

# TILA Appraisal Exemption Threshold Moves Higher

By: Jann Swanson | Thu, Dec 2 2021, 11:26 AM

Like a rising tide, rising prices are pushing a lot of other financial elements higher. Earlier this week surging home prices drove a near \$100K increase in conforming loan limits, now **regulators have raised the dollar threshold for an exemption** to the Truth in Lending Act (TILA) based on rising wages.

Section 129H of TILA establishes special appraisal requirements for "higher-risk mortgages," termed "higher-priced mortgage loans" or "HPMLs" in the agencies' regulations. The Consumer Financial Protection Bureau (CFPB), the Federal Reserve Board, and the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Federal Housing Finance Agency (FHFA) jointly issued final rules implementing these requirements, effective January 18, 2014. The rules, however, exempted several loan types from the appraisal requirements, among them transactions of \$25,000 or less. The rule allowed for annual adjustments of that amount and this year the threshold was \$27,200.

On Wednesday, three of the regulatory agencies (CFPB, the Fed, and OCC) announced that the increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) had **necessitated an adjustment in that exemption threshold**. Effective January 1, 2022 it will increase to \$28,500.

We don't understand the logic behind basing a change in the exempt amount of property loan on an inflation index, but it is instructive that loan limits, based on home price gains, have moved from \$417,000 in 2014 to \$647,000 in 2022, an increase of 55.2 percent, **while the appraisal exemption has grown by only \$3,500 or 14 percent over the same period**.

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