

Supporting Statement A
Appraisals for Higher-Priced Mortgage Loans – Supplemental Proposal
OMB Control No. 1557-0313

A. Justification.

1. Circumstances that make the collection necessary:

This information collection relates to a notice of proposed rulemaking issued by the Agencies pursuant to Dodd-Frank.

The Supplemental Proposal relates to a final rule issued by the OCC, Board, Bureau, FDIC, and NCUA (the Agencies) on January 18, 2013 (2013 Interagency Appraisals Final Rule), which goes into effect on January 18, 2014. See 78 FR 10368 (Feb. 13, 2013).

Section 1471 of the Dodd-Frank Act created new Truth in Lending Act (TILA) section 129H, which establishes special appraisal requirements for “higher-risk mortgages.” For certain mortgages with an annual percentage rate that exceeds the average prime offer rate by a specified percentage, the 2013 Interagency Appraisals Final Rule requires creditors to obtain an appraisal or appraisals meeting certain specified standards, provide applicants with a notification regarding the use of the appraisals, and give applicants a copy of the written appraisals used.

The Agencies are proposing amendments to the 2013 Interagency Appraisals Final Rule implementing these requirements, specifically, exemptions from the rules for:

- A. *Transactions Secured Solely by an Existing Manufactured Home and Not Land*
- B. *Certain “streamlined” Refinancings*
- C. *Extensions of Credit of \$25,000 or Less*

2. Use of the information:

The collection of information requirements in the 2013 Interagency Appraisals Final Rule are found in paragraphs (c)(1), (c)(2),(d), (e) and (f) of 12 CFR 34.203. This information is needed to protect consumers and promotes the safety and soundness of creditors making higher-risk mortgage loans. This information will be used by creditors to evaluate real estate collateral in higher-risk mortgage loan transactions and by consumers entering these transactions. The collections of information are mandatory for creditors making higher-risk mortgage loans. While this rule imposes requirements on creditors, because of statutory exemptions and the exemptions from the requirements included in the final rule, staff at the agencies believe that the majority of loans will not be subject to these requirements.

3. Consideration of the use of improved information technology:

Respondents may use any type of improved information technology they have available to meet the requirements of this regulation.

4. Efforts to identify duplication:

This information is not available elsewhere.

5. Methods used to minimize burden if the collection has a significant impact on substantial number of small entities:

This collection does not have a significant impact on a substantial number of small entities.

6. Consequences to the Federal program if the collection were conducted less frequently:

Less frequent collection would result in safety and soundness concerns.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

This collection is conducted in accordance with the guidelines in 5 CFR 1320.6.

8. Efforts to consult with persons outside the agency:

On August 8, 2013, the Agencies issued a notice of proposed rulemaking (78 FR 48548) for comment.

9. Payment to respondents.

There is no payment to respondents.

10. Any assurance of confidentiality:

There is no assurance of confidentiality.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Estimate of Hour Burden Including Annualized Hourly Costs:

HPML –Exemptions in Supplemental Proposal	No. of Respondents	Hours Per Response	Frequenc y Of Response	Total Burden Hours
One-Time Review of Instructions and Legal Guidance; Training (Record Keeping)	1,399	1	14 Hours	19,586
Review and Provide a Copy of a Full Interior Appraisal	1,399	.16	.25 Hours	56
Investigate and Verify Requirement for Second Appraisal	1,399	.85	.25 Hours	297
Conduct and Provide Second Appraisal	1,399	.02	.25 Hours	7
TOTAL				19,946

Calculation of Estimated Burden

In the 2013 Interagency Appraisals Final Rule, under the initial appraisal process for higher-risk mortgage loans,¹ the creditor would be required to provide a short, written disclosure within three days of application. Because the disclosure may be classified as a warning label supplied by the Federal government, the Agencies are assigning it no burden for purposes of this PRA analysis.²

In addition, the Agencies contemplate that once the TILA-RESPA integrated disclosure forms are finalized, the initial appraisal-related disclosure will be given as part of those forms. As such, this disclosure should not impose additional costs on creditors.

The estimated burden for the Written Appraisal requirements includes the creditor’s burden of reviewing the Written Appraisal in order to satisfy the safe harbor criteria set forth in the rule and providing a copy of the Written Appraisal to the consumer. Additionally, an Additional Written Appraisal containing additional analyses is required in certain circumstances. The Additional Written Appraisal must meet the standards of the Written Appraisal. The Additional Written Appraisal is also required to be prepared by a certified or licensed appraiser different from the appraiser performing the Written Appraisal, and a copy of the Additional Written Appraisal must be provided to the

¹ The current appraisal process for all federally related transactions originated by national banks or Federal savings associations is codified in 12 CFR 34 and 12 CFR 164, respectively and has been approved under OMB control number 1557-0190.

² The public disclosure of information originally supplied by the Federal government to the recipient for the purpose of disclosure to the public is not included within the definition of “collection of information.” 5 CFR 1320.3(c)(2).

consumer. The creditor must separately review the Additional Written Appraisal in order to qualify for the safe harbor provided in the 2013 Interagency Appraisals Final Rule.

The Agencies continue to estimate that respondents will take, on average, 15 minutes for each HPML to review the Written Appraisal and to provide a copy of the Written Appraisal. The Agencies continue to estimate that respondents will take, on average, 15 minutes for each HPML to investigate and verify the need for an Additional Written Appraisal and, where necessary, an additional 15 minutes to review the Additional Written Appraisal and to provide a copy of the Additional Written Appraisal. For the small fraction of loans requiring an Additional Written Appraisal, the burden is similar to that of the Written Appraisal.

The estimated number of appraisals per respondent for the OCC respondents has been updated to account for the exemption for qualified mortgages adopted in the 2013 Final Rule, which had not been accounted for in the table published at that time, as discussed in the PRA section of the 2013 Interagency Appraisals Final Rule. See 78 FR 10368, 10430-31 (February 13, 2013).

In addition, the impact of the proposed rule has been considered as follows:

First, the Agencies find that, currently, only a small minority of refinances involves cash out beyond the levels eligible for this proposed exemption, and as a result most refinance loans may qualify for this exemption. The Agencies, therefore, assume that the proposed exemption for certain refinances affects all the refinance loans discussed in 2013 Final Rule, and thus would eliminate all of the approximately 1,200 new appraisals that had been estimated to result from these refinances as a result of the Interagency Appraisal Final Rule.

Second, based on the HMDA 2011 data, the Agencies find that 12 percent of all HPMLs are under \$25,000. The Agencies believe that there will be 12 percent fewer appraisals based on the exemption for small dollar loans.

Third, the Agencies find that many of the transactions secured by existing manufactured homes and not land involve either refinances (all of which are conservatively assumed to be covered by the proposed exemption for certain refinances), or smaller dollar loans (which cover many types of manufactured housing transactions). While covered HPMLs above smaller dollar levels that are secured by existing manufactured homes and not land may be newly-exempted, these transactions may need alternative valuations depending upon how the exemption is finalized.

13. Estimate of annualized costs to respondents:

None.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

The decrease from 44,768 hours to 19,946 is due to the exemptions provided by the Supplemental Proposal.

16. Information regarding collections whose results are planned to be published for statistical use:

The OCC has no plans to publish the information for statistical use.

17. Display of expiration date.

Not applicable.

18. Exceptions to certification statement.

None.

B. Collections of Information Employing Statistical Methods.

Not applicable.