SUPPORTING STATEMENT
Appraisals for Higher-Price Mortgage Loans
(OMB Control No. 3064-0188)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting a three-year extension without revision of the information collection entitled "Appraisals for Higher Priced Mortgages" (OMB Control Number 3064-0188), The collection of information was the result of amendments made to Regulation Z mandated by provisions added to the Truth-in-Lending Act by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The current clearance for the collection expires on September 30, 2019. There is no change in the method or substance of the collection.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Section 1471 of the Dodd-Frank Act established a new Truth in Lending (TILA) section 129H, which contains appraisal requirements applicable to *higher-risk mortgages* and prohibits a creditor from extending credit in the form of a higher-risk mortgage loan to any consumer without meeting those requirements. A *Higher-risk mortgage* is defined as a residential mortgage loan secured by a principal dwelling with an annual percentage rate (APR) that exceeds the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by certain enumerated percentage point spreads. The Bureau of Consumer Financial Protection's rule, codified at 12 CFR §1026, allows a creditor to make a higher-risk mortgage loan only if the following conditions are met:

- The creditor obtains a written appraisal;
- The appraisal is performed by a certified or licensed appraiser;
- The appraiser conducts a physical property visit of the interior of the property;
- At application, the applicant is provided with a statement regarding the purpose of the appraisal, that the creditor will provide the applicant a copy of any written appraisal, and that the applicant may choose to have a separate appraisal conducted at the expense of the applicant; and
- The creditor provides the consumer with a free copy of any written appraisals obtained for the transaction at least three business days before closing.

In addition, the rule requires a higher-risk mortgage loan creditor to obtain an additional written appraisal, from a different licensed or certified appraiser, at no cost to the borrower, under the following circumstances:

- The higher-risk mortgage loan will finance the acquisition of the consumer's principal dwelling;

- The seller who is selling what will become the consumer's principal dwelling acquired the home within 180 days prior to the consumer's purchase agreement (measured from the date of the consumer's purchase agreement); and
- The consumer is acquiring the home for a higher price than the seller paid.

The additional written appraisal generally must include the following information:

- An analysis of the difference in sale prices (i.e., the sale price paid by the seller and the acquisition price of the property as set forth in the consumer's purchase agreement);
- Changes in market conditions; and
- Any improvements made to the property between the date of the previous sale and the current sale.

The information collection requirements are needed to protect consumers and promote the safety and soundness of creditors making higher-risk mortgage loans. This information is 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.

2. Use of the information:

The 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.

The rule requires that, within three days of application, a creditor provide a disclosure that informs consumers 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).[1] If a loan meets the definition of a higher-risk mortgage loan, then the creditor would be required to obtain a written appraisal prepared by a certified or licensed appraiser who conducts a physical visit of the interior of the property that will secure the transaction, and send a copy of the written appraisal to the consumer (Written Appraisal).[2] To qualify for the safe harbor provided under the rule, a creditor is required to review the written appraisal as specified in the text of the rule and appendix A.[3] If a loan is classified as a higher-risk mortgage loan that will finance the acquisition of the

1 12 CFR 34.203(c).
2 See 12 CFR 34.203(b)(1) and (d).
3 See 12 CFR 34.203(b)(2).

property to be mortgaged, and the property was acquired within the previous 180 days by the seller at a price that was lower than the current sale price, then the creditor is required to obtain an additional appraisal that meets the requirements described above (Additional Written Appraisal).[4]

3. Consideration of the use of improved information technology:

Institutions are free to use whatever methods are the least burdensome to them for recording and retaining the necessary information for FDIC review.

4. Efforts to identify duplication:

Similar information is not available from any other single source.

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

The information required is the minimum necessary for the FDIC to determine the effect of these higher risk mortgages relating to the safety and soundness of the bank.

In 2017, the most recent year for which HMDA data are available, 1,880 FDIC-supervised institutions reported HMDA data and of those 1,300 reported having issued at least one "higher-priced" mortgage loan. Accordingly, the estimated number of respondents for this information collection is 1,300. Of the 1,300 FDIC-supervised institutions that would likely respond to this information collection, 760 meet the Small Business Administration's definition of a "small entity."

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

The information is needed to protect consumers and promotes the safety and soundness of creditors making higher-risk mortgage loans. Less frequent collection would violate a statutory requirement.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On July 16, 2019 (84 FR 33943), the FDIC solicited public comment for a 60-day period on the renewal of the collection of information entitled ''Appraisals for

4 See 12 CFR 34.203(b)(3).

Higher-Priced Mortgage Loans'' (OMB No. 3064–0188). No comments were received.

9. Payments or gifts to respondents:

None.

10. Any assurance of confidentiality:

Information collected will be kept private to the extent allowed by law.

11. Justification for questions of a sensitive nature:

None.

12. Estimate of hour burden including annualized hourly costs:

Estimated Annual Burden

Summary of Annual Burden							
Information Collection (IC) Description	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response (hours)	Frequency of Response	Total Annual Estimated Burden (hours)
Review and Provide Copy of Full Interior Appraisal	Third-Party Disclosure	Mandatory	1,300	13	0.14	On Occasion	2,366
Investigate and Verify Requirement for Second Appraisal	Record Keeping	Mandatory	1,300	8	0.14	On Occasion	1,456
Conduct and Provide Second Appraisal	Third-Party Disclosure	Mandatory	1,300	1	0.14	On Occasion	182
TOTAL HOURLY BURDEN							**4,004**

Annualized Cost of Estimated Hourly Burden:

FDIC estimates that 90 percent of the work related to responding to this information collection will be performed by Office and Administrative Support staff and10 percent will be performed by a Compliance Officer. A reasonable estimate of the average hourly compliance cost for respondents is $35.04.[5]

5 The estimate includes the May 2017 75th percentile hourly wage rate for Compliance Officers ($40.55), and Office and Administrative Support Occupations ($20.41) reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment, and Wage Estimates. These wage rates have been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2017 and December 2018 (3.59 percent) and grossed up by 51 percent to account for non-monetary compensation as reported by the December 2018 Employer Costs for Employee Compensation Data. The calculation assumes that Compliance Officers would conduct 10 percent of the hourly burden associated with this collection, while Office and Administrative Support staff would conduct 90 percent. The hourly cost estimate is calculated as (.90*$31.89 + .10*$63.36 = $35.04).

4,004 hours x $35.04 per hour = $140,300.16

13. Estimate of start-up costs to respondents:

None.

14. Estimate of annualized costs to the government:

None

15. Analysis of change in burden:

There is no change in the method or the substance of this information collection. The decrease in burden is a result of economic fluctuation. In particular, the number of respondents has decreased while the hours per response have remained the same.

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

No publication will be made of this information.

17. Display of expiration date:

Not applicable.

18. Exceptions to Certification

None.

B. Collection of Information Employing Statistical Methods

Not Applicable.