3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

June 4, 2020

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

RE: Residential Real Estate Appraisals (RIN 3133-AF17)

Dear Mr. Poliquin:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to the National Credit Union Administration's (NCUA) interim final rule (IFR) on real estate appraisals. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products. NAFCU appreciates the NCUA's efforts to reduce regulatory burdens for credit unions during the COVID-19 pandemic. NAFCU asks the NCUA to extend the closing transaction date of December 31, 2020 to the end of the first quarter of 2021, to account for the uncertainties due to the COVID-19 pandemic. In addition, NAFCU asks the NCUA to ensure that supervisory policies reflect credit unions ability to avail themselves of the deferment period and that the NCUA allow for a credit unions' good faith efforts in obtaining an appraisal or written estimate of value during this time.

General Comments

NAFCU appreciates the NCUA's recent final rule raising the threshold requirement for an appraisal from $250,000 to $400,000 for one-to-four unit single-family residential transactions. Not only did this provide parity with the other banking regulators, it afforded credit unions with additional relief during the COVID-19 pandemic. NAFCU has historically supported and advocated for an increase to the threshold to reduce regulatory burdens on credit unions and keep up with inflation and changing real estate market realities. Further, NAFCU appreciates the NCUA taking additional steps to provide relief by deferring appraisals or written estimates of market value for up to 120-days following the closing of a transaction for certain residential and commercial real estate transactions until December 31, 2020.

Deferring appraisals protects the health and safety of appraisers from having to enter the physical home of others during the COVID-19 pandemic to conduct an interior evaluation. Moreover, the deferral assists credit unions in providing credit to members on an accelerated basis and close mortgage transactions that may otherwise have been too difficult to finalize due to the challenges in obtaining an appraisal during this time. This temporary deferral relief will afford many credit unions members the opportunity to achieve homeownership and ensure credit unions continue to support the health and vitality of the housing market.

The NCUA Should Extend the Expiration Date Given the Continued Uncertainty

Given the dynamic nature of the current situation, the piecemeal and inconsistent re-opening of states, and uncertainty of business transaction post COVID-19, the NCUA should consider an extension of the closing transaction date to allow for a more flexible deferral period. The IFR provides that if a transaction closes on December 31, 2020, the credit union may defer the required action until April 30, 2021. Although it may not seem like an issue at this time, it is unclear how long local shelter-in-place orders will remain. Currently, states are in various phases of re-opening and credit unions may not have the ability to get an appraisal within the stated grace period based on local restrictions continuing until after the December expiration date. Moreover, prior to the COVID-19 pandemic, many credit unions were experiencing difficulties in obtaining an appraisal due to various obstacles. Obstacles were dependent upon geographical location, market size, and appraiser capacity. The COVID-19 pandemic is likely to exacerbate some of these difficulties, especially appraiser capacity, further warranting an extension.

NAFCU members want to ensure that they can continue to provide their members with mortgage credit. According to NAFCU's March 2019 *Economic & CU Monitor Survey*, over 18 percent of respondents report a major increase in mortgage loan demand, while 27 percent of respondents reported a moderate increase in mortgage loan demand at this time. Additionally, there has been a substantial increase in the amount of mortgage loan refinancing given current interest rates. Considering there is still a demand for mortgage loans, it is imperative that the deferral period be extended. NAFCU recommends the NCUA continue to monitor the situation and consider extending the date for closing transactions from December 31, 2020 until the end of the first quarter of 2021. This extension would then provide credit unions 120 days from that point to obtain any required appraisal or written estimate. The NCUA should work with the other banking regulators on a coordinated approach to extend the expiration date as the COVID-19 pandemic warrants.

The NCUA Should Ensure Supervisory Policies Account for the Use of the Deferment Period

Although not explicitly stated in the IFR, the NCUA stated in a Letter to Credit Unions that the agency "encourages credit unions to make every effort to obtain an appraisal or written estimate of value during the early stages of a real estate loan transaction." The NCUA should ensure that credit unions that avail themselves of the deferment period are not penalized for doing so, regardless of the steps they took to obtain an appraisal during the COVID-19 pandemic. Credit unions will be maintaining safe and sound underwriting practices and mitigation strategies. Credit unions need to be able to focus on serving their members.

The NCUA should adopt a supervisory policy like that of the Bureau of Consumer Financial Protection (Bureau or CFPB). On March 26, 2020, the Bureau released a statement regarding supervisory and enforcement activities in response to the COVID-19 pandemic, stating "when conducting examinations and other supervisory activities in determining whether to take enforcement action, the Bureau will consider the circumstances that entities may face as a result of the COVID-19 pandemic and will be sensitive to good-faith efforts demonstrably designed to assist consumers.” Moreover, a supervisory policy accounting for good faith efforts would align with the stated policy of President Trump’s executive order titled “Regulatory Relief to Support Economic Recovery.” Under this order, agencies are asked to rescind, modify, waive, or provide exemptions from regulations and other requirements that may inhibit economic recovery. Furthermore, section four provides the agencies with the ability to exercise appropriate temporary enforcement discretion. NAFCU asks the NCUA to clarify that a credit unions’ good faith efforts in obtaining an appraisal during the deferment period are sufficient.

Conclusion

NAFCU appreciates the opportunity to share its members' views on this matter. This IFR provides meaningful, temporary relief for credit unions while uncertainty remains due to the COVID-19 pandemic. In addition, NAFCU appreciates the NCUA working with the other banking regulators and we encourage the agency to continue to do so in the future. NAFCU asks the NCUA to also work closely with the Federal Housing Finance Agency to align real estate appraisal standards with that of the government-sponsored enterprises, Fannie Mae and Freddie Mac, and do so in a timely fashion. NAFCU recommends that the NCUA extend the date of closing transactions from December 31, 2020 until the end of the first quarter of 2021, given the continued uncertainty, inconsistent re-opening of states, and to provide expedient credit to members during this time without delays caused by the inability to obtain an appraisal. In addition, the NCUA should ensure that supervisory policies account for credit unions’ ability to use the deferment period. Should you have any questions or require additional information, please do not hesitate to contact me at (703) 842-2249 or kschafer@nafcu.org.

Sincerely,

Kaley Schafer
Regulatory Affairs Counsel