

**CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT
EQUAL CREDIT OPPORTUNITY ACT APPRAISAL PROPOSAL
(REGULATION B) 12 CFR 1002.14
(OMB CONTROL NUMBER: 3170-0013)**

The Bureau of Consumer Financial Protection (CFPB or the Bureau) is providing a supporting statement for proposed changes to Regulation B. This statement addresses the information collection requirements in Regulation B that are affected by the CFPB's proposed change as described below. The title of this information collection is ECOA Appraisal Proposal.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

In response to the recent mortgage crisis, Congress amended the Equal Credit Opportunity Act (ECOA) to require creditors to automatically provide mortgage applicants with a copy of appraisal reports and valuations prepared in connection with an application for a loan to be secured by a first lien on a dwelling. This change was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 111-203, 124 Stat. 1376, §1474 (2010).

The CFPB is the agency responsible for rulemaking under ECOA (except with respect to persons excluded from the Bureau's rulemaking authority by section 1029 of the Dodd-Frank Act). Regulation B is the implementing regulation for ECOA. 12 CFR Part 1002. The CFPB is proposing to amend Regulation B and its Official Interpretations to implement the new statutory requirement regarding appraisals and valuations.

The proposed rule requires creditors to provide certain appraisals and other valuations to applicants. Under the proposed rule, copies of all appraisals and other valuations conducted in connection with an application for a loan to be secured by a first lien must be furnished to applicants free of charge. Copies of these materials must be furnished promptly (generally within 30 days of receipt by the creditor), but not later than three business days prior to consummation of the transaction, whichever is first to occur. Copies of these materials may be provided in electronic form, subject to compliance with the consumer consent and other applicable provisions of the E-Sign Act, 15 U.S.C. §§ 7001 *et seq.* Currently, ECOA requires that copies be provided only upon request. The proposed rule would ensure that consumers receive information prior to closing about how the property's value was determined.

2. Use of the Information

This information collection is required by statute. As discussed above, creditors will furnish copies of appraisals and other valuations to applicants for credit to be secured by a first lien on a dwelling. Disclosures are not submitted to the federal government.

The information collection requirements in the proposed rule would be the provision of certain appraisals and other valuations to applicants. Under the proposed rule, copies of all appraisals and other valuations conducted in connection with an application for a loan to be secured by a first lien must be furnished to applicants free of charge. These copies may be delivered by creditors to consumers physically or electronically.

3. Use of Information Technology

To reduce burden, the disclosure described above may be submitted to consumers electronically subject to compliance with the consumer consent and other applicable provisions of the E-Sign Act, 15 U.S.C. §§ 7001 *et seq.* Additionally, most disclosures are computer generated. The CFPB expects that creditors will be able transmit the required copies to the loan applicant either electronically or in hard copy.

4. Efforts to Identify Duplication

This information collection does duplicate, in part, two other Federal efforts. Specifically, the information collection requirement duplicates in part the Truth in Lending Act requirement to provide free copies of written appraisals for higher-risk mortgages. 15 U.S.C. 1639h. In addition, the requirement also duplicates in part the National Credit Union Administration's regulation requiring national credit unions to provide copies of appraisal reports to loan applicants upon request. 12 CFR 701.31(c)(5). However, where duplicative requirements apply, a creditor need only provide an applicant one copy of each written appraisal to comply with all three requirements.

5. Efforts to Minimize Burdens on Small Entities

As noted in the CFPB's proposed rule, currently, ECOA requires that copies be provided upon request. The Bureau believes, based on its outreach, that currently it is routine business practice for appraisals to be sent to consumers for all first lien transactions that result in an origination and that copies of written appraisals and valuations conducted for applications that do not result in a loan could be forwarded on to consumers by electronic means in many cases. This should minimize burden by reducing the time and resources necessary to compile and distribute the copies of written appraisals and valuations. The ongoing burden is at a per application level.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

This information is not submitted to the federal government. These disclosures are

required by statute, 15 U.S.C. 1691(e). The burdens on respondents are the minimum necessary to comply with the statute, and to assist borrowers in obtaining information about how the property's value was determined by the creditor.

7. Circumstances Requiring Special Information Collection

Information is not reported to the CFPB. The proposed collection of information in Regulation B is consistent with the applicable guidelines contained in 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

The CFPB published a notice of proposed rulemaking in the *Federal Register* for public comment. The comment period for the Paperwork Reduction Act analysis will expire on October 22, 2012. Prior to issuing the proposed rule, the CFPB consulted with other Federal agencies consistent with section 1022 of the Dodd-Frank Act.

9. Payments or Gifts to Respondents

No payments or gifts are provided to respondents.

10. Assurances of Confidentiality

There are no assurances of confidentiality provided to respondents.

11. Justification for Sensitive Questions

This information collection does not include questions of a sensitive nature.

12. Estimated Burden of Information Collection

The total estimated burden for the roughly 14,000 creditors that originate mortgages and therefore are subject to the proposed rule would be approximately 173,000 hours of ongoing burden annually and 20,000 hours in one-time burden. Since creditors already provide consumers copies of appraisals if a loan closes, the Bureau assumes that there are no required software or information technology upgrades associated with implementing the rule, because all of the actions required by the rule are already practiced by the affected institutions. Similarly, the Bureau assumes that the creditor only incurs additional materials costs for applications that do not result in an origination, and estimates this material cost to be \$4,644,500 for all affected creditors.¹ The Bureau expects that the amount of time required to implement each of the

¹ Based on its outreach and research, the Bureau assumes that the average appraisal is 20 pages long and that printing a copy of an appraisal costs \$0.10 per page. The Bureau assumes that 84% of appraisals are sent via e-mail, 15.75% of appraisals are sent via the United States Postal Service, and 0.25% of appraisals are sent via courier. Mailing an appraisal is assumed to cost \$2.12 based on the cost of first class mail for a 3.7oz letter (20 pages of 20 lb paper weighs 3.2oz with a 0.5oz allowance for an envelope), sending an appraisal via a courier is assumed to cost \$17 (\$15 for courier fees and \$2 for replication costs) in material costs, and sending a copy via e-mail is assumed to cost \$0.05 of material cost.

proposed changes for a given institution may vary based on the size, complexity, and practices of the respondent.

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

The total annualized on-going burden for the depository institutions and credit unions with more than \$10 billion in assets (including their depository affiliates) that originate mortgage loans is estimated to be roughly 74,500 hours and the annualized ongoing burden for all non-depository institutions that originate mortgage loans is estimated to be 47,800 hours. These respondents are estimated to incur an additional 5,800 hours and 4,600 hours in one-time burden, respectively. For purposes of the PRA analysis under this proposed rule, the Bureau would assume roughly 23,900 on-going burden hours and 2,300 one-time hours for the non-depository institutions.² The associated material costs are assumed to be \$3,360,700 for depository institutions and credit unions with more than \$10 billion in assets and \$1,283,700 for non-depository creditors. For purposes of PRA the Bureau would assume \$641,900 of the material costs for non-depository institutions.

14. Estimated Cost to the Federal Government

As the CFPB does not collect any information, the cost to the CFPB is negligible.

15. Program Changes or Adjustments

The CFPB's proposal would implement in Regulation B the information collection requirements described above. The CFPB's proposal makes no changes to the other information collections in Regulation B since the last OMB approval.

16. Plans for Tabulation, Statistical Analysis, and Publication

The results of the information collection will not be published.

17. Display of Expiration Date

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading consumers to believe that the regulation sunsets as of the expiration date. Consumers are not likely to be aware that the CFPB intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

18. Exceptions to the Certification Requirement

None.

² There may be a small additional burden for privately insured credit unions estimated to originate mortgages. The Bureau will assume half of the burden these institutions.