SUMMARY OF PROPOSED RULE ON OBTAINING APPRAISALS FOR HIGHER-RISK MORTGAGE LOANS

The Consumer Financial Protection Bureau (Bureau) invites you to comment on a proposed rule about appraisals for higher-risk (subprime) mortgage loans. You may submit your comments online at www.regulations.gov by October 15, 2012 to review and provide comments on the proposed rule. Comments on the Paperwork Reduction Act analysis, however, are not due until 60 days after the proposed rule is published in the *Federal Register*. The goal of the proposed rule is to provide consumers that apply for higher-risk mortgages with special protections regarding the appraisal the creditor uses to evaluate the property.

In response to the recent mortgage crisis, Congress adopted new requirements for appraisals for mortgage loans. One of these requirements concerns appraisals for higher-risk mortgage loans, which are certain home loans with rates that are higher than certain thresholds. The Bureau is proposing to implement this new requirement in a proposed rule it developed with the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Federal Housing Finance Agency.

Under the proposed rule, a creditor could not make a higher-risk mortgage loan unless it obtains a written appraisal based on a physical inspection of the property's interior by a qualified appraiser. The creditor would also have to provide the consumer with a free copy of the appraisal at least three days before closing on the mortgage. In addition, if the property was last sold within 180 days at a lower price, this proposed rule would require the creditor to obtain an additional appraisal at no cost to the consumer.

The proposed rule would not cover reverse mortgage loans, loans secured only by residential structures (such as mobile homes), or open-end lines of credit. It would also not cover "qualified mortgages," which the Bureau will define in a separate rulemaking.

The potential benefits of the proposed rule include:

- Ensuring that higher-risk (subprime) mortgage loans will be based on a full interior appraisal of the property conducted by a properly qualified appraiser.
- Ensuring that consumers of higher-risk mortgages receive a free copy of the appraisal at least three days prior to closing.
- Ensuring that consumers of higher-risk mortgages get an additional appraisal at no cost to the consumer if the property was last sold within 180 days at a lower price, thus discouraging so-called "flipping" schemes.

The proposed rule overlaps with another proposed rule the Bureau is releasing today. That proposed rule would implement Dodd-Frank Act amendments to the Equal Credit Opportunity Act (ECOA), which also require creditors to disclose at application that copies of appraisals will be provided at no charge.