

Comparing the Ins and Outs of the Appraisal Rules

Simple rules are out, complicated rules are in. The rule on providing copies of the appraisal to applicants used to be simple. If the applicant was applying for a loan to be secured by a dwelling (1 – 4 family structure), the lender had to notify the applicant of their right to a copy of the appraisal. Alternatively, the creditor could simply provide the appraisal copy and skip the notice.

Things have changed. Now creditors must always provide the notice to the applicant and must also always provide a copy of the appraisal or evaluation – at least in most situations.

The old rule sat in Regulation B. Lenders only had to look one place to check the requirements. Beginning in January 2014, there will be two rules sitting in two regulations – Regulations B and Z. And they aren't quite the same – similar but not identical. They exist to serve slightly different purposes. Because they are slightly different, doing the right thing at the right time can be a challenge. The chart below should help you sort through the differences.

Requirement	ECOA Appraisal Rule	HPML Appraisal Rule
First liens on a 1 – 4 family dwelling (dwelling)	Yes – this is a change from the previous rule that applied to all loans secured by a dwelling (principal, second, investment, etc.)	Yes – HPML applies regardless of lien position on principal residence only.
Subordinate liens on a dwelling	No – this is a change from the previous rule that applied to all loans secured by a dwelling, regardless of lien position.	Yes – HPML applies regardless of lien position on principal residence only.
Loan type	All first liens secured by a dwelling (principal, second, investment, etc.) regardless of pricing.	Higher-priced closed-end principal residence loans regardless of lien position.
Consumer purpose	Yes – ECOA applies to all credit, including all consumer credit.	Yes – HPML applies to consumer credit.
Business purpose	Yes – ECOA applies to all credit including business purpose loans and loans to businesses.	No – HPML is a consumer protection law only. Business purpose loans are not subject to Regulation Z.
Exemptions for certain loans	No – there are no exemptions for credit purpose or loan type in Regulation B.	Yes – Qualified Mortgages, reverse mortgages, short-term bridge loans, short-term construction loans, new manufactured home loans (with or without land), boats, trailers and mobile home loans.
Interior inspection of the property	Not required.	Yes – the appraiser must perform an interior inspection for all HPML loans.
Second appraisal required	Not required.	Yes – if the seller acquired the property within 180 days of buyer's agreement to purchase the property from the seller and price increased at least 20%.
Disclosure at application	Yes – a disclosure within 3 business days of application will be required, replacing the old rule that allowed lenders to provide a copy rather than a notice.	Yes – rule includes model language. This disclosure will be included in the RESPA/TILA combined GFE/eTIL disclosure form.
Free copy	Yes – even if the applicant has not paid for the appraisal, and regardless of disposition of application.	Yes – even if the applicant has not paid for the appraisal, and regardless of disposition of application.
Timing	Promptly upon completion <u>and</u> at least three business days before closing.	At least three business days before closing.
Waiver of timing requirements	Yes – borrower can agree that copy will be delivered at closing.	No – borrower must have copy of appraisal before agreeing to settle on the loan.