From: jhartlove@patelco.org
To: _Regulatory Comments
Subject: Comments on Proposed Rule, Part 722, Real Estate Appraisals
Date: Tuesday, December 4, 2018 2:26:02 AM
Attachments: myLetter.pdf

December 03, 2018

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule, Part 722, Real Estate Appraisals

Dear Mr. Gerald Poliquin,

I am writing on behalf of Patelco Credit Union which has over 320,000 members in Northern California and over $6 billion in assets. Patelco is thankful for the opportunity to comment on the National Credit Union Administration's (NCUA) proposed rule regarding real estate appraisals.

Regarding the threshold for exempting non-residential real estate loans from appraisals, the banking agencies lowered their limit from $1,000,000 to $500,000 earlier this year. Patelco agreed with this move. Why would NCUA want to raise the limit for credit unions from $250,000 to $1,000,000?

Patelco fully supports the NCUA's proposal to replace the exemption for "no advancement of new monies" with an exemption for existing extension of credit that is not a new loan under GAAP. This will let credit unions skip appraisals for modifications and workouts, which will benefit all parties.

We do not completely understand why the NCUA wants to replace the rule that loans that are even partially guaranteed by a government agency are exempt from appraisals with a rule that if more than $250 ,000 of the loan is not guaranteed by a government agency, then you need an appraisal. This rarely happens. When it does, having an appraisal does not mitigate the risks of having more than $250,000 exposed without a government agency guarantee. It makes more sense to say when a partially guaranteed loan is portfolioed, then no appraisal would be needed.

We agree there should be a de minimus limit below which no appraisal is needed in any case. We would suggest a limit somewhere between $25,000 (the largest unsecured credit we grant) and $50,000 (car loans with only minimal value determination).

We agree with the concept of raising the threshold above $250,000 for needing a formal appraisal on residential real estate loans. We suggest two additional measures to help credit unions control of risk. The NCUA should publish guidance for what is acceptable for a safe and sound valuation in place of a formal appraisal. And the threshold should be tied to regional prices, say a fraction of the mean value of properties sold in the last year. A $400,000 threshold might make sense in California, but it would not make sense in Kentucky.

We appreciate the NCUA's efforts to modernize and clarify the appraisals regulation. We agree that credit unions should have regulatory limits that are on par with other banking agencies. Thank you for the opportunity to comment on the proposed rule and for considering our views and recommendations. If you have any questions regarding our comments, please contact me.

Sincerely,

Jay Hartlove
Compliance Manager
Patelco CU

cc: CCUL