

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank  
Holding Companies, Financial Holding  
Companies, Savings and Loan Holding Companies,  
and Foreign Banking Offices  
in the Twelfth Federal Reserve District

**Agencies Issue Proposed Rule on Appraisals for Higher-Risk Mortgages**

On Wednesday, August 15, 2012, six federal financial regulatory agencies issued a proposed rule to establish new appraisal requirements for "higher-risk mortgage loans." The proposed rule would implement amendments to the Truth in Lending Act enacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Under the Dodd-Frank Act, mortgage loans are higher-risk if they are secured by a consumer's home and have interest rates above a certain threshold.

For higher-risk mortgage loans, the proposed rule would require creditors to use a licensed or certified appraiser who prepares a written report based on a physical inspection of the interior of the property. The proposed rule also would require creditors to disclose to applicants information about the purpose of the appraisal and provide consumers with a free copy of any appraisal report.

Creditors would have to obtain an additional appraisal at no cost to the consumer for a home-purchase higher-risk mortgage loan if the seller acquired the property for a lower price during the past six months. This requirement would address fraudulent property flipping by seeking to ensure that the value of the property being used as collateral for the loan legitimately increased.

The proposed rule is being issued by the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, and the Office of the Comptroller of the Currency.

The Federal Register notice is attached. The agencies are seeking comments from the public on all aspects of the proposal. The public will have 60 days, or until October 15, 2012, to review and comment on most of the proposal. However, comments related to the proposed Paperwork Reduction Act analysis will be due 60 days after the rule is published in the Federal Register. Publication of the proposal in the Federal Register is expected shortly.

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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**Attachment:** [Proposed Rule \(1.28 MB PDF\)](#)