

JANUARY 18, 2013

What the new TILA appraisal rule means for consumers



Consumer Financial
Protection Bureau

Along with several other federal agencies, the Consumer Financial Protection Bureau (CFPB) has issued a new appraisal rule to protect you when you apply for a higher-priced mortgage loan. The rule is designed to help make sure that you don't borrow more than your home is worth and that a lender is using an accurate value when determining whether to lend you money and at what rate. A "higher-priced mortgage loan" means that the interest rate is higher than certain average rates in the market.

What protections do I have?

The rule protects consumers applying for certain higher-priced mortgage loans. (As described below, the rule does not cover all higher-priced mortgages.) The rule's protections include:

- Your lender has to use a certified or licensed appraiser to value your home.
- The appraiser has to see the inside of your home.
- Three days before your loan closing, your lender must give you a free copy of all appraisals it obtained.

Extra protection for loans on flipped homes

If you apply for a higher-priced mortgage that is covered by the rule, then an additional appraisal is required when the home you are buying is a "flip." A flip is when:

- You buy a home from a seller who bought the home less than six months ago.
- You pay a certain amount more than the seller paid for the home:
 - 10% more if the seller bought the home within the past 90 days.
 - 20% more if the seller bought the home in the past 91 to 180 days

When you buy a “flipped” home, the lender *must* pay for a second appraisal of the home that also includes an inside inspection of the home. The lender *cannot* charge you for this second appraisal.

Not all flips are subject to this requirement, however. Flips in rural areas, for example, are exempt. Other exemptions are described in the rule at

http://files.consumerfinance.gov/f/201301_cfpb_final-rule_tila-appraisals.pdf

Not all higher-priced mortgages are covered by the rule

The rule for higher-priced mortgage loans **does not** apply to all home loans. The rule does not apply when you are applying for a higher-priced mortgage that:

- is a reverse mortgage.
- is a “qualified mortgage” under the Bureau’s rules.
- is to buy a new manufactured home.
- is for a boat, trailer, or mobile home that is not a manufactured home.
- is for construction of a new home.
- is a temporary bridge loan for 12 months or less.

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

If you think your lender is not following the higher-priced mortgage loan rules, 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 subprime, higher-priced loan rule is one of many rules that protect you when you get a mortgage. Information about these and other rules is available at

<http://consumerfinance.gov/regulations>.