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NAFCU
National Association of Federally-Insured Credit Unions

June 19, 2019

The Honorable Wm. Lacy Clay
Chair
Subcommittee on Housing, Community Development and Insurance
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Sean P. Duffy
Ranking Member
Subcommittee on Housing, Community Development and Insurance
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

RE: Tomorrow's Hearing on A Review of the Appraisal Industry

Dear Chair Clay and Ranking Member Duffy:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I write to share our thoughts ahead of tomorrow's hearing entitled "What's Your Home Worth? A Review of the Appraisal Industry." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 117 million consumers with personal and small business financial service products. They provided approximately $138 billion in real commercial and residential real estate financing last year. We welcome the Subcommittee's discussion on this important issue.

As you are aware, the National Credit Union Administration (NCUA) recently proposed a rule to increase the threshold for commercial real estate appraisals to $1 million. NAFCU strongly supports this threshold increase and believes it more appropriately reflects the actual risk of commercial real estate transactions. The NCUA's reasoning in this decision is sound. Appraisal capacity issues have plagued smaller, underserved markets, which have contributed to unnecessary delays and increased costs for borrowers. This is particularly true in rural areas where the problem has been a serious constraint on closing commercial real estate transactions.

As the proposed rule notes, a formal appraisal should not be required for commercial real estate appraisals given that the NCUA's "[s]upervisory experience and a review of material loss reviews covering those decades suggest that factors other than faulty appraisals were the cause(s) for an institution's loss experience." Moreover, this change in policy will help address the shortage of qualified appraisers as has been repeatedly highlighted by the commercial real estate industry. The NCUA is not alone in addressing this issue. It is our understanding that other regulators are also examining increasing appraisal thresholds.

Written estimates and other similar evaluations of collateral can be just as effective as an appraisal for properties falling below the threshold. Our members have every incentive to perform an accurate evaluation to protect themselves against the risk of loss. While some have claimed this could recreate conditions that led to the financial crisis, it is important to note that credit unions did not contribute to the 2008 financial crisis and our sound practices and structure differ vastly from banking institutions as we divert profits back to customers instead of shareholders.

Once again, NAFCU is pleased to see the Subcommittee examining this important issue. We appreciate the opportunity to share our input and look forward to continuing to work with the Subcommittee. Should you have any questions or require any additional information, please contact me or Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at 703-842-2237.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Housing, Community Development and Insurance