transactions as "a charge imposed for paying all or part of the transaction's principal before the date on which the principal is due." The ATR/QM Rule specifically excludes a post-payment interest charge currently allowed by FHA regulations as a prepayment penalty for FHA loans consummated before January 21, 2015. However, for FHA loans closed on or after January 21, 2015, a post-payment interest charge will be considered a prepayment penalty by the ATR/QM Rule, thus making it necessary for FHA to amend its regulations.

Those wishing to comment on the proposed rule must submit comments by:

1. *Submission of Comments by Mail.* Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500; or
2. *Electronic Submission of Comments.* Interested persons may submit comments electronically through the Federal eRulemaking Portal at www.regulations.gov.

Comments on the proposed rule must be submitted through one of the two methods specified above on or before May 12, 2014, and must refer to the proposed rule's docket number and title: FR 5360-P-01; Federal Housing Administration (FHA): Handling Prepayments: Eliminating Post-Payment Interest Charges.

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