Credit Union National Association
CUNA

WASHINGTON, D.C.

99 M Street SE
Suite 300
Washington, D.C. 20003-3799

Phone: 202-638-5777
Fax: 202-638-7734

June 3, 2020

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

Re: Real Estate Appraisals; RIN 3133–AF17

Dear Mr. Poliquin:

On behalf of America's credit unions, I am writing in support of the National Credit Union Administration's (NCUA) interim final rule (IFR) on real estate appraisals. The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

Interim Final Rule to Defer Appraisal Requirement

The IFR allows a temporary deferral of the requirements for appraisals and written estimates of market value under the NCUA's appraisal regulations. The deferrals apply to both residential and commercial real estate-related financial transactions, excluding transactions for acquisition, development, and construction of real estate.

Under the IFR, credit unions may close a real estate loan without a contemporaneous appraisal or written estimate of market value, subject to the requirement that credit unions obtain the appraisal or written estimate of market value, as would have been required under the appraisal regulations without the deferral, within a grace period of 120 days after closing of the transaction.

While appraisals and written estimates of market value can be deferred, the NCUA expects credit unions to use best efforts and available information to develop a well-informed estimate of the collateral value of the subject property. In addition, the NCUA continues to expect credit unions to adhere to internal underwriting standards for assessing borrowers' creditworthiness and repayment capacity, and to develop procedures for estimating the collateral's value for the purposes of extending or refinancing credit.

By the end of the deferral period, credit unions must obtain appraisals or written estimates of market value that are consistent with safe and sound practices as required by the NCUA's appraisal regulations.

The temporary provision permitting credit unions to defer an appraisal or written estimate of market value for eligible transactions is set to expire on December 31, 2020.

CUNA Supports Deferral of the Appraisal Requirement

The public health crisis created by COVID-19 has caused a historic economic disruption and crisis which has resulted in the closure of millions of businesses and the unemployment of tens of millions of Americans. We recognize and appreciate the steps the NCUA has taken under the leadership of Chairman Rodney Hood. The NCUA's guidance and flexibility has helped credit unions continue to serve their members during this crisis and will be crucial as the economy recovers.

Since early March, the NCUA has taken several steps to help credit unions navigate the uncertainty created by the crisis as much as possible. The NCUA's engagement with Congress and other federal agencies has helped ensure that credit unions were included as part of the government-wide solutions to the crisis. In addition, the NCUA took quick action to remove examiners from credit unions to preserve public health and help credit unions focus on their members. The agency also issued helpful guidance, such as on how credit unions can conduct membership and board meetings virtually. We also commend the agency for utilizing interim final rules in several instances to ensure changes become effective in a timely manner.

We agree with the agency's view that COVID–19 has led businesses and individuals to have a heightened need for additional liquidity, and that being able to quickly access equity in real estate could help address this need. Further, we agree that certain government restrictions on non-essential movement and health and safety advisories related to the pandemic have led to complications with respect to performing and completing real property appraisals and written estimates of market value needed to comply with federal appraisal regulations.

Under this IFR, deferrals of appraisals and written estimates of market value will allow for expeditious access to credit. We believe this will minimize instances of borrowers experiencing delays in obtaining funds needed to meet immediate and near-term financial needs.

We appreciate the importance of appraisals and written estimates of market value in most climates. However, given the unprecedented nature of the current pandemic, we believe appropriate regulatory flexibility is necessary. As such, we support the temporary nature of this IFR. We believe it is appropriate that, under the IFR, credit unions that defer receipt of an appraisal or written estimate of market value will still be expected to conduct their lending activity consistent with safe and sound underwriting principles, such as the ability of a borrower to repay a loan and other relevant laws and regulations.

Further, we believe the limited timeframe for the deferral will in some respects help to manage potential risk by balancing the need for immediate relief due to the pandemic with safety and soundness concerns for risk to credit unions as lenders.

Guidance on Certain Appraisal Valuations

As detailed above, we strongly support the IFR's temporary deferral of the requirement to obtain an appraisal. The timing associated with obtaining an appraisal under the IFR could cause some confusion in certain, limited instances where the appraisal valuation comes in lower than anticipated.

For example, say a credit union decides to defer obtaining an appraisal and provides an $80,000 loan on a property estimated to be worth $100,000. Since the loan to value (LTV) is 80% the credit union does not get PMI for the loan. However, when the appraisal is later obtained it shows a property value of only $95,000, resulting in an LTV above 80% without PMI.

To avoid situations where examiners address such issues on an individual basis, which could result in inconsistencies, we ask the NCUA to provide clear guidance to address instances where a final valuation differs from the initial assessment. In such cases, the NCUA should not require the credit union to take any action pertaining to the borrower and the loan at issue. Such an approach makes the most sense from a logistical standpoint and also reduces instances of confusion among members, who could otherwise learn they must pay more toward a finalized loan following a deferred appraisal.

Conclusion

On behalf of America's credit unions and their 115 million members, thank you for considering our comments in support of the agency's IFR to temporarily defer the appraisal requirement for certain real estate transactions. If you have questions about our comments, please do not hesitate to contact me at (202) 508-6743.

Sincerely,

Luke Martone

Luke Martone
Senior Director of Advocacy & Counsel