MORTGAGE BANKERS ASSOCIATION

January 28, 2020

The Honorable Rodney E. Hood
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Real Estate Appraisals [RIN: 3133-AE98][1]

Dear Chairman Hood:

The Mortgage Bankers Association (MBA)[2] appreciates the opportunity to comment on changes to the appraisal threshold for residential real estate transactions proposed by the National Credit Union Administration (NCUA). MBA supports the NCUA's efforts to raise this threshold and align its standards with those recently promulgated by the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, and Office of the Comptroller of the Currency (the Federal Banking Agencies). MBA believes the changes proposed by NCUA will offer credit unions an opportunity to better serve their members and expand access to mortgage credit, while also promoting a more competitive market and preserving crucial safety and soundness standards.

Background

Under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), NCUA and other federal financial regulators must require their regulated institutions to obtain appraisals for certain real estate-related transactions. Since 2002, NCUA has exempted most residential real estate transactions with a

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[1] 84 FR 65707, "Real Estate Appraisals," November 29, 2019. Available at: https://www.federalregister.gov/documents/2019/11/29/2019-25768/real-estate-appraisals.

[2] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

transaction value less than $250,000 from its appraisal requirements. These exempted transactions do, however, require written estimates of market value.

In May 2018, Congress amended Title XI of FIRREA through Section 103 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, which provided appraisal exemptions for certain transactions with values below $400,000 that are secured by residential properties in rural areas.[3] These exemptions were limited to situations in which appraisals could not be obtained in a reasonable timeframe.

In July 2019, NCUA issued a final rule raising its appraisal threshold for commercial real estate transactions from $250,000 to $1,000,000.[4] In the preamble to this rule, NCUA noted a proposal by the Federal Banking Agencies to increase their appraisal thresholds for residential real estate transactions under Title XI of FIRREA from $250,000 to $400,000. In the preamble to the rule, NCUA indicated that it was considering the merits of this increase. In October 2019, the Federal Banking Agencies issued a final rule increasing their appraisal thresholds under Title XI of FIRREA from $250,000 to $400,000.[5]

MBA supports the proposed increase of the residential real estate appraisal threshold

MBA supports NCUA's proposal to raise the threshold for appraisal exemptions on residential real estate transactions, creating alignment with the amended standards promulgated by the Federal Banking Agencies in October 2019. Raising the threshold for appraisal exemptions for residential real estate properties is appropriate in response to the significant appreciation in national and regional home prices since NCUA last revised its standards nearly two decades ago. As NCUA notes in its proposal, an increase in the appraisal threshold to $400,000 would exempt approximately the same share of residential real estate transactions as were exempt when NCUA's prior revisions to the threshold took effect in 2002.

Moreover, in the current market, the lengthy processing times and high costs often associated with traditional appraisals reduce the efficiency of the loan origination process. Rising appraisal costs in recent years have largely been attributed to appraiser shortages in certain areas, and allowing institutions to expand their use of alternative estimates will help offset the effects of these appraiser shortages. More

[3] Public Law 115-174, "Economic Growth, Regulatory Relief, and Consumer Protection Act," May 24, 2018. Available at: https://www.congress.gov/bill/115th-congress/senate-bill/2155/text.

[4] 84 FR 35525, "Real Estate Appraisals," July 24, 2019. Available at: https://www.federalregister.gov/documents/2019/07/24/2019-15708/real-estate-appraisals.

[5] 84 FR 53579, "Real Estate Appraisals," October 8, 2019. Available at: https://www.federalregister.gov/documents/2019/10/08/2019-21376/real-estate-appraisals.

broadly, raising the threshold will positively impact various participants in the mortgage market – most notably consumers – by expediting valuations and lowering closing costs.

NCUA also appropriately considers the safety and soundness implications of its proposal. Accurate valuations of the properties securing residential real estate transactions are a critical component of safe and sound underwriting, and MBA supports efforts to ensure credit unions continue to rely upon processes that produce accurate valuations. NCUA's analysis regarding the impact of prior increases in the appraisal threshold, the incremental number of impacted transactions, and historical loan performance, as well as strengthened standards for written estimates of market value, provides ample evidence that the proposal should not pose safety and soundness concerns. MBA believes NCUA should actively monitor the effects of any implemented changes to the appraisal threshold to ensure safety and soundness in residential real estate lending is preserved.

MBA encourages NCUA to maintain alignment with the Federal Banking Agencies on appraisal threshold standards

Consistency across appraisal threshold standards maintained by NCUA and the Federal Banking Agencies is vital to fostering a level playing field among depository institutions and providing borrowers with a wide array of financing options. Disparities in appraisal standards could result in a subset of depository lenders receiving a competitive advantage over others based on their charter and institutional structure, which could in turn lead to borrowers disproportionately favoring one set of lenders. MBA firmly believes that differences in regulatory and supervisory requirements should not dictate borrower choices in the mortgage market. Therefore, MBA recommends that NCUA and the Federal Banking Agencies coordinate future appraisal threshold updates, notices, and proposed rulemakings to ensure that depository institutions adhere to similar underwriting requirements, which should promote robust competition among lenders and broad access to affordable mortgage credit for borrowers.

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MBA supports NCUA's proposal to raise the threshold for appraisal exemptions on residential real estate transactions from $250,000 to $400,000. The proposed change would improve the efficiency of the mortgage lending process, while reducing costs for consumers. In conjunction with this amended threshold, we urge NCUA to continue its efforts to preserve the safety and soundness of residential real estate lending. MBA appreciates this opportunity to comment on the proposed rule and looks forward to ongoing cooperation with NCUA as it implements these policies.

Should you have questions or wish to discuss these comments, please contact Julienne Joseph, Assistant Director of Government Housing Programs, at (202) 557-2782 or jjoseph@mba.org.

Sincerely,

Pete Mills
Senior Vice President
Residential Policy and Member Engagement
Mortgage Bankers Association