

233 South 13th Street, Suite 700
Lincoln, Nebraska 68508
Phone: (402) 474-1555
Fax: (402) 474-2946
www.nebankers.org



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Office of the Comptroller Currency
Email: regs.comments@occ.treas.gov
Reference: OCC: Docket ID OCC-2017-0011

Board of Governors of the Federal Reserve System
Email: regs.comments@federalreserve.gov
Reference: Docket No. R-1568 and RIN 7100 AE-81

Federal Deposit Insurance Corporation
Email: comments@FDIC.gov
Reference: FDIC-Real Estate Appraisals RIN 3064-AE56

RE: Threshold for Real Estate Appraisals

To whom it may concern:

I write on behalf of the Nebraska Bankers Association (NBA) and appreciate the opportunity to comment on the proposed rule to increase the threshold at or below which appraisals will not be required for commercial real estate transitions from \$250,000-\$400,000. The NBA is a trade association representing 177 of the 184 commercial banks and eight of the nine savings associations in the state of Nebraska.

Nebraska suffers from a shortage of qualified appraisers, particularly in the more rural areas of our state. The national registry maintained by the Appraisal Subcommittee of the FFIEC reflects that of the 93 counties in Nebraska, 80 of them have five or fewer qualified appraisers (2016 data). This has resulted in significant delays in obtaining appraisals and increased costs of appraisals, all to the detriment of the consumers.

As the average age of appraisers continues to rise, coupled with relatively few entrants into the industry, primarily due to the extensive education and experience requirements for licensed and certified appraisers, the current problems will only compound.

With loan demand on the rise as we recover from the recession, the shortage of real estate appraisers adversely impacts both lenders and consumers. The shortage of real estate appraisers, at a minimum, significantly delays the consummation of lending transactions and at worst, prevents them from occurring. In addition, this proverbial appraiser shortage has driven costs for timely appraisals substantially higher. These costs are borne by the borrower!

Revising the Title XI appraisal requirements by increasing the monetary threshold for commercial real estate transactions that do not require a certified appraisal is long overdue. It is also timely in providing meaningful regulatory relief, particularly for agricultural producers dealing with depressed prices for their agricultural commodities.

The federal banking agencies have thoroughly analyzed relevant metrics in reaching an appropriate and wholly supportable conclusion that raising the appraisal threshold to \$400,000 for commercial real estate transactions would not materially increase the risk of loss on such transactions and would not threaten the safety and soundness of member banks.

The banking agencies have invited comments on potential increases in the residential loan and business (owner-occupied) loan appraisal threshold levels.

Given the fact that there is reasonable justification to increase the commercial real estate threshold based on increases in the commercial real estate index since 1995, the same rationale should support a commensurate increase in the threshold for residential loans.

While mindful of the concern that “imprudent residential mortgage lending can provide significant risks to financial institutions,” the reliability of “evaluations” conducted by employees who are independent of the underlying loan transaction, coupled with strong regulatory guidance, provide adequate protection for member banks. Accordingly, an increase in the threshold for residential loans to \$400,000 would be in order and would not threaten the safety and soundness of member banks. We would actually suggest that the threshold be increased to at least \$500,000, which is more reflective of the cost of inflation since the original \$250,000 threshold level was established. In addition, we suggest that the bank regulatory agencies allow the threshold to be adjusted on a routine basis for inflation.

We would also encourage an increase in the \$1 million business loan exemption threshold similar to the proposed increase from \$250,000 to \$400,000. These loans are not reliant upon rental income of the business property for repayment. The real estate constitutes a secondary course of repayment only in the event of a liquidation of the business. As a result, an increase in the business loan exemption threshold to at least \$1.5 million would be appropriate for these types of loans for which banks may conduct evaluations where rental income is not the primary source of repayment. This action would also address the problem of increased costs and shortage of appraisers being faced by lenders in rural Nebraska.

In closing, we appreciate the opportunity to comment on this proposal and the willingness of the banking agencies to update the threshold for appraisals required on commercial real estate transactions. As indicated above, we would also appreciate your consideration of increases in the threshold for residential and business (owner-occupied) loans.

Sincerely,



Richard J. Baier
President and CEO
richard.baier@nebankers.org

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