



January 20, 2009 via email

National Credit Union Administration – boardmail@ncua.gov; regcomments@ncua.gov
Attn.: Mary F. Rupp, Secretary of the Board
1775 Duke Street, Alexandria, Virginia 22314-3428

In Re: Comments on Proposed Interagency Appraisal and Evaluation Guidelines

The American Credit Union Mortgage Association (ACUMA) would like to thank the NCUA and staff for the opportunity to provide comment on the Proposed Interagency Appraisal and Evaluation Guidelines to be issued by the Federal Agencies that oversee depository institutions.

ACUMA is the sole trade association for the Credit Union industry focusing solely on the function of Mortgage Lending by Credit Unions and has been in existence since 1998. For further information about ACUMA, please go to our website at www.acuma.org. These comments have been prepared by the Chair of the ACUMA Legislative & Regulatory Compliance Committee with input by the ACUMA membership, the ACUMA Legislative & Regulatory Compliance Committee and the ACUMA Board of Directors.

ACUMA's specific comments with regard to the proposed guidelines follow:

- 1) The Agencies request comment on the clarity of the proposed Guidelines regarding the interpretations of the thirteen appraisal exemptions discussed in Appendix A.
 - a) Appraisal Threshold - ACUMA would look to the Agencies to clearly define the term, "a written estimate of value" *to be performed by a qualified and experienced person who has no interest in the property*. The proposed guidance states that Appraisals are not needed for transactions in which the value is equal to or less than the thresholds in the appraisal rules, but states that a "written estimate of value" is required. Does a validated AVM or use of a TAV satisfy this requirement? What documentation (authority, relevant experience, value reasoning) would be required if a credit union staff member performs this task and does not use an AVM or TAV to determine value? Is it sufficient that a credit union's policy (see Appendix B) states that use of an AVM, TAV, or an Exterior-Only Inspection (performed by a licensed appraiser) satisfies the requirement for a "written estimate of value"?
 - b) Liens for Purposes Other than the Real Estate's Value – ACUMA would look to the Agencies to clarify the use of the words, determining "market value" of the real estate as an individual asset not necessary to support the decision to extend credit. In Appendix C, the definition for "market value" states that *the consummation of a sale as of a specified date and the passing of title from seller to buyer* are implicit in this definition. Does this mean that a credit union is simply required to document the borrower's purchase price for the referenced property, and that a credit union cannot utilize an AVM or TAV as a determiner of value? If it truly is the purchase price of the referenced property, is it not relevant that such value may be aged and not a

present indicator of value? What documentation (authority, relevant experience, value reasoning) would be required of a credit union staff member performing this task who does not use an AVM or TAV to determine “market value”?

- c) Loan Workouts or Modifications – ACUMA believes this section should have greater restrictions from exempting out a requirement for a new appraisal or valuation being conducted. This should be particularly important for a credit union attempting to correctly calculate the allowance for loan loss on workouts and modifications and the present wording for both this and the prior section (Renewals, Refinancing, and Other Subsequent Transactions) could lead credit union personnel to believe they are not required to use a current relevant market valuation as it pertains to extensions, workouts or modifications. Most of the wording in these sections pertains to the physical aspect of the property or a material change with some aspect of the borrower’s ability to repay and ACUMA believes that relevant market conditions should at least have equal or higher focus.

2) The Agencies request comment on the appropriateness of risk management expectations and controls in the evaluation process including those discussed in Appendix B of the proposed Guidelines.

ACUMA believes that additional clarification is required when utilizing the word “Appraisal”. The Agencies proposed guidelines do not address or make a distinction between various standard appraisal forms utilized by the Appraisal industry. i.e. Some forms require a full *interior* inspection; some forms require only an *exterior* inspection; and some forms do not provide a dollar value for a subject property.

Validating AVM Results – ACUMA would look to the Agencies to provide clearer guidance in this area. The proposed guidance states that, “AVM values should be compared to data from sales transactions *prior to being recorded in public records*” and does not provide further guidance or examples of how a credit union should conduct such a review.

- Timing is of the utmost importance in comparing different valuation methodologies and should be addressed in the guidance related to validation of various methodologies. i.e. to compare one valuation tool at one point in time to another valuation tool at *another* point in time does not provide for adequate comparative data.
- Are the Agencies suggesting that a credit union take purchase-money loan appraisals *and before closing*, pull a comparative AVM and even a TAV report to satisfy such a requirement?
- What if a credit union does an insignificant number of purchase-money mortgage transactions?
- ACUMA would suggest that a validation example be provided as there will be differences between these various valuation methodologies. Are the Agencies suggesting that mortgage program loan-to-value parameters match the differences between the results from the methodologies? i.e. Credit Union ABC allows up to a maximum program LTV based on an Appraisal; should any lesser LTV levels correspond to the difference between an Appraisal, AVM, and TAV results in a given market if other than an appraisal is utilized? For example if the results show that Exterior only Appraisals or AVM values are running 95% of Appraised value and TAV values are running 90% of Appraised value, should a credit union’s policy match up and change are results are reanalyzed? i.e. Full appraisals are accepted to 90% loan-to-value, then an Exterior only Appraisal or AVM should only be accepted to 85% loan-to-value, and that a TAV should only be accepted to 80% loan-to-value?

3) The Agencies seek comment on the expectations in the proposed Guidelines on reviewing appraisals and evaluations. In particular, the Agencies seek specific comment on whether the use of automated tools or sampling methods that the proposed Guidelines allow for reviews of appraisals or evaluations

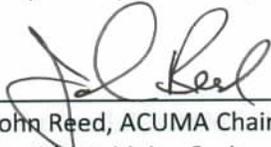
supporting lower risk single-family residential mortgages is appropriate for other low risk mortgage transactions and whether appropriate constraints can be placed on the use of these tools and methods to ensure the overall integrity of the institution's appraisal process for those low risk mortgage transactions.

ACUMA would propose that a uniform appraisal review checklist (and an AVM/TAV checklist) be formulated; and ACUMA would be prepared to produce an initial draft of such documents for consideration. The agencies seek, through this guidance, to provide some assurance that collateral valuation and mortgage loan underwriting of the collateral valuation be accomplished with prudence and forethought to assure safety and soundness. A uniform checklist would assist credit unions *and examiners* where reliance on staff expertise differs within the credit union industry as well as within a particular credit union or market area. While some may argue that a checklist might be different depending on the type of transaction, ACUMA would argue that there are basic factors within an appraisal to trigger a higher level of review and these factors could be in a standard or suggested checklist to ensure that collateral valuation is appropriate. Neighborhood Characteristics, Housing Trends, Zoning, Flood Zone Status, Physical Deficiencies or Adverse Conditions, Conformity to Neighborhood, Date of Sale, Location, and Net and/or Gross Adjustments on Comparables are just some of the standard issues that, if adverse, should trigger a higher level of review.

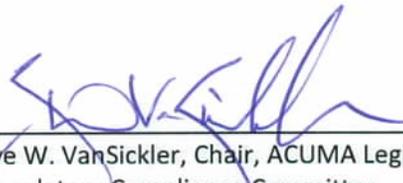
Additional Comments

With regard setting a bright-line as it pertains to "low or lower risk" mortgage transactions and use of alternative valuation methodologies, ACUMA would caution the Agencies that mortgage loan underwriting is analysis of many factors in combination, to include a potential borrower's assets, income/income stability, debt-to-income ratio, past credit performance with the credit union as well as others, and the deposit relationship with the credit union in addition the market economics, marketability and value of subject property collateral. Simply utilizing loan-to-value or FICO scores as primary determiners of a "lower risk" may exclude mortgage loan transactions for members who utilize a credit union as their primary financial institution or that have significant cash assets with the credit union and/or other depositories in combination with other factors mentioned above. ACUMA would like to see additional emphasis in guidance with regard to what defines a "low or lower risk" mortgage transaction.

Respectfully submitted,



John Reed, ACUMA Chairman
President, Maine Savings Federal Credit Union



Steve W. VanSickler, Chair, ACUMA Legislative
& Regulatory Compliance Committee

cc: ACUMA President, Bob Dorsa
ACUMA Board of Directors
ACUMA Regulatory Compliance Committee
Jeffrey Bloch, Credit Union National Association