

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 Final Rule to Exempt Subset of Higher-Priced Mortgage Loans from Appraisal Requirements**

WASHINGTON—On Thursday, December 12, 2013, six federal financial regulatory agencies issued a final rule that creates exemptions from certain appraisal requirements for a subset of higher-priced mortgage loans. The exemptions are intended to save borrowers time and money while still ensuring that the loans are financially sound.

The appraisal requirements for higher-priced mortgages were established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Under the Dodd-Frank Act, closed-end mortgage loans are considered to be higher-priced if they are secured by a consumer's home and have interest rates above a certain threshold. The Dodd-Frank Act requires creditors to obtain a written appraisal based on a physical visit of the home's interior before making these loans.

The final rule provides that loans of \$25,000 or less and certain "streamlined" refinancings are exempt from the Dodd-Frank Act appraisal requirements, which go into effect on January 18, 2014.

In addition, the final rule contains special provisions for manufactured homes, which can present unique issues in determining the appropriate valuation method. To ensure that access to affordable housing options is not hindered while creditors make the necessary adjustments, the requirements for manufactured home loans will not become effective for 18 months. Starting on July 18, 2015, loans secured by an existing manufactured home and land will be subject to the Dodd-Frank Act's appraisal requirements. Loans secured by a new manufactured home and land will be exempt only from the requirement that the appraiser visit the home's interior. For loans secured by manufactured homes without land, creditors will be allowed to use other valuation methods without an appraisal, such as using third-party valuation services or "book values."

In January 2013, a final rule implementing the new Dodd-Frank Act appraisal requirements was issued by the Federal Reserve Board, 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. Compliance with the January 2013 final rule will become mandatory on January 18, 2014. These same agencies are jointly issuing today's final rule to provide additional exemptions in response to public comments.

**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-supervision/publications/district-circular-letters/>.

For additional information, please contact:

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**Attachment:** [Appraisals for Higher-Priced Mortgage Loans – Supplemental Final Rule](#)