



December 3, 2018

Mr. Gerard Poliquin
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: NASCUS Comments on Proposed Rule Part 722 Real Estate Appraisals

Dear Mr. Poliquin:

The National Association of State Credit Union Supervisors (NASCUS)¹ submits the following comments in response to the National Credit Union Administration's (NCUA's) proposed changes to NCUA Rules and Regulations Part 722 Real Estate Appraisals. As proposed, the rule would increase the threshold below which appraisals would not be required for nonresidential real estate transactions from \$250,000 to \$1,000,000, would exempt from the appraisal rule certain transactions where the property is located in a rural area, and would make certain conforming and clarifying amendments to the rule. The proposed changes would apply to all federally insured credit unions (FICUs).

As NCUA notes, rightsizing appraisal rules requires balancing consumer protection, safety and soundness, and relieving regulatory burden for credit unions. As federal bank regulators consider modernization of appraisal rules for banks, it is appropriate for NCUA to modernize Part 722.

To date, NCUA's appraisal rules for credit unions have been generally more restrictive than rules promulgated by the other federal bank regulators (FBRs).² With this proposal, NCUA can provide regulatory relief for FICUs by re-evaluating credit union appraisal rules consistent with contemporary views of sound lending practices while taking into considerations the effects of inflation on legacy regulatory thresholds.

Regarding the proposed change to Part 722.3(a)(1) list of exempted transactions, while we appreciate NCUA's thought process regarding the utility of using Generally Accepted Accounting Principles (GAAP) for consistency, we are concerned that appraisals may be required even when no new moneys are advanced. NCUA's current rule, and the rules of

¹ NASCUS is the nationwide professional association of the nation's state credit union regulatory agencies. NASCUS membership is comprised of state regulatory agencies, credit unions, credit union leagues, and other supporters of the state credit union system.

² NCUA's rules currently provide a single \$250,000.00 threshold for real estate transactions. See 12 CFR 722.3. The other FBAs provide a \$1 million threshold for certain qualifying business loans. See 12 CFR 34.43(a)(1) and (5); 12 CFR 225.63(a)(1) and (5); and 2 CFR 323.3(a)(1) and (5).

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the FBRs for banks, provide greater flexibility in this regard. NCUA should retain the existing rule for credit unions going forward. See Part 723(a)(5).

Regulatory Relief for FISCUs: Consolidation of NCUA Rules

NCUA's appraisal rules apply to federally insured state-chartered credit unions (FISCUs) by reference in Part 741.203(b). NCUA could provide substantive regulatory relief to FISCUs by incorporating appraisal requirements for FISCUs in Part 741 in their entirety. As demonstrated by its own proposal to re-order Part 722 for clarity, NCUA recognizes the importance in ensuring regulatory requirements are easily understood. For FISCUs, NCUA's current organization of its rules represent an unnecessary burden of cross referencing to understand regulatory obligations. Incorporating appraisal requirements in Part 741 in their entirety would provide clarity to FISCUs.

Thank you for the opportunity to provide comments on proposed changes to Part 722. NASCUS supports NCUA's proposal. We would be happy to discuss our comments at NCUA's convenience.

Sincerely,

- signature redacted for electronic publication -

Brian Knight
EVP & General Counsel