

August 25, 2014

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Notice of Proposed Rule: Appraisals

Dear Gerald Poliquin,

I am writing today on behalf of the League of Southeastern Credit Unions & Affiliates (LSCU), which serves state and federal credit unions located throughout Alabama and Florida. Our 285 affiliated institutions currently serve more than 6 million credit union members. LSCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the Appraisals rules.

Required Duplicate Appraisal

We applaud the NCUA for its proactive approach to regulatory review and related improvements aimed at addressing questionable or outdated rules. LSCU supports the **proposed amendment eliminating the duplicative requirement that FCUs make available a copy of the appraisal used in connection to eligible applications for first lien dwelling secured real estate credit.** This amendment would be a reasonable response to real world situations and serve to lower costs, improve process understanding, and clarify institutional procedures for credit union staff and applicants alike.

While we are in support of the agency's efforts to eliminate unnecessary rules as they relate to real estate lending, we do not believe the changes go far enough. We do not see the value in amending one aspect of real estate lending as applied to first lien appraisals while retaining the same rules for another area, subordinate liens. Therefore, we reject the notion of retaining the requirement that FCUs be required to make available, to any requesting member/applicant, a copy of the appraisal used in connection with that member's application for a dwelling loan secured by a subordinate lien and that the appraisal be available for a period of 25 months after receipt of the notice of action taken on the loan application. The approach of eliminating the requirement for first lien transactions while retaining those same requirements for subordinate lien transactions sends a message that is inconsistent and convoluted at best. Consistency and clarity have always served to improve the understanding of the mortgage process for applicants and an attainable understanding of the rules by service providers has improved overall effectiveness.

Appraisal Exemptions

Currently, Federally insured credit unions (FICUs) must obtain an appraisal for all real estate-related transactions unless the transaction qualifies under one of nine exemptions. The NCUA is proposing to expand one of the current exemptions. Under the expanded exemption, FICUs would be able to refinance or modify a real estate-related loan held by the FICU, without having to obtain an appraisal, if (1) there is no advancement of new monies *or* (2) there is adequate collateral protection, even with the advancement of new monies. Under the current exemption, the transaction must satisfy both criteria.

LSCU supports this agency's proposal to expand the exemption in question. In supporting the amendment, we understand we are at odds with others in our industry who view this approach as counter productive to credit unions in that a requirement to satisfy both criteria differs greatly from other regulatory agencies and creates a competitive disadvantage and additional burdens for credit unions. We however view this expansion as an opportunity for credit unions to underwrite mortgage loan modifications with greater risk awareness and reduced

loss potential. In addition, the elimination of the costs associated with obtaining an appraisal expands the ability of many applicants to engage in subordinate lien real estate credit activities. That's beneficial for both FICUs and members.

Thank you for considering our comments regarding the NCUA proposal to amend Part 701.31 (c) (5) eliminating duplicative requirement that an appraisal copy be provided as well as expanding the exemptions present for refinanced or modified subordinate lien transactions. While we are generally supportive of the agency's efforts, we believe they would prove more beneficial to credit unions and their membership if the recommendations we have offered were incorporated into the final rule. If you have any questions concerning our comments, please call on me at (205) 437-2165.

Thank you again for the opportunity to comment on the proposed amendments to the appraisal rules and for considering our views.

Sincerely,

Scott Morris
Director of Regulatory Advocacy
League of Southeastern Credit Unions

cc: CUNA, CCUL