



December 3, 2018

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

Re: Real Estate Appraisals
RIN 3133-AE79

Dear Secretary Poliquin:

Freedom Credit Union appreciates this opportunity to comment on NCUA's proposed rule addressing real estate appraisals. The proposal adjusts the threshold for appraisals connected to non-residential real estate transactions. The proposed rule also reorganizes the regulation detailing when a state-certified appraisal or state-licensed appraisal is required. Also, the rule implements the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155) for real estate located in rural areas.

Freedom is a federally insured state-chartered credit union with \$870 million in assets. Freedom serves a well-defined local community consisting of the Philadelphia Metropolitan Division.

Generally, we support rulemaking that offers regulatory relief. NCUA's proposal offers some regulatory relief and we support the proposal regarding the following matters:

1. Increasing the threshold for appraisal requirements to \$1 million on non-residential real estate transactions;
2. The restructuring of the rule, notably section 722.3, makes the rule more user friendly; and
3. The conforming amendments that implement S. 2155.

We offer the following additional comments.

Definition of the term "Complex"

NCUA makes a minor adjustment to the definition of the term "complex." We support the inclusion of the presumption that a transaction is not complex unless the credit union has readily available information at its disposal that a given appraisal will be complex. We understand that appraisal requirements are designed to enhance safety and soundness. The presumption is appropriate, empowering the credit union to make an appropriate risk management decision on whether a given transaction is complex and therefore triggering an appraisal requirement. Through underwriting and the terms of the transaction, we can make an informed decision on whether a transaction is complex.

Increased Threshold

The proposal increases the threshold to \$1 million for non-residential real estate transactions. That is, an appraisal by a state-certified appraiser on non-residential real estate is not required if the transaction value is \$1 million or less. This change puts credit unions on the same footing as other depository lenders with respect to appraisal requirements on these transactions. While credit unions are structurally different from banks, it is important that compliance criteria are substantially similar for similar transactions. Otherwise, the expense of conducting a transaction with a bank versus a credit union can be more expensive, placing the credit union at a disadvantage in the market place.

We note that some commenters oppose this aspect of the proposal on safety and soundness grounds. We believe the measure is appropriate. The credit union has the option of seeking an appraisal conducted by a state-certified appraiser for such a transaction. Also, we maintain that our policies and collateral criteria preserve safety and soundness.

Appraisals and Written Estimates for Real-Estate Related Transactions

NCUA is rewriting section 722.3 to clarify when an appraisal or written estimate of market value is required. This section also implements S. 2155. Other than some technical changes, the substance of the rule remains in place. The proposed rule offers a clearer explanation of when appraisals or written estimates of market value are required. We appreciate the update and clarification.

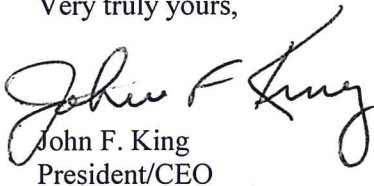
Appraisals for Real Estate Located in Rural Areas

S. 2155 created conditions for waiving an appraisal on real estate located in a rural area if the transaction value is less than \$400,000 and other criteria are documented. NCUA's proposal is consistent with the statute and implements the terms of the new law. The final rule will provide guidance on appraisals for real estate located in rural areas.

Conclusion

The proposed appraisal rule offers a degree of regulatory reform and places credit unions on equal footing with banks concerning appraisal requirements for non-residential real estate transactions. The S. 2155 provisions track the statute. We would be happy to discuss our comments at your convenience.

Very truly yours,



John F. King
President/CEO