

# Farm Credit Administration

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## INFORMATIONAL MEMORANDUM



May 28, 2013

To: Chief Executive Officer  
All Farm Credit System Institutions

From: Samuel R. Coleman, Director and Chief Examiner  
Office of Examination

A handwritten signature in black ink that reads 'Samuel R. Coleman'.

Subject: Final Rules on Appraisals under the Equal Credit Opportunity Act (Regulation B) and the Truth in Lending Act (Regulation Z)

The purpose of this Informational Memorandum is to provide information regarding two final rules the Consumer Financial Protection Bureau (CFPB) issued regarding appraisals. A rule revising Regulation B, Equal Credit Opportunity, at 12 CFR §1002.14, was published in the Federal Register at 78 FR 7215, on January 31, 2013. A rule revising Regulation Z, Truth in Lending, at 12 CFR §1026.35, was published in the Federal Register at 78 FR 10367, on February 13, 2013. Both rules will take effect on January 18, 2014. All institutions should adopt appropriate procedures to ensure compliance with the rules.

### Regulation B Amendments

Before this amendment, Regulation B required each creditor to furnish promptly upon an applicant's written request, a copy of any appraisal report used in connection with an application for credit that was to be secured by a lien on a dwelling. The amended provision:

- Limits the types of credit applications that are covered by the requirements;
- Requires creditors to provide specified notifications and copies of appraisals and other written valuation documents to applicants within specified timeframes;
- Permits applicants to waive the timing requirements for providing these copies, and
- Specifies permissible and impermissible valuation-related fees that creditors may charge applicants.

## Regulation Z Amendments

The Regulation Z amendments apply only to closed-end credit transactions involving higher-priced mortgage loans (HPMLs). The rule:

- Allows a creditor to extend an HPML only if specified conditions are met;
- Requires that creditors take specified steps during the application process for HPMLs that are covered by the rule;
- Subject to certain exemptions, requires an HPML mortgage loan creditor to obtain a second written appraisal based on an interior inspection of the property, at no cost to the borrower, in connection with certain “flipped” properties, and
- Exempts certain specified loans from the rule.

The new appraisal disclosure requirements of Regulation B and Regulation Z overlap for first lien, closed-end HPMLs. Creditors may use the same notice to satisfy both sets of requirements in transactions where both rules apply.

The language of both final rules, together with detailed summaries of the rules, summaries of the rules for consumers, and other information about the rules, can be found on the CFPB’s website, at [www.consumerfinance.gov](http://www.consumerfinance.gov). From the home page, hover over Law and Regulation and then click on Regulations. There you will find a list of all CFPB rules issued. When you click on the link to any rule, you will find a page that links to the text of that rule, along with a summary and other information about the rule.

The Farm Credit Administration is providing this information as a courtesy to keep you informed of issues that may affect your institution. This information should not be seen as a replacement for management's due diligence in monitoring issues that may affect your institution.

If you have any questions about this Informational Memorandum, please contact Jennifer A. Cohn, Senior Counsel, Office of General Counsel, at (703) 883-4028, or by email at [cohnj@fca.gov](mailto:cohnj@fca.gov); and/or Dan Fennewald, Director, Examination Policy Division, Office of Examination, at (952) 259-0432, or by email at [fennewaldd@fca.gov](mailto:fennewaldd@fca.gov).