



November 28, 2018

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

Via Email: regcomments@ncua.gov

RE: Kerry Keely, TAPCO Credit Union
Comments on Proposed Rule part 722, Real Estate Appraisals

Dear Mr. Poliquin:

TAPCO Credit Union appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) proposed rule relating to part 722, Real Estate Appraisals.

The NCUA's proposed increase in the appraisal threshold for non-residential new loan transactions up to \$1,000,000 is a well-supported, common sense approach. Aligning the 1-4 family residential rules to the requirements of the GSE's is also a validly supported position as proposed. To maintain parity with the other banking agencies, a request for consideration of one modification to the proposal related to the modification of existing non-residential extensions of credit exempt from Title XI is proposed below.

The definition of what constitutes an existing extension of credit versus a new loan, which requires a new appraisal or evaluation, should be reconsidered. It appears the NCUA is proposing using the GAAP definition of a new loan (see FR Vol. 83, No. 192 October 3, 2018 Proposed Rules pg. 49861 722.3(a)(1)), which is substantially different from the old¹NCUA rules and that of²The Other Banking Agencies 2018 Rulemaking.

Effectively, a modification of an existing performing loan at market rates, with no new money advanced, except for fees and costs related to the extension, is a new loan, as defined by GAAP. Previously, these loans were exempt from new appraisal or evaluation requirements and they continue to be for banks. The financial reporting standards referenced in the GAAP definition of a "new loan" are intended for the proper accounting of amortized origination income and expense, which include recognition of

¹ Federal Register / Vol. 79. No. 244/Friday, December 19, 2014 / Rules and Regulations pg. 75747

² Federal Register / Vol. 83, No. 68/Monday, April 9, 2018 / Rules and Regulations pg. 15020

fee income and the related costs of a transaction. This is incongruous with the valuation and risk analysis standards of the Real Estate Appraisal Rules, which are intended to ensure adequate collateral protection for safety and soundness.

Previously, with the rule effective January 20, 2015, the NCUA amended its collateral valuation requirements for transactions involving an existing extension of credit, even with the advancement of new monies, to achieve parity with the other federal agencies, exempting the requirement for a new appraisal.

³"The revised provision will allow FICUs to refinance or modify existing real estate-related loans without obtaining an appraisal if (1) there is no advancement of new monies; or (2) in transactions where there is an advancement of new monies, if there is no obvious and material change in market conditions or physical aspects of the property. In addition to achieving parity with banking regulations, the amendment gives FICUs more latitude to modify or refinance existing real estate loans for distressed borrowers without having to obtain an appraisal."

The NCUA should reconsider the criteria used to qualify this exemption, and forego the application of the GAAP definition of a new loan for a refinance or modification of a FICU's existing (non-TDR) loan, thereby continuing to maintain parity with the other banking agencies. This amendment would allow FICU's and their members to be on a level playing field and allow the FICU's members to continue to recognize the cost savings originally intended by the exemption. Conversely, adoption of the GAAP definition could effectively eliminate the exemption and increase transactional expense, without significant safety and soundness benefits to the FICU's and the NCUA. I believe parity on this issue is of great value to insured institutions and their members and should be applicable to all extensions of existing credits, exclusive of the appraisal exemption threshold established for new loans. The current language in the regulation, without reference to GAAP, should be retained.

Thank you for the opportunity to provide comments on this proposed rule and for your consideration of our comments.

Sincerely,



Kerry M. Keely
Commercial Loan Officer

³ Federal Register / Vol. 79, No. 244/Friday, December 19, 2014/Rules and Regulations - page 75747