

Proposal: 1443 (Ver. 2)(RIN 7100 AD 90) Appraisals for Higher-Priced Mortgage Loans--Supplemental Proposal

Description:

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Comment ID: 111332

From: Brian Holst, Ohnward Bancshares and First Central State Bank

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Subject: Reg. Z--Higher-Priced Mortgages; Supplemental Proposal

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Comments:

I appreciate the opportunity to comment on the proposed changes to the final rules for Appraisals for Higher-Priced Mortgage Loans. The proposals as they are currently written will benefit consumers by reducing the cost of obtaining credit and I support the adoption of the changes as proposed, with one exception.

Proposed 1026.35(c)(2)(vii)(C) would require that the proceeds from a refinancing eligible for an exemption from the HPM L appraisal rules be used for only two purposes: (1) to pay off the outstanding principal balance on the existing first lien mortgage obligation; and (2) to pay closing or settlement charges required to be disclosed under RESPA. 1026.35(c)(2)(vii)(C)(1) should be amended to include both principal and accrued interest. The majority of refinance loans today include the accrued interest of the refinanced loan in the new loan amount. Doing so does not leave the consumer in a financial situation any different from that which exists prior to the refinancing as both the original loan's principal and interest represent a lien against the consumer's dwelling. Wrapping the existing principal and accrued interest in the new loan's principal amount will not adversely affect the consumer. In fact, allowing interest to be included in the new loan amount may be beneficial if a consumer is experiencing cash-flow problems that would preclude him or her from paying off the accrued interest of the existing loan. Without allowing interest to be included in the new loan amount a borrower may be locked out from obtaining the benefits offered by the new loan such as a reduced payment or interest rate.

In addition to the above comment, I would also request that a change be made to either 1026.35 or its commentary addressing whether or not an existing appraisal from a prior loan transaction may be used when an exemption from the appraisal requirements is not available. The regulation does not currently address if a creditor may rely on an existing appraisal, as is allowed under the inter-agency appraisal guidelines, when originating a new loan covered by 1026.35. It would seem reasonable that such reliance would be allowed as it would not require the consumer to incur additional cost if the appraisal was otherwise able to be relied on.

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