

October 9, 2018

Gerard S. Poliquin,
Secretary of the Board,
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Comments on Proposed Rule part 722, Real Estate Appraisals

Dear Mr. Poliquin:

Town & Country Credit Union appreciates this opportunity to comment on recent proposed changes to the Real Estate Appraisal regulations. We are in agreement with the Boards decision to increase thresholds for real estate related transactions as this continues to be a prevalent problem in North Dakota. We also thank all staff's willingness to have open dialogue with the industry and take time in research these issues.

The proposed rule published in the Federal Register on Wednesday, October 3rd 2018 calls for comment on whether there are other factors that should be considered in evaluating the current threshold for 1-to-4 family residential transactions. The following suggestions are related to commercial loans that will be held for investment not loans held for sale. We believe 1-to-4 family residential loans were removed from the requirement to be classify as Member Business Loans due to their relatively low level of risk. However it appears in this regulation we are treating an individual who is constructing a home as their primary residence and the business who constructs home as an investment as the same transaction. We do agree that when financing a consumer's home with a loan amount greater than \$250,000, which will be their primary residence, an appraisal would be appropriate. As indicated in the preamble a majority of these transactions will be eligible for sale to GSE's, VA, or FHA and an appraisal would be a requirement under these programs. 1-to-4 family residential properties is defined in 722.2 as not being Complex. However 722.3(b)2 and 722.3(c)1 both reference residential real estate not being exempt from state certified or state-licensed appraisal. A developer, general contractor, business, or individual who constructs a 1-4 family home for sale or lease should not be handled in the same regard.

The Preamble also states supervisory experience and a review of material loss reviews suggest that faulty underwriting, not appraisals caused institutions loss experiences with

regard to commercial real estate transactions. 83 FR 49866, October 3, 2018. For these reasons developers building five+ units meet the definition of commercial transaction and do not require appraisals. This seems counterintuitive to require appraisals on a single home or four single homes, however five+ residences do not require an appraisal, when stated in the preamble faulty underwriting and not appraisals caused losses. The loss experience ethos should be consistent across all commercial residential transactions regardless of number of units.

There is also a duplication of appraisals in the current and proposed process. The builder of a single home for commercial purposes when lending greater than \$250,000 would be required to have an appraisal, when the property is complete the consumer will be required to have an appraisal also. This would be two appraisals on the same property within most commonly a twelve month period, which is not efficient for the industry.

Requiring appraisals on homes with indebtedness greater than \$250,000 encourages higher level of leverage for builders in the respect that a builder constructs 1 unit or 4 unit homes, an appraisal is required; however if you build 5 unit plus you are not required to have an appraisal if under the proposed increased threshold. We agree that these larger commercial transactions should not be subject to an appraisal however we believe any single family home should be removed from this requirement. For these reasons we respectfully request that any residence built for the sale of or lease of be treated as commercial transactions and be subject to the Evaluations Requirements of part 722 as they are not "complex" transactions.

Lastly we caution the use of 722.3(e) during implementation in which NCUA reserves the right to require an appraisal under this subpart whenever the agency believes it is necessary to address safety and soundness concerns. If an institution believes a credit is not complex, closes the credit, then NCUA finds otherwise; this could be a material cost to the organization. Commercial appraisals are costly so if initially waived and the institution has to cover the cost, the unintended result could be substantial. Continued support and outreach by the agency would be greatly appreciated as to not cause undue expense to any credit union. Any other guidance from the regulator would be greatly encourages during the implementation period.

In summary we are grateful for NCUA's willingness to support appraisal and evaluation regulatory change. By loosening these restrictions it gives credit unions greater flexibility to serve not only rural consumers, but also businesses. We look forward to working with NCUA on implementing the regulation.

Sincerely,



Tyler Neether
Vice President Business Lending