

National Credit Union Administration  
**SUPPORTING STATEMENT**

Appraisal for Higher-Priced Mortgage Loans  
12 CFR 722.3  
**OMB Number 3133-0186**

**A. JUSTIFICATION**

**1. Circumstances that make the collection of information necessary.**

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 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 this 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.

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<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 collected.**

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. The information will assist consumers in understanding valuations for property securing HPMLs.

**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 of information.**

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. Efforts to reduce burden on small entities.**

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

**6. Consequences of not conducting the collection of 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).**

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

**8. Efforts to consult with persons outside the agency.**

A 60-day notice was published in the *Federal Register* on October 15, 2020, at 85 FR 65435, soliciting comments from the public. No public comments were received in response to this notice.

**9. Payment or gifts to respondents.**

No payments or gifts are provided to respondents.

**10. Assurance of confidentiality.**

There are no assurances of confidentiality provided to respondents.

**11. Question of a sensitive nature.**

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

**12. Burden of information collection.**

An estimated 2,050 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 require an Additional Written Appraisal, financial institutions will require an additional 15 minutes to review and copy the document for the borrower.

Information Collection	No.	Frequency	No. Annual	Burden	Total
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		Respondents		Responses	hours per Response	Burden
1	Review and Provide Copy of Written Appraisal to Borrower	2,050	0.07	143.5	0.25	35.875
2	Investigate and Verify Requirement for Additional Written Approval	2,050	0.38	779	0.25	194.75
3	Review and Provide Copy of Additional Written Appraisal to Borrower	2,050	0.01	20.5	0.25	5.125
<b>TOTAL</b>		<b>2,050</b>	<b>0.46</b>	<b>943</b>	<b>0.25</b>	<b>235.75</b>

Based on the labor rate of \$35 per hour, the total cost to respondents is \$8,251.25

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

There are no capital start-up or maintenance costs.

**14. Annualized cost to the Federal government.**

There are no costs to the Federal Government.

**15. Changes in burden.**

An adjustment has been made to update the number of respondents (FICUs). The decrease of 40 burden hours is due to this adjustment.

**16. Information collection planned for statistical purposes.**

The results of the information collection will not be published.

**17. Request non-display the expiration date of the OMB control number.**

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

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

There are no exceptions to the certification statement.

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

This collection does not involve statistical methods.