

Consumer Compliance Updates & Appraisal Bias

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Thrift Industry Day 2024

Evolving Compliance Challenges

- Section 1071 Small Business Lending Data Collection & Reporting
- Community Redevelopment Act Modernization
- Fintech Relationships
- Fees (Credit Card Late Fees, Mortgage Origination, Checking Accounts, Mortgage Servicing)
- Fair Lending Enforcement Actions
- FDIC's Banker Engagement Site
- FDIC Final Rule to Modernize Official Signs and Advertising Statement Requirements

Long-Established Regulations Continue to Present Challenges

- Truth-in-Lending Act / Regulation Z: Cited in 36% of FDIC examinations
- Flood Disaster Protection Act / Section 226: Cited in 11% of examinations
- Electronic Funds Transfer Act / Regulation E: Cited in 11% of examinations
- Truth-in-Savings / Regulation DD: Cited in 9% of examinations

Federal Agencies Address Appraisal Bias

- Property Appraisal and Valuation Equity (PAVE) Task Force- Interagency initiative created in 2021 to combat bias in home appraisals
- Federal Financial Institution Examination Council (FFIEC) Appraisal Subcommittee- Reviews appraisal standards and practices as well as qualifications for the appraisal industry
- FFIEC- Statement on Examination Principals Related to Valuation Discrimination and Bias in Residential Lending
- FDIC- Understanding Appraisals and Why They Matter & FDIC Tips on Appraisal Bias and Valuations
- On July 26, 2024, the FDIC, FRB, OCC, NCUA, & CFPB published in the Federal Register final Interagency Guidance on Reconsiderations of Value of Residential Real Estate Valuations
- On August 7, 2024, six federal agencies published in the Federal Register a final rule to implement Quality Control Standards for Automated Valuation Models

Reconsiderations of Value (ROV) of Residential Real Estate Valuations

- **Applicability:**

Real estate transactions secured by 1-4 family residential property. Not limited to primary residence or by intended use.

- **Requires Policies, Procedures, & Control Systems**

- **Considerations:**

- Does the bank's process create barriers or discourage consumers from coming forward?
- Does the bank have established guidelines for who assumes the cost for additional reviews/second appraisals? Possible UDAP or Fair Lending issue.
- Does the bank have established guidelines for customer notification? No model forms in the Guidance.

- **Effective Date: July 26, 2024**

Quality Control Standards for Automated Valuation Models (AVMs)

- **Applicability:**

Any computerized model used by mortgage originators to determine collateral value in connection with a credit decision involving a consumer's principal dwelling. Secondary market issuers.

- **Goals:**

- Ensure a high level of confidence in the estimates
- Protect against data manipulation
- Seek to avoid conflicts of interest
- Require random sample testing and reviews
- Comply with nondiscrimination laws

- **Requires Policies, Procedures, Practices, & Control Systems**

Quality Control Standards for Automated Valuation Models (AVMs)- Con't.

- Random Sample Testing & Reviews
 - Sample size, frequency, methodology, etc..
- Effective Date: October 1, 2025

Questions?

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