National Association of Appraisers
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February 4, 2019

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Ann E. Misback
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

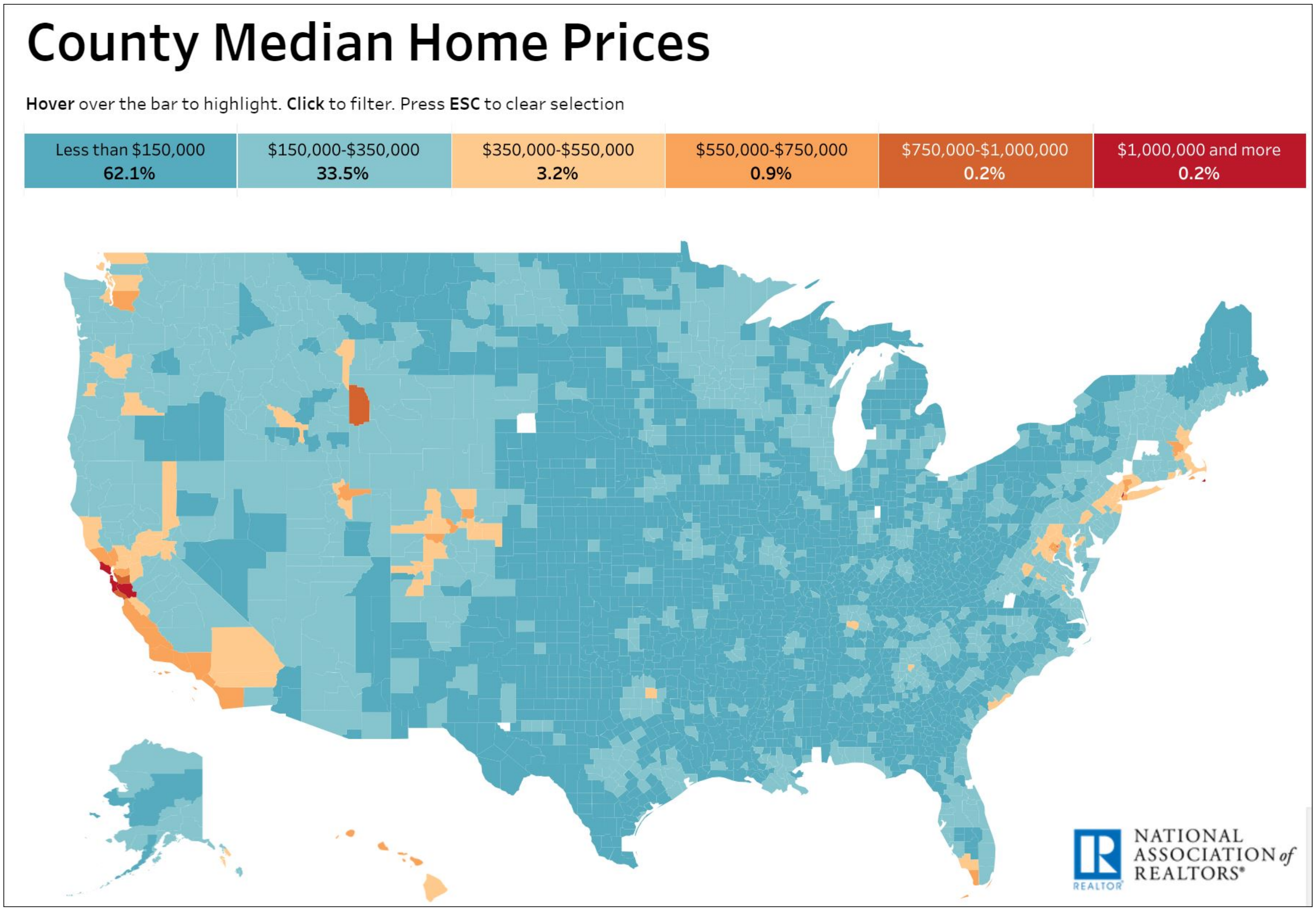
RE: OCC Docket ID OCC-2018-0038; Federal Reserve Docket No. R-1639, RIN 7100-AF30; FDIC RIN 3064-AE87

The National Association of Appraisers (NAA) represents over 1,500 appraisers in all 50 states and is one of the fastest growing appraiser organizations in the country. We are writing today to provide comment on appraisal related rule making referenced above. NAA appreciates this opportunity to state our support for the current threshold level for requiring real estate appraisals in federally related transactions.

Appraisals are required for most first mortgage origination loans purchased by the Government Sponsored Enterprises (GSEs). Currently, federally related transactions such as real estate equity loans require an appraisal performed by a state licensed or certified appraiser for residential real estate loans with a transaction value equal to or greater than $250,000. NAA believes increasing the appraisal threshold levels would undermine the health of the residential real estate lending industry as a whole.

The financial markets, along with Fannie Mae, Freddie Mac, FHA, and the VA, have raised the bar on the valuation requirements for new loan origination. Raising the "de minimis" transaction value limit, where less reliable valuation tools are often used to value collateral in making or renewing higher risk loans, is imprudent and not in the public interest. Given recent history, we believe that if any change is made, the "de minimis" should be *lowered* rather than raised to ensure that valuations used in making lending decisions for federally related transactions are provided by those qualified to do so: licensed/certified appraisers. While an Evaluation is required for transactions that fall below the De-Minimus threshold, evaluations receive far less scrutiny than an appraisal, and often are performed by those who have far less training, education, and expertise than a licensed or certified appraiser. Those who prepare them are often not a disinterested third party in that they are employed by the user of the Evaluation. This is a major conflict of interest, as well as an invitation to question the integrity and objectivity of an Evaluation so prepared.

According to the National Association of REALTORS© (NAR)'s research, there were 5.51 million existing homes sold in the US, with 612,000 newly constructed homes. According to NAR research as reflected in the exhibit below, 62.1% of the Counties in the US have median home prices *below* $150,000, with an additional 33.5% of counties with median home prices from $150,000 to 350,000. Based on that research, 95.6% of the counties in the US have median home prices *below* $350,000.



The National Association of Appraisers believes that it is in the best interest of the consumer, the tax paying public and the lending community that reliable valuation services be provided by licensed or certified valuation professionals. Many, if not most of the valuation methods, including on-line automated valuation tools and non-appraiser estimates available today, neither sufficiently reliable nor sophisticated enough to present a reliable and accurate valuation of real property and should not be relied upon for lending decisions. *Evaluations in many cases are performed by non-appraisers who have less training and often are not a disinterred third party as they are employed by the user of the Evaluation*. Further, Evaluations receive less scrutiny by the regulators who require them. Should the appraisal "de minimis" be raised? Lenders relying on these unreliable estimating tools could be severely under- or over-estimating a property's value in a number of real estate transactions. If this is true, how can an increase in the "de minimis" be anything constructive to promote and maintain the public's trust in the workings of the mortgage-lending industry?

Finally, raising the appraisal "de minimis" level would likely increase the breadth and depth of risk lending institutions already manage. When the Government Accountability Office (GAO) studied this issue in 2015, GAO found no support for raising the current threshold. Further, the National Association of REALTORS®, The Collateral Risk Network, and virtually every Appraisal Association in the US does not support the proposed change.

In the interest of safety and soundness, NAA asks that the appraisal "de minimis" not be increased from the current $250,000 for real estate loans.

We appreciate the opportunity to provide feedback. Thank you again for your time and consideration of this matter. If we may be of any assistance, please do not hesitate to contact us.

Sincerely,

[redacted]

John T. Dingeman, MNAA
President, National Association of Appraisers