Supporting Statement for
Real Estate Lending and Appraisals
OMB Control No. 1557-0190

A. Justification.

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), Consumer Financial Protection Bureau (CFPB), and the National Credit Union Administration (NCUA) (agencies) are issuing final guidance[1] on reconsiderations of value (ROV)[2] of residential real estate valuations. Collateral valuations, including appraisals, are important to the integrity of the residential real estate lending process. Collateral valuations may be deficient if they contain inaccuracies due to errors, omissions, or discrimination that affect the value conclusion and can result in either overvaluing or undervaluing real estate collateral.

The guidance highlights the risks associated with deficient residential real estate valuations and describes how financial institutions may incorporate ROV processes and controls into established risk management functions. The guidance also provides examples of ROV policies, procedures, and control systems that institutions may choose to implement that identify, address, and mitigate the risk of deficient valuations. The agencies are revising their real estate appraisals and evaluations information collections to account for these new policies, procedures, and control systems.

1. Circumstances that make the collection necessary:

This information collection encompasses a number of OCC regulations and guidance concerning real estate lending and appraisal requirements, including those related to automated valuation models (AVMs), Adjustable-Rate Mortgages (ARMs), Other Real Estate Owned (OREO), and Federally-related residential manufactured housing loans. A description of each information collection (IC) is provided below.

Twelve CFR 7.1024(d) requires that, after holding any real estate acquired for future bank expansion for one year, a national bank or Federal savings association must state, by resolution or other official action, its plans for the use of the property and make the resolution or other action available for inspection by examiners.

Twelve CFR part 34, subpart B, section 34.22(a) and 12 CFR 160.35(b) require that for ARMs, the loan documentation must specify an index or combination of indices to which changes in the interest rate will be linked.

Twelve CFR 34.44 provides minimum standards for the performance of real estate appraisals, including the requirement that appraisals be in writing and contain sufficient information and

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[1] See *Interagency Guidance on Reconsiderations of Value of Residential Real Estate Valuations*, 89 FR 60549.
[2] An ROV is a request from the financial institution to the appraiser or other preparer of the valuation report to reassess the report based upon potential deficiencies or other information that may affect the value conclusion.

analysis to support the decision of a national bank or Federal savings association (institution) to engage in the transaction.

Twelve CFR 34.62 and 12 CFR 160.101, and the related appendices, require each institution to adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens on or interests in real estate or that are made for the purpose of financing permanent improvements to real estate. The institution's board of directors must approve the real estate lending policies at least annually.

Twelve CFR 34.85 requires institutions to develop prudent real estate collateral evaluation policies to monitor the value of each parcel of OREO in a manner consistent with prudent banking practice. Section 34.85 establishes the appraisal requirements for OREO held by institutions, with reference to the appraisal requirements in 12 CFR 34, subpart C, "Appraisals." Section 34.85 requires institutions to obtain an appraisal or evaluation, as appropriate, to substantiate the market value of each parcel upon transfer to OREO. If the institution has a valid and compliant appraisal or evaluation that was previously obtained in connection with the underlying real estate loan, it does not need to obtain a new appraisal or evaluation to comply with these regulations.

Twelve CFR 34.222 codifies the requirement that supervised mortgage originators and secondary market issuers that engage in credit decisions or covered securitization determinations themselves, or through or in cooperation with a third-party or affiliate, adopt and maintain policies, practices, procedures, and control systems concerning AVMs. The policies, procedures, and control systems should ensure that AVMs used in these transactions adhere to quality control standards designed to (a) ensure a high level of confidence in the estimates produced; (b) protect against the manipulation of data; (c) seek to avoid conflicts of interest; (d) require random sample testing and reviews; and (e) comply with applicable nondiscrimination laws.

The banking agencies have issued Interagency Appraisal and Evaluation Guidelines (Guidelines), which provide supervisory guidance and best practices relating to real estate appraisals and evaluations used to support real estate-related financial transactions. These Guidelines recommend that institutions adopt policies and procedures to ensure compliance with Title XI of FIRREA and 13 CFR part 34. Specifically, the guidelines address appraisal independence, minimum appraisal standards in the appraisal regulations, and institutions' policies and procedures for conducting and monitoring appraisals, evaluations, and related activities; explain what transactions require appraisals under the appraisal regulations and provide guidance for the development and content of an evaluation; and discuss third-party arrangements, compliance programs, and referrals. Records of appraisals, evaluations, or other documentation pertaining to the institutions' monitoring or updating of property values should be kept in the credit file for the life of the loan. These records can be either paper or electronic records.

The banking agencies have issued Interagency Guidance on Reconsiderations of Value of Residential Real Estate Valuations that detail ROV policies, procedures, and control systems that financial institutions may choose to implement that identify, address, and mitigate the risk of deficient valuations, including valuations that involve prohibited discrimination. Such policies, procedures, and control systems may:

- Consider ROVs as a possible resolution for consumer complaints or inquiries related to residential property valuations. If a complaint or inquiry includes allegations of discrimination, the institution may consider, in addition to processing the ROV, separately initiating the process the institution may have to respond to allegations of discrimination.
- Consider whether any information or other process requirements related to a consumer's request for a financial institution to initiate an ROV create unreasonable barriers or discourage consumers from requesting the institution initiate an ROV.
- Establish a process that provides for the identification, management, analysis, escalation, and resolution of valuation-related complaints or inquiries across all relevant lines of business, from various channels and sources (such as letters, phone calls, in person, regulators, third-party service providers, emails, and social media).
- Establish a process to inform consumers how to raise concerns about the valuation early enough in the underwriting process for any errors or issues to be resolved before a final credit decision is made. This may include educating consumers on the type of information they may provide when communicating with the financial institution about potential valuation deficiencies.
- Identify stakeholders and clearly outline each business unit's roles and responsibilities for processing an ROV request (e.g., loan origination, processing, underwriting, collateral valuation, compliance, customer experience, or complaints).
- Establish risk-based ROV systems that route the request to the appropriate business unit (e.g., requests that include concerns or inquiries that allege discrimination could be routed to the appropriate compliance, legal, and appraisal review staff that have the requisite skills and authority to research and resolve the request).
- Establish standardized processes to increase the consistency of consideration of requests for ROVs:
    - Use clear, plain language in notices to consumers of how they may request the ROV;
    - Use clear, plain language in ROV policies that provide a consistent process for the consumer, appraiser, and internal stakeholders;
    - Establish guidelines for the information the financial institution may need to initiate the ROV process;
    - Establish timelines in the complaint or ROV processes for when milestones need to be achieved;
    - Establish guidelines for when a second appraisal could be ordered and who assumes the cost; and
    - Establish protocols for communicating the status of the complaint or ROV and the lender's determination to consumers.
- Ensure relevant lending and valuation-related staff, inclusive of third parties (e.g., appraisal management companies, fee-appraisers, mortgage brokers, and mortgage

servicers) are trained to identify deficiencies (including practices that may result in discrimination) through the valuation review process.

Twelve CFR 34.22(b) and 12 CFR 160.35(d)(3) set forth the notice procedures to be used when seeking to use an alternative index.

Twelve CFR 34.86 requires institutions to notify the appropriate supervisory office at least 30 days before making advances under a development or improvement plan for OREO if the total investment in the property will exceed 10 percent of the institution's total equity capital on its most recent report of condition.

Twelve CFR 190.4(h) requires that for Federally-related residential manufactured housing loans, a creditor must send a debtor a notice of default at least 30 days prior to any repossession, foreclosure, or acceleration of payments.

2. Use of the information:

These regulations are required by statute and are used by the OCC to ensure the safe and sound operation of financial institutions.

3. Consideration of the use of improved information technology:

Institutions may adopt any existing technology relevant to the information as long as the information is retrievable for use in examinations.

4. Efforts to identify duplication:

These are requirements that are unique to each institution. The information is not compiled for any other reason, and no duplicate information exists.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

The rule applies to all OCC-supervised institutions regardless of asset size. There are no alternatives that would result in further lowering the burden on small institutions while still accomplishing the purpose of the rule.

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

The collection of information is the minimum necessary to comply with Federal law. Less frequent collection would make the program unworkable and would not be in the public interest.

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

This collection is conducted in a manner consistent with the guidelines in 5 CFR part 1320.

8. Efforts to consult with persons outside the agency:

On July 21, 2023 (88 FR 47071), the agencies published the proposed guidance for 60 days of comment. There were no PRA-related comments received.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

The information will be kept private to the extent permitted by law.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

Requirement	Citations	Number of Respondents	Burden Hours Per Respondent	Total Number Of Hours Annually
Recordkeeping: Resolution stating plans for use of property	§ 7.1024(d)	6	5	30
Recordkeeping: ARM loan documentation must specify indices to which changes in the interest rate will be linked	§ 34.22(a) § 160.35(b)	164	6	984
Recordkeeping: Appraisals must be written and contain sufficient information and analysis to support engaging in the transaction	§ 34.44	976	1,465 responses per respondent @ 5 minutes (i.e., 0.083) per response	119,072
Recordkeeping: Written policies (reviewed annually) for extensions of credit secured by or used to improve real estate	§ 34.62; appendix A to subpart D to part 34; § 160.101; appendix A to § 160.101	1,413	30	42,390

Recordkeeping: Real estate evaluation policy to monitor OREO	§ 34.85	9	5	45
Recordkeeping: – AVM Rule – Policies and Procedures (Implementation)	Proposed § 34.222	342	13.33 hours (40 hours divided by 3 years)	4,560
Recordkeeping: AVM Rule – Policies and Procedures (Ongoing)	Proposed § 34.222	342	5	1,710
Recordkeeping: Interagency Appraisal and Evaluation Guidelines – Policies and Procedures	N/A	976	10	9,760
Recordkeeping: New Information Collection (“IC”) 1 – ROV Guidance – Policies and Procedures (Implementation: Applies to first year only)	N/A	907	13.3	12,093
Recordkeeping: New IC 2 – ROV Guidance – Policies and Procedures (Ongoing)	N/A	907	2	1,814
Reporting: Procedure to be followed when seeking to use an alternative index	§ 34.22(b); § 160.35(d)(3)	249	6	1,494
Reporting: Prior notification of making advances under development or improvement plan for OREO	§ 34.86	6	5	30
Disclosure: Default notice to debtor at least 30 days before repossession, foreclosure, or acceleration of payments	§ 190.4(h)	42	2	84
Disclosure: Interagency Appraisal and Evaluation Guidelines	N/A	976	5	4,880
			Total Annual Burden Hours	**198,946**

Cost of Hour Burden

198,946 x $129.40 = $25,743,612

To estimate wages the OCC reviewed May 2023 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1). To estimate compensation costs associated with the rule, the OCC uses $129.40 per hour, which is based on the average of the 90th percentile for six occupations adjusted for inflation (4.3 percent as of Q1 2024), plus an additional 34.6 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2023 for NAICS 522: credit intermediation and related activities).

13. Estimates of annualized costs to respondents:

Not applicable.

14. Estimate of annualized costs to the government:

Not applicable.

15. Changes in Burden:

The change in burden is due to the use of an updated methodology to calculate the respondent total, the addition of new regulations, and updating and aligning the banking agencies' information collections with respect to the Guidelines.

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

Not applicable.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

None.

B. Collections of Information Employing Statistical Methods

Not applicable.