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Sent: Thursday, July 20, 2017 2:44 PM

To: Comments

Subject: ["Docket ID OCC-2017-0011"]

Appraisal comments:

In dealing with Home builders, we will generally do evaluations up to \$250,000. This ends up being the loan amount for many construction loans even for much higher priced homes. The reason is that appraisals can take 60 days and cost \$500. The house construction needs to start ASAP. We have a Spring/Summer building season. Buyers need to be in their houses sooner than later. The bank tends to deal with experienced contractors where we have history of home sales. We understand that the purchaser of the home still needs an appraisal to get financing but the house needs to get completed first. A \$400,000 threshold or higher would be helpful.

The bank has locations in two small communities and we have customers in other small communities and rural areas. It often becomes difficult to get appraisers to go into these markets. They will claim upfront that they don't have comparables or they just don't go to these areas. Appraisers tend to only look for comparables on multiple listing sites. In small towns and rural areas, sales can take place without realtor involvement. In doing evaluations, we may ask about properties that were sold in the area and find our own comparables. There will generally be up charges if you find an appraiser willing to go to these areas. Increasing the threshold will help with in-house loans but there is an ongoing issue for housing and the secondary market.

We had an issue with getting an appraiser on a higher end twin-home that was free and clear. The owner paid cash of \$575,000. The house was offered as collateral for a business purpose loan. There were comparables for single family homes in the size and price range but nothing in the past year for the higher end twin-home. I could not get a single appraiser to take it on because they all said they didn't have comparables. One appraiser was familiar with the property and said it was a nice property with a view. He said it was worth \$560,000 to \$580,000 but could not appraise it. The Property was in Grand Forks. Appraisers said they have high end twin-homes in Fargo and Bismarck but Grand Forks is behind. Appraisers get concerned about having appraisals criticized or having the client unhappy with the results. We have a real issue with our appraisal rules when we cannot get an appraisal where we need help. Many appraisers like to do the row home neighborhoods that are easy and they stay away from anything difficult where we need help. In a situation like this, it would be helpful to have the higher threshold. This \$400,000 threshold is to apply Commercial transactions and excludes loans secured by 1 to 4 family. This should be changed to allow the \$400,000 threshold to commercial loans secured by residential property.

The \$400,000 threshold should apply to all in-house bank loans. There still exists appraiser/appraisal problems. The more rules, the higher the cost of an appraisal. The whole system of creating appraisers has issues. This starts with the fact that an apprentice needs to spend years with an existing appraiser and some appraisers are not that good. There should be college degrees for appraisers with appropriate classes and work experience requirements. Appraisers have to be able take on assignments in small towns, rural lots or high end twin-homes without concern for their livelihood. Lenders need to be able get appraisal and not be turned down if the property doesn't have good comparables across the street.

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