



## Ensuring Ongoing ECOA Compliance with the Help of Technology



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In January of 2013 the Consumer Financial Protection Bureau (CFPB) implemented the Equal Credit Opportunity Act (ECOA) Appraisal Rule. Part of the rule required that consumers are notified of their right to receive a free copy of the appraisal report within three business days after they receive a consumer's mortgage application. Further, lenders must also provide the free copy of the appraisal report to the loan applicant no later than three days before their loan is set to be closed.

One year later, the CFPB implemented an amendment to Regulation B of ECOA that revised the way appraisals are handled and delivered to consumers. When sending appraisals to borrowers via email, there could

be potential delivery, security and timing issues, which can result in non-compliance and fines. Because of this, rules needed to be put in place to govern electronic delivery.

To be compliant with the electronic handling of appraisals for consumers, lenders must first obtain the borrower's consent to send and receive a PDF copy of the appraisal. In doing this, lenders must follow the E-Sign Act. Some lenders just focus on the timing of the of appraisal delivery to borrowers, failing to take this aspect of the rule into account.

To comply with the E-Sign Act in accordance with ECOA, the below must be followed:

1. That the applicant consents to receive the document electronically.
2. The applicant must be provided with an accurate statement of the hardware and software requirements for successful receipt of the electronic document.
3. Confirmation that the applicant can download and view the PDF must be made prior to them downloading the document.

Technology is the only answer to ensure the timely, secure, compliant electronic delivery of appraisals to borrowers. It automates the process and logs a time date and stamp of events, when the appraisal was reviewed, and electronic delivery and acceptance details for reporting purposes containing a complete audit

trail of the process as proof of compliance in the event of an audit or issue.

Whatever valuation management software platform you utilize, there should be PDF verification functionality that accompanies it. This technology prepares and sends the appraisal in a PDF format on your behalf directly from a secure system that once delivered to borrowers via email, it requires the recipient to click on a link within the email that includes a way to validate that they have received it in order to comply with the E-Sign Act and hence be in full ECOA compliance. This can be done by using a user unique validation code or other means to identify that the person has received and is able to review the appraisal report. Once that is done, an alert is sent to the lender that the borrower downloaded the report.

The technology aspect of adhering to the E-Sign Act really comes down to having this process fully automated along with event triggers and a method by which to verify and permanently store details on events and timelines, demonstrating that the borrower successfully downloaded and viewed the appraisal report on time.

If you're using a solution that handles electronic appraisal report delivery to borrowers, check to ensure you are meeting all of the requirements. If you are attempting to manually handle this process without technology, you are at risk for non-compliance of an important yet often loosely followed component of ECOA.