December 3, 2018

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314
regcomments@ncua.gov

Re: Comments on Proposed Rule Part 722, Real Estate Appraisals; RIN 3133–AE79

Dear Mr. Poliquin:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the National Credit Union Administration’s (NCUA) proposal to amend part 722, Real Estate Appraisals.

NCUA has proposed a rule to amend the agency’s regulation requiring real estate appraisals for certain transactions. The proposed rule would:

1) Increase the threshold below which appraisals would not be required for non-residential real estate transactions from $250,000 to $1,000,000.
2) Restructure the appraisal regulation to clarify its requirements for the reader.
3) Exempt from the appraisal regulation certain federally related transactions involving real estate where the property is located in a rural area.
4) Make certain conforming amendments to the definitions section.

HCUA supports the proposed replacement of the term complex 1- to 4-family residential property appraisal with the shortened term complex, which would not include any substantive changes to the definition.

We support NCUA reorganizing this section to make it easier for credit unions to determine when an appraisal or written estimate of market value is required. We support proposed structural changes to reorder current § 722.3 to help the reader more readily determine:

- Whether the real estate-related financial transaction does not require an appraisal or written estimate of market value under part 722;
- When an appraisal required under part 722 must be prepared by a state-certified appraiser;
- When an appraisal required under part 722 may be prepared by either a state-certified or state-licensed appraiser; and
- When only a written estimate of market value is required.

HCUA does not support the proposed change to the exemption for existing extensions of credit. While the use of a clear-cut requirement or established definition or calculation can be preferable to language that may be open to interpretation or clearly ambiguous, we disagree that current § 722.3(a)(5) suffers from such deficiencies. We agree with NCUA that there may be circumstances that result in an appraisal being required under this proposed rule that would not be required under the
current rule due to linking the exemption to GAAP. In addition, the proposed change would reduce flexibility provided by the current exemption. Specifically, current § 722.3(a)(5) provides an exemption for a transaction involving an existing extension of credit under two separate prongs: 1) no advancement of new monies, or 2) no change in market or physical aspects of the property. The proposal would permit the exemption under only a single scenario.

We believe this is an area where NCUA should follow the work of the banking regulators, which did not consider linking this exemption to GAAP, but rather maintained the exemption as it was prior to their recent amendments to the bank regulations. NCUA’s current exemption in § 722.3(a)(5) is identical to that of the banking regulators.

Proposed § 722.3(b)(1) would require an appraisal performed by a state-certified appraiser for transactions that are not exempt under paragraph (a) and the transaction value is $1 million or more. We support this proposed change, which would increase the threshold at which non-residential real estate-related financial transactions are exempt from appraisal requirements from $250,000 to $1 million.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

Brad Douglas
President/CEO