

**NATIONAL CREDIT UNION ADMINISTRATION**  
**INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT**  
**APPRAISALS FOR HIGHER-PRICED MORTGAGE LOANS**  
**12 CFR 722.3**  
**OMB Number 3133-0186**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

In response to the recent mortgage crisis, Congress amended the Truth in Lending Act (TILA) to require creditors originating mortgages with an annual percentage rate that exceeds the average prime offer rate by a specified percentage (higher-priced mortgage loans or HPMLs)<sup>1</sup> to obtain an appraisal or appraisals meeting certain specified standards, provide applicants with a notification regarding the use of appraisals, and give applicants a copy of written appraisals used. These changes were enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 111-203, § 1471, 124 Stat. 1376, 2185 (2010). Section 1471 of the Dodd-Frank Act adds a new section to TILA, section 129H, addressing appraisal requirements for HPMLs.

Responsibility for rulemaking under TILA generally rests with the Bureau of Consumer Financial Protection (CFPB). However, section 129H requires six agencies to jointly prescribe implementing regulations regarding appraisals for HPMLs: NCUA, the Board of Governors of the Federal Reserve System, the Office the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, and the CFPB (Agencies). Pursuant to section 129H, the proposed rule was jointly developed and issued by the Agencies. In addition to amending other portions of the Code of Federal Regulations, the proposal would amend the CFPB's Regulation Z and its Official Interpretations, and NCUA's Appraisal Rule. 12 CFR Part 1026; 12 CFR §722.3(f).

The information collections under the proposed rule include (1) providing a disclosure within three days of application that informs the consumer regarding the purpose of the appraisal, that the creditor will provide the consumer a copy of any appraisal, and that the consumer may choose to have a separate appraisal conducted at the expense of the consumer (Initial Appraisal Disclosure); (2) requiring creditors to obtain a written appraisal meeting certain standards for HPMLs and provide a free copy of the appraisal to consumers (Written Appraisal); and (3) requiring an additional written appraisal for properties resold within the 180 days (at a higher price meeting certain thresholds) and providing free copies of these appraisals to consumers (Additional Written Appraisal). The information collections are required by statute, are necessary to protect consumers, and promote the safety and soundness of creditors making higher-risk mortgage loans.

---

<sup>1</sup> The statute uses the term “higher-risk mortgage,” but the agencies decided to use the term “higher-priced mortgage loans” in the regulation instead of the statutory term to avoid confusion.

## **2. Purpose and Use of the Information Collection**

The purpose of this information collection is to ensure that properties used to secure HPMLs receive additional scrutiny and that the public is made aware of this fact and their rights under the law.

Creditors are required to obtain a Written Appraisal that meets certain standards for HPMLs under section 129H. Creditors are also required to obtain an Additional Written Appraisal, at no cost to the borrower, when the HPML is secured by property that has been sold within the last 180 days. NCUA anticipates that creditors will use these appraisals to determine the value of the collateral for HPMLs and that these appraisals will assist in preventing potential mortgage fraud by sellers, borrowers and other participants in a residential real estate transaction. Creditors will be required to provide an Initial Appraisal Disclosure and copies of written appraisals obtained by the creditor for HPMLs to consumers. NCUA anticipates that this information will assist consumers in understanding valuations for property securing HPMLs. The Initial Appraisal Disclosure, Written Appraisal and Additional Written Appraisal are not submitted to the federal government.

## **3. Consideration Given to Information Technology**

The Initial Appraisal Disclosure and copies of written appraisals may be provided to applicants in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act), 15 U.S.C. 7001 *et seq.* Additionally, most disclosures are computer generated. NCUA expects that creditors will be able transmit the required copies to applicants either electronically or in hard copy.

## **4. Duplication**

This information collection does duplicate, in part, two other Federal efforts. Specifically, the information collection requirement duplicates in part the Equal Credit Opportunity Act (ECOA) requirement to provide free copies of written appraisals to applicants. 15 U.S.C. §1691(e). In addition, the requirement also duplicates in part the NCUA's Nondiscrimination Requirements regulation requiring federal credit unions to, upon request, provide a copy of the appraisal used in connection with that member's application for a loan to be secured by a subordinate lien on a dwelling. 12 CFR §701.31(c)(5). However, where duplicative requirements apply, a lender need only provide an applicant one copy of each written appraisal to comply with all three requirements.

## **5. Effect on Small Entities**

Of the estimated 6,000 federally insured credit unions, approximately 2,400 originate

HPMLs. ECOA requires creditors to provide copies of appraisals it obtains to applicants for first-lien mortgage loans. 12 CFR §1002.14. NCUA's rule, 12 CFR §701.31(c)(5), requires federal credit unions to, upon request, provide a copy of the appraisal used in connection with that member's application for a loan to be secured by a subordinate lien on a dwelling. In addition, NCUA believes that it is routine business practice for federally insured credit unions to send appraisals to consumers for all first lien transactions that result in an origination. The only new requirements are those associated with the requirement to obtain and share the Additional Written Appraisal.

## **6. Consequences of Not Collecting Information**

This information is not submitted to the federal government. These disclosures are required by statute, 15 U.S.C. 1639h. The burdens on respondents are the minimum necessary to comply with the statute, to assist consumers in obtaining information about how the property's value was determined by the creditor, and to promote safe and sound lending with respect to HPMLs.

## **7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

Information is not reported to the NCUA. There are no special circumstances. The collection of information requirements in the proposed changes to Regulation Z are consistent with the applicable guidelines contained in 5 CFR §1320.6.

## **8. Consultation Outside the Agency**

The Agencies published a notice of proposed rulemaking in the *Federal Register* for public comment on September 5, 2012 (77 FR 54722). The Agencies issued the proposal jointly and consulted extensively prior to publishing the proposal. The Agencies received one comment from a bank in response to the PRA solicitation in the initial proposal. The commenter asserted that the Agencies' burden estimate was understated. However, the commenter provided no alternative estimates. The agencies conferred and agreed that, while the amount of time required for individual institutions to comply with the requirements may vary, the estimates represent a reasonable estimate of the average. NCUA did not receive any comments related to our regulated institutions.

The final rule was published on February 13, 2013 (78 FR 10368).

Revisions to the program were proposed on August 8, 2013 (79 FR 48548). This rule proposed to limit the scope of loans that were covered by the additional requirements. The rule was finalized on December 26, 2013 (78 FR 78520). The rule exempted extensions of credit less than \$25,000, qualifying refinancings, and certain loans secured by mobile homes from the additional appraisal requirements. These changes significantly reduced the burden associated with this program. No comments were received on the paperwork provisions of the revised rule.

## 9. Payment or Gift

No payments or gifts are provided to respondents.

## 10. Confidentiality

There are no assurances of confidentiality provided to respondents.

## 11. Sensitive Questions

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

## 12. Burden of Information Collection

Approximately 2,400 federally insured credit unions are expected to issue HPMLs.

There is a paperwork burden associated with three specific provisions of the rule.

- First, the agencies estimate that appraisals associated with HPMLs will require 15 minutes to review and provide a copy to the borrower. The table below only accounts for the marginal burden of this provision, as borrowers are already entitled to a copy of any appraisal.
- Second, the agencies estimate that financial institutions will need 15 minutes to review HPMLs to verify whether an Additional Written Appraisal is required.
- Third, for the few HPMLs that actually require an Additional Written Appraisal, financial institutions will require an additional 15 minutes to review and copy the document for the borrower.

Information Collection Activity	Number of Respondents	Frequency of Response (Annual (1), Quarterly (4), etc.)	Number of Responses	Burden Hours per Response	Annual Hourly Burden
1. Review and Provide Copy of Written Appraisal to Borrower	2,400	0.07	168	0.25 Hours	42 Hours
2. Investigate and Verify Requirement for Additional Written Approval	2,400	0.38	912	0.25 Hours	228 Hours
3. Review and Provide Copy of Additional Written Appraisal to Borrower	2,400	.01	24	0.25 Hours	6 Hours
<b>Total (Sum)</b>	<b>2,400</b>		<b>1,104</b>		<b>276 Hours</b>

At an hourly cost of \$35 (the approximate average fully loaded credit union wage rate), the cost of these three requirements is estimated at \$9,660 per year.

There is also a one-time start-up cost associated with the rule. This cost is the result of the time required to review the regulatory requirements and provide training to loan officers on implementing these provisions. NCUA estimates this burden at 7,200 hours (\$252,000), or 2,400 hours per year for the first three years. [Note: these costs will have occurred in 2014 and are included primarily for informational purposes].

### **13. Capital start-up costs and operation and maintenance costs**

Affected creditors also must incur material costs in distributing copies of appraisals, which are estimated to be approximately \$140 across all affected credit unions.<sup>2</sup> However, copies of appraisals are already provided to borrowers under the Equal Credit Opportunity Act, so these costs are not accounted for in this ICR.

In addition, the Additional Written Appraisal is itself an informational burden imposed by the regulation. The average cost of a real estate appraisal is \$300 to \$400 dollars. Because of the additional requirements and complexity of the Additional Written Appraisal, we conservatively estimate its cost to be at the upper end of that range. As a result, the rule imposes an additional cost of \$9,600 associated with the small number of HPMLs triggering this requirement.

Since creditors already order appraisals, provide consumers copies of appraisals if a loan closes, and calculate and compare annual percentage rates to average prime offer rates as a regular course of business, the Agencies assume 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.

### **14. Cost to the Federal Government**

As the NCUA does not collect any information, there are no costs to the Federal Government.

### **15. Changes in Burden**

This is a new program required by statute.

NCUA submitted this collection for approval at the time of the original proposal. At that time, NCUA estimated an annual recurring burden of 7495 hours. The supplemental rule exempted a significant number of the loans that would have been covered under the initial rule. As a result, the estimated annual burden has fallen to 276 hours.

---

<sup>2</sup> It is assumed that the average appraisal is 20 pages long and that printing a copy of an appraisal costs \$0.10 per page. Further, it is assumed 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. This corresponds to a \$0.73 expected material cost per appraisal.

The one time start up burden remained the same under both the initial rule and the supplemental rule.

**16. Information Collection Planned for Statistical Purposes**

The results of the information collection will not be published.

**17. Approval to Omit Expiration Date**

There are no traditional collection instruments associated with this collection of information, e.g. forms. The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at [www.reginfo.gov](http://www.reginfo.gov).

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

None.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.