Mortgage rules aim to halt risky loans

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New mortgage-lending rules took hold Friday that federal regulators say will guard against the risky lending practices that contributed to the collapse in U.S. home prices. Here's a look at the rules, what they do and why they matter.

Q: What are the new rules, and where did they come from?

A: There are several terms to know. The first is the "ability-to-repay" rule.

It was required by the 2010 Dodd-Frank financial overhaul legislation as a response to the financial crisis. The rule was crafted by the Consumer Financial Protection Bureau, which will oversee its enforcement.

Q: What does it do?

A: It requires mortgage lenders to make sure borrowers can actually afford their loans, over the long term, by weighing their income, assets, savings and debt against their monthly house payments.

Q: What else is new?

A: Another term you need to learn is "qualified mortgage" or QM. A QM meets new guidelines, and borrowers who get them are presumed to meet the ability-to-repay requirements. If lenders make QM loans, they have more protections against future lawsuits should the loans later go sour.