June 5, 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 the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the interim final rule (IFR) on real estate appraisals.

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.
HCUA Supports Deferral of the Appraisal Requirement

HCUA agrees 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.

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