



League of Southeastern
Credit Unions & Affiliates

September 9, 2013

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

RE: Comments on Appraisals for High Priced Mortgage Loans – Supplemental Proposal
RIN 3133-AE21

Dear Ms. Rupp,

I am writing on behalf of The League of Southeastern Credit Unions & Affiliates (LSCU), which serves approximately 285 affiliate credit unions located throughout Alabama and Florida. LSCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its supplemental proposal to amend appraisal rules applicable to high priced mortgage loans.

LSCU supports the joint agencies' reconsideration of the final rule on appraisals to identify potential exemptions from the appraisal requirements for HPMLs. Changes to high priced mortgage loans (HPML) under the Dodd-Frank Act have increased the number of credit unions covered by the rules necessary to implement appraisal rule changes. While the number of credit unions engaged in these types of credit activity is typically small, many more institutions are subject to the rules as a result of these changes. In view of the number of rule changes having taken place over the past five years, any additional regulatory relief is welcomed by covered credit unions.

Currently, the proposed exemptions would be in addition to the final rule's existing exemptions for transactions that involve a loan that is a "qualified mortgage" under the ability to repay rule; that is a reverse mortgage transaction; that is a loan for initial construction of a dwelling; that is

classified as a temporary bridge loan (with a term of 12 months or less); that is a loan secured by a new manufactured home; and is a credit transaction secured by a mobile home, boat, or trailer. The proposal we are commenting on would amend the final appraisal rule to allow exemptions from the HPML appraisal requirements for: (1) transactions secured by existing manufactured homes excluding land; for certain “streamlined” refinance transactions; and (3) eligible credit transactions of \$25,000 or less. We generally support each of the proposed exemptions. We would like to see however, some consideration given to credit union lending activities in the area of manufactured housing that includes no real estate.

In the final rule, the agencies exempted several classes of loans from the HPML appraisal rules, including transactions secured by a “new manufactured home.” However, the final rule does not exempt transactions secured solely by an existing (used) manufactured home from the HPML appraisal requirements. This oversight should be addressed. The proposal does that and would exempt transactions secured solely by an existing manufactured home excluding land from the HPML appraisal requirements.

We support the proposed exemption for loans secured solely by existing manufactured homes and do not believe these loans should be covered by the appraisal requirements for HPMLs. Manufactured homes are titled items in many states and as such differ in their licensing and tax eligibility status. For this reason they should be exempted in the final rule. If they are not excluded from the requirements of the rule, increased costs of obtaining appraisal information will have a negative impact on credit transactions that involve existing manufactured homes and not land. We support the exemption for loans secured solely by existing manufactured homes and not land as presented in the proposal.

LSCU also supports the exemptions proposed that include certain “streamlined” refinancing transactions. It is our belief that exemptions like those proposed encourage consumers to seek credit refinance transactions due to the abbreviated application and underwriting procedures. Exemptions such as those in the proposal would help encourage financial institutions across the country to market refinancing as a lending option to consumers and help revive the mortgage lending industry after almost a decade of stagnant growth. We are especially pleased that the joint supplemental proposal would exempt from the appraisal rules an extension of credit that is a refinancing in which the owner or guarantor of the refinanced loan is also the current owner or guarantor of the existing obligation. This lowers cost to the institution for underwriting activities and shortens the time involved from application to closing. We also applaud the government agencies—HUD, VA, and USDA—that have developed “streamlined” refinance programs to address consumer, creditor, and investor risks. These proactive efforts are beneficial to consumers and credit unions alike.

LSCU supports the adoption of a threshold exemption from the HPML appraisal requirements. The increased cost associated with a full interior and external appraisal on credit considered as low balance loans would significantly raise total costs borne by the applicants and regulatory burden placed upon the credit union. Accurate information about the value of their real estate is always beneficial to consumers however; the increased cost could be the deciding factor in continuing their pursuit of a refinanced home loan. Many in our industry advocate a threshold above \$25,000 for institutions and sight regulatory relief as one of the overriding factors in their position. We do not disagree. We too urge the agencies to consider increasing the exemption threshold to include credit extensions of up to \$50,000.

Finally, the proposed effective date of January 18, 2014 has been put forth for consideration. However, we believe more time for implementation and full compliance with the entire rule is necessary. We urge the joint agencies to consider an implementation period of up to six months in order to facilitate the efforts of covered credit unions to comply, as well as provide appraisers currently engaged in providing data to credit unions, to become familiar with the revisions required under the rule.

Thank you again for the opportunity to comment on this supplemental proposal and for considering our views on the issues. If you have any questions concerning our comments, please contact me directly at 205-437-2165.

Sincerely,



Scott Morris
Director of Regulatory Advocacy

