

RESCINDED

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Transmittal rescinded.

Quality Control Standards for Automated Valuation Models: Notice of Proposed Rulemaking

To

Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties

Summary

The Office of the Comptroller of the Currency (OCC), along with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Consumer Financial Protection Bureau, and the Federal Housing Finance Agency (collectively, the agencies) are proposing a

rule designed to implement quality control standards for automated valuation models (AVM) used by mortgage originators and secondary market issuers in valuing residential real estate.

Note for Community Banks

The proposed rule would apply to all national banks and all FSAs, including community banks.

Highlights

Under the proposed rule, the OCC would require banks that use AVMs in certain credit decisions or securitization determinations to

- adopt policies, practices, procedures, and control systems to ensure that AVMs adhere to quality control standards designed to
 - ensure a high level of confidence in the estimates produced by AVMs,
 - protect against the manipulation of data,
 - avoid conflicts of interest,
 - require random sample testing and reviews, and
 - promote compliance with applicable nondiscrimination laws.

The proposed rule would not set specific requirements for how banks should structure these policies, practices, procedures, and control systems. This approach would give banks the flexibility to set quality controls for AVMs as appropriate based on the size of the bank and the risk and complexity of transactions in which AVMs are used.

As modeling technology continues to evolve, this flexible approach would allow banks to refine their policies, practices, procedures, and control systems as appropriate.

Background

Section 1473(q) of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 amended title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to require quality control standards for AVMs used in valuing real estate collateral that secures mortgage loans. The proposed rule would implement the minimum AVM quality control standards in the statute. The proposed rule would also implement a quality control standard designed to promote compliance with applicable nondiscrimination laws.

The proposed rule reflects the increasing use of AVMs in the real estate valuation process, driven in part by advances in database and modeling technology and the availability of larger property datasets. While advances in AVM technology and data availability have the potential to contribute to lower costs and reduce loan cycle times, it is important that banks using AVMs continue to ensure the credibility and integrity of their valuations.

Further Information

Please contact Mitchell Plave, Special Counsel, or Joanne Phillips, Counsel, Chief Counsel's Office, at (202) 649-5490.

Benjamin McDonough

Senior Deputy Comptroller and Chief Counsel

Related Link

- [“Quality Control Standards for Automated Valuation Models: Proposed Rule”](#) (PDF)

Topic(s): ■ [COMPLIANCE](#) ■ [CONSUMER PROTECTION](#)

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