



## "Joint Intent" Doesn't Apply to Ag Lending

**Question:** I deal mostly with Ag loans. We received information in a compliance memo on Reg. B dealing with the requirement that a person's intent to be a joint applicant be evidenced at the time of application. It was indicated to me that this was also a requirement in Ag loans, but it seems to be talking more in the mortgage loan area. Do I need to use the form for any Ag loans that have both husband and wife styled in the name of the loan?

Answer by Andy Zavoina, BOL Guru

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**Answer:** This new rule was put in place largely because of commercial and Ag lending. It applies across the board and is not limited to spousal relationships either.

Answer by David Dickinson, BOL Guru

[Guru BIOS](#)

**Answer:** Andy is absolutely correct. I wanted to reply just to add emphasis to what he is stating. This definitely applies to all loans and was put in place mainly because of non-consumer loans.

## Reg. B, Stating What Was Denied

Answer by Andy Zavoina, BOL Guru

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**Question:** A customer applies for a first mortgage purchase loan. I have denied his application for poor credit. I am sending him a Notice Of Action Taken. In the "Description of Requested Credit" box on the Notice Of Action Taken form, can I only list "First mortgage purchase" in that box or do I list the address for the property as well?

**Answer:** The producer of your forms should provide information as to what is filled in, and how. The Reg. doesn't require that you state what was applied for, although the model forms do include this. In my experience we always completed this blank with terms, similar to what was on the application, so it could be tracked and give the AAN more meaning. Denying them for a "first mortgage loan" may not be as meaningful if the consumer makes \$12K annually and you deny them for "\$175,000 for 30 years for a home".

## "Low Credit Score" as a Reason for Denial

Answer by David Dickinson, BOL Guru

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**Question:** Is it appropriate to state "low credit score" as a reason for taking adverse action? I would not think that this is specific enough to explain the reason for denial to the applicant.

**Answer:** This is not a specific reason for denial. You must state why the credit score was too low, per §202.9(b)(2).

## Reg. B Appraisal Notice

Answer by Andy Zavoina, BOL Guru

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**Question:** Does ECOA require a lender to provide a copy of an appraisal, and therefore a notice of 'right to an appraisal in the following circumstance? The applicant is a corporation requesting a loan for the purpose of building 'spec homes' or pre-sold homes. The security for the loan will be the 1-4 family dwelling that is being built, but it will not be the residence of the individual who signs for or controls the corporation.

**Answer:** If the credit is secured by a lien in a dwelling (a residential structure that contains one to four units whether or not that structure is attached to real property) the rules come into play. It doesn't have to be a consumer transaction, nor resided in by the obligor of the loan.

## Appraisal Copies are Required, But to Whom

Answer by Andy Zavoina, BOL Guru

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**Question:** I wanted to get a little back up in regards to appraisals and who we are allowed to provide them to. Reg. B only refers to the applicant in our responsibility to provide them a copy of an appraisal. What if the seller of the property also requests a copy? The regulation does not expressly forbid it, but it also does not seem right for the bank to provide information that might adversely effect a current or potential customer based upon the credit decision. What are your thoughts?

**Answer:** Reg. B is there to protect the buyer, who is your customer and borrower. I would have them pay the cost of the appraisal and provide it only to them, per Reg. B.

In the event you opted to provide a copy to the seller, even if they paid for it, and the value came back much higher than the sales price, if the seller now bumps the price up, you would have a liability to the borrower who can no longer buy it at the same price. There could be contractual issues there as well depending on whether an earnest money agreement was in place, etc. But you really don't want to get involved in that anyway.

If the seller wants a copy, let the borrower provide it or they can have their own appraisal done.

## Joint Intent and Application Source

Answer by Andy Zavoina, BOL Guru

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**Question:** We have revised our loan application to comply with Reg. B revisions and now have our applicants initial if they are applying for joint credit. Do I need to also add something that documents how we determined that i.e. fax, face-to-face-, etc.? Also, if there is a joint applicant, does that person also receive an adverse action notice if applicable?

**Answer:** You are required to gather this data but not necessarily document how it was received, though that is not a bad idea. Your procedures should simply require it, and you follow those procedures. But again, an annotation as to "by phone" may answer questions in a review before they are even asked.

When you have multiple applicants for a loan, Reg. B allows you to send the adverse action to only the main/lead borrower if one may be identified. So multiple notices need not be required. If however, the reason for denial includes information from a credit bureau, the applicant that it refers to is entitled to a separate Fair Credit Reporting Act notice. This FCRA notice is often added to adverse action notices, but that is not a requirement.

## Application vs. processing date

Answer by Andy Zavoina, BOL Guru

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### Question:

Assume I talk to a borrower on Monday, but I don't meet with the borrower until Wednesday, when I will have already put the borrower information into our system. The file reflects Monday's date. I have them sign everything on Wednesday with Wednesday's date. Is there a grace period or number of days that you have to get the paperwork signed?

**Answer:** Not if you accepted an oral application. If you had the information to start the process and you would reasonably consider that you had a completed application under 202.9, your clock started Monday. The key is in having a "completed application."

## Disclosures for Unmarried Co-applicants

Answer by Dan Persfull, BOL Guru

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**Question:** I have two "not married" applicants for a loan. I know that they require individual 1003's but what about the GFE, TIL and all the usual disclosures? Is it okay to have them both sign those (GFE, TIL and Disclosures), so long as the 1003's are kept separate?

**Answer:** If they are applying for joint credit you may want to review Reg. B (202.6(b)(8)) about treating unmarried applicants differently than married applicants. Do you require separate applications for married applicants?

There are no regulatory requirements for the GFE and TIL to be signed by the applicants/borrowers.

## Use of Reg. B Joint Credit Addendum

Answer by Dan Persfull, BOL Guru

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**Question:** Is the Reg. B Joint Credit Addendum required on withdrawn and declined loans?

**Answer:** In my opinion yes. The joint intent is required to be established at the time of application (Official Staff Interpretation to 202.7(d)(1)(3))), therefore the intent should have been established when the application was received.