



OHIO CREDIT
UNION LEAGUE

November 29, 2018

Gerard Poliquin
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Re: Request for Comment-Real Estate Appraisals

Dear Mr. Poliquin,

The Ohio Credit Union League (OCUL) appreciates the opportunity to submit comments concerning the National Credit Union Administration's (NCUA) proposed changes to 12 CFR Part 722, particularly the exemptions related to non-residential real estate transactions.

As Ohio's 270 credit unions continue to modernize operations, and enhance member-experience, they look to their prudential regulator to promulgate modernized rules that reflect the current landscape of the industry, while providing flexibility. Currently, §722.3(b)(2) incorporates an exemption for those nonresidential real estate transactions, except for 1-to-4 family transactions, that are below \$250,000 by not requiring state-certified appraisals. NCUA proposes to increase this level to \$1,000,000 to allow greater regulatory flexibility to credit unions nationwide and to adjust for a changing environment. OCUL supports this proposal. In Ohio, 109 credit unions report providing member-business loans to their local communities. These commercial loans amount to approximately \$1.23 billion.

As noted in the rule proposal, NCUA has studied similar regulations proposed by other banking agencies and conducted inter-agency research and consultations. Additionally, the agency is still evaluating appropriate factors and thresholds for 1-to-4 family residential transactions. OCUL and our member credit unions appreciate the agency's commitment to examining existing regulations, including this one, to determine whether the regulations still contribute to a sound and efficient operating environment.

Like NCUA, OCUL frequently hears from credit unions regarding the market scarcity of state-licensed commercial appraisers. In rural and suburban markets, the lack of state-licensed commercial appraisers forces credit unions to obtain commercial appraisals from firms outside of their market area which may result in greater cost. Out-of-market appraisers may also face challenges in producing accurate results as those local appraisers who generally have deeper understanding of local conditions. Whether the scarcity of state-licensed appraisers is due to liability concerns, competition related to apprentice hours, or population shifts, NCUA's proposal is a positive step to address this issue as it would provide great relief for credit unions to utilize alternative valuation methods.

Further, NCUA's proposal is flexible in that credit unions who wish to continue to utilize state-licensed appraisers for loans under \$1,000,000 may do so. It is important for the agency to promulgate rules which allow credit unions to adopt methods, techniques, and products that are most appropriate for their diverse membership, community, and locality.

Finally, as the agency continues to evaluate potential appraisal changes applicable to residential real estate transactions and 1-to-4 family properties, OCUL would like to voice support for easing the





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appraisal thresholds. Further, we would like to note that historically appraisals have been overemphasized in the regulatory scheme. As NCUA recognizes in its own proposal notice, “faulty valuations of the underlying real estate collateral have not been a material cause of losses.”¹ NCUA’s own proposal makes a case for easing appraisal thresholds outside of the narrow scope currently proposed, particularly as it relates to 1-to-4 real estate transactions. We encourage NCUA to empower credit unions further in this aspect of lending and risk mitigation.

In summary, we appreciate the opportunity to engage with NCUA and provide comments on the real estate appraisal proposal. We urge NCUA to continue to study the need to ease state-licensed appraisals on real estate transactions. If you have further questions or would like to discuss OCUL’s comments in more detail, please feel free to contact us at (800) 486-2917.

Respectfully,

Handwritten signature of Paul L. Mercer in blue ink.

Paul L. Mercer
President

Handwritten signature of Miriah Lee in blue ink.

Miriah Lee
Regulatory Counsel

¹ 83 FR 49866

