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What the new ECOA appraisal and other valuations rule means for consumers



Consumer Financial
Protection Bureau

Mortgage lenders consider your home's value before they give you a home loan. The Bureau has issued a new rule that will make it easier to understand, before you get the loan, how the lender estimated the home's value. The rule may also make it easier to know whether unlawful discrimination may have been involved in the loan process. The Bureau has issued the new rule under the Equal Credit Opportunity Act or ECOA. The rule goes into effect January 18, 2014.

ECOA says lenders can't discriminate against you because of:

- your race
- your color
- your national origin
- your sex
- your religion
- whether you are married
- your age (provided you are old enough to enter a contract)
- receipt of income from any public assistance program
- exercising in good faith a right under the Consumer Credit Protection Act

ECOA says that lenders generally can't consider these factors when deciding whether to give you a loan. Lenders also generally may not consider these factors when setting your loan terms. ECOA has special rules restricting when lenders may consider age and receipt of public assistance.

The new rule makes it easier for a borrower to review a valuation – an estimate of the home's value – before getting a loan. Specifically, the new rule requires that, if you apply for a first mortgage on a home, your lender:

- Has to tell you within three days of receiving your mortgage loan application that you will promptly get a copy of any appraisal
- Has to give you a free copy of any valuation, which may include many commonly used reports, for example, an appraisal report, an automated valuation model report, or a broker price opinion
- Has to provide these copies promptly after the reports are completed, or three days before your loan closes, whichever is earlier

- May ask you to waive the deadline so that any copies can be provided at closing
- Has to provide these copies to you promptly, even if your loan does not close
- Can make you pay a reasonable fee for the cost of the valuation

Should You Sign Away Your Rights?

A lender can ask you to “waive” your right to get a copy of valuations three business days before closing. This means you agree that the lender does not have to provide you with a copy three days in advance of closing. Even if you waive this right, the lender still has to give you a copy of any valuations. If you waive this right and your loan closes, the lender can then give you a copy two days before, one day before, or on the day of the closing.

Think carefully before you agree not to get a copy of valuations three days in advance of closing. For example, it could take time to look over all the information in an appraisal and decide whether it makes sense to you.

Home valuation discrimination isn't always obvious

Many different factors can go into estimating a value for a home. These factors include sales of similar homes in the area, and other information about the property and the surrounding area. For example, the appraiser can determine that the home has a higher value if the home or yard is bigger, or if the home has more bathrooms or a newer kitchen than other recently sold homes. If the home is smaller, needs repairs, or is missing features (like a second bathroom, for example), the appraiser can subtract value. The appraiser then determines the home's value based on differences between the home and recently sold homes in the area.

Discrimination in a home valuation may have occurred where the estimate of the home's value appears to be based on improper factors, for example, the racial or religious background of the neighborhood. Improper discrimination in a home valuation is often difficult to spot. That's one reason why it is important to review the estimates of the home's value provided by your lender. Make sure you understand the reports and see whether any parts of them don't make sense to you.

What to do if your lender doesn't follow the rules

If you think your lender is not following the rules on disclosures of home valuations, the Consumer Financial Protection Bureau wants to know. You can get in touch with us these ways:

Online: www.consumerfinance.gov/complaint

By telephone (in 187 languages):

(855) 411-CFPB (2372)

Español (855) 411-CFPB (2372)

TTY/TDD (855) 729-CFPB (2372)

8 a.m. to 8 p.m. Eastern, Monday–Friday:

By mail: Consumer Financial Protection Bureau

P.O. Box 4503

Iowa City, Iowa 52244

By fax: (855) 237-2392

The ECOA rule on valuations is one of many rules the CFPB is implementing that may protect you during the appraisal and mortgage processes. For example, the new rules under the Truth in Lending Act protect borrowers of certain types of higher-priced mortgage loans by requiring an appraisal by a certified or licensed appraiser who has seen the inside of the home. These new rules also require a second appraisal under certain circumstances.

For more information about these and other rules that may protect you when you are getting a mortgage, visit <http://consumerfinance.gov/regulations>.