



September 29, 2017

**VIA ELECTRONIC DELIVERY**

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Legislative Activities Division  
Office of the Comptroller of the Currency  
400 7<sup>TH</sup> Street SW., Suite 3E-218  
Mail Stop 9W-11  
Washington, DC 20219  
Docket No. OCC-2017-0011

Ms. Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW.  
Washington, DC 20551  
Docket No. R-1568 and RIN 7100 AE-81

Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW.  
Washington, DC 20429  
RIN 3064-AE56

**RE: Real Estate Appraisals**

Dear Ladies and Gentlemen,

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 250 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the state. WBA appreciates the opportunity to comment on the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the Agencies) proposal to increase the threshold level at or below which appraisals would not be required for commercial real estate transactions.

WBA agrees with the Agencies that it is necessary to increase the threshold level at or below which appraisals would not be required for commercial real estate transactions. However, WBA believes that an increase from \$250,000 to \$400,000 would not adequately relieve regulatory burden, especially in small market areas. WBA believes the amount must be increased to at least \$1,000,000 to begin to meaningfully eliminate unnecessary burden on lenders in these market areas. The

Agencies have authority to exempt categories of real estate-related financial transactions in order to protect federal financial and public policy interests if that threshold does not represent a threat to the safety and soundness of financial institutions. WBA believes that an increase to at least \$1,000,000 would be consistent with this authorization while providing meaningful relief from current appraisal burdens beyond what an increase to \$400,000 could accomplish.

In evaluating a potential threshold increase, the Agencies expressed concern with the volatility of commercial real estate based upon a consideration of data over the past three decades, during which the banking industry suffered two crises. WBA does not believe the past housing crises implies current volatility, nor is it an appropriate consideration with respect to valuations. The market has since stabilized considerably and continues to grow. Furthermore, in considering the past volatility of commercial real estate, the Agencies admit that the supervisory information suggests that faulty valuations have not been a material cause of losses in connection with transactions below the previous \$250,000 threshold. Thus, the Agencies' conservative approach to the threshold increase based on volatility during the housing crisis is not compelling.

The Agencies also considered Call Report data to determine the impact of the proposed \$400,000 increase, which suggested the threshold for commercial real estate transactions could be raised without exceeding risk. WBA agrees, but believes the increase could be extended to at least \$1,000,000 without significant risk and urges the Agencies to consider such an increase through a precise consideration of the call report data. Insured depository institutions report information on nonresidential real estate loans by three categories: less than \$100,000; \$100,000 to \$250,000; and \$250,000 to \$1,000,000. As the Agencies recognize, this means that the precise impact of a \$400,000 threshold cannot be determined. However, as \$1,000,000 is a threshold within the call report categories, an accurate assessment of impact at that amount could be determined. Thus, WBA urges the Agencies to reconsider the data in the \$250,000 to \$1,000,000 category as we believe the analysis will suggest that an increase to at least \$1,000,000 would not create a significantly larger concentration of risk.

The Agencies also considered the Federal Reserve Commercial Real Estate Price Index (CRE Index) to determine that an appraisal threshold increase to the proposed \$400,000 amount is necessary. WBA agrees, but believes that the CRE Index suggests an increase to at least \$1,000,000 rather than \$400,000. A commercial property that sold for \$250,000 in 1994 would be expected to cost approximately \$812,000 today. Thus, where we have seen an approximate 232% increase in commercial property value, a mere 60% increase in the threshold from \$250,000 to \$400,000 is far from meaningful.

In addition to inflation from 1994 to 2017, WBA requests that the Agencies re-evaluate and, if necessary, collect data that will provide insight as to how the proposed threshold increase would affect smaller markets. Rural areas, such as those in Wisconsin, will suffer burdens under such a low threshold. In Wisconsin, the time and financial costs attributed to meeting the appraisal requirements are substantial because it is difficult to find state certified and licensed appraisers to complete assignments for properties in rural areas. As a trade association, WBA receives numerous calls regarding such difficulties. We believe these difficulties are not isolated to rural areas in

Wisconsin, but are encountered by many rural areas throughout the United States. Increasing the threshold to at least \$1,000,000 will enable banks to obtain evaluations of real property collateral that is consistent with safe and sound banking practices. Affording rural banks this ability will serve as a two-fold accomplishment; it will protect federal financial and public policy interests while limiting unnecessary costs and burdens on the financial institutions that seek to protect said interests.

For the foregoing reasons, WBA believes that the threshold level at or below which appraisals would be required for real estate transactions must be increased to at least \$1,000,000.

WBA once again appreciates the Agencies' efforts and the opportunity to comment on this important matter.

Sincerely,

A black rectangular redaction box covering the signature of Rose Oswald Poels.

Rose Oswald Poels  
President/CEO