



February 5, 2019

VIA Electronic Submission

Mitchell E. Plave, Special Counsel
Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219
Re: Docket ID OCC-2018-0038 (RIN 1557-AE57)
Email: regs.comments@occ.treas.gov

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Re: Docket No. R-1639 (RIN 7100-AF30)
Email: regs.comments@federalreserve.gov

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Re: RIN 3064-AE87-Real Estate Appraisals
Email: comments@FDIC.gov

Re: Request for Comments on Proposed Rulemaking to Amend the Agencies' Regulations Requiring Appraisals for Certain Real Estate-Related Transactions.

Dear Ms. Misback and Messrs. Plave and Feldman:

The Consumer Bankers Association (“CBA” or “the Association”)¹ appreciates the opportunity to offer our views on the Joint Agency proposed rule on Real Estate Appraisals.² In this proposal, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (the “agencies”) invite comment on a proposal to amend regulations requiring appraisals for certain real estate-related transactions. The proposal would increase the threshold level at or below which appraisals would not be required for residential real estate-related transactions from \$250,000 (“the current threshold”) to \$400,000 and would require transactions that fall below the

¹ The Consumer Bankers Association is the only national trade association focused exclusively on retail banking. Established in 1919, the Association is now a leading voice in the banking industry and Washington, representing members who employ nearly two million Americans, extend roughly \$3 trillion in consumer loans, and provide \$270 billion in small business loans.

² 83 Fed. Reg. 63110 (December 7, 2018).

threshold level to obtain an evaluation of the real property collateral that is consistent with safe and sound banking practices.

CBA supports the agencies' proposal to increase the residential real estate appraisal threshold and commends the agencies' efforts to implement a simple and straight-forward adjustment to residential real estate lending requirements. The current threshold has not been adjusted for inflation, or otherwise amended, since 1994. Amending the current threshold is a necessary modification to an outdated standard and will provide meaningful regulatory relief that benefits both consumers and lenders in facilitating the sale of residential real estate.

In the twenty-five years since the last adjustment to the residential real estate appraisal threshold, several trends in residential lending have developed which warrant an upward adjustment to the current threshold. In recent years, the number of licensed appraisers, particularly in rural areas, has decreased. As a result of this shortage, residential borrowers today often experience extended rate locks and delayed closings while they await appraisers' availability. Concomitantly, since 1994 the prices for residential real estate have increased as a result of inflation. According to the Standard & Poor's Case-Shiller Home Price Index, residential property valued at \$250,000 in 1994 was valued at \$641,191 in 2018. As compared to the residential real estate market in 1994, a higher volume of residential real estate today exceeds the current threshold requiring an appraisal, yet there are fewer appraisers to perform the work.

Our members sharply condemn abusive practices in the appraisal industry, such as falsified appraisals, which contributed to the housing market's overall decline during the 2008 economic recession. However, such abuses unfortunately occurred despite the \$250,000 appraisal threshold in place during the crisis. The incidence of appraisal fraud is not a consequence of a specific appraisal threshold and should not be cited as justification for maintaining an out-of-date threshold that does not comport with rising home values.

Appraisals and evaluations are both reliable tools available to lenders to evaluate borrowers' loan-to-value ratios. By requiring lenders to obtain an evaluation for residential real estate transactions below \$400,000, the proposed rule ensures consumers can obtain more timely and cost efficient valuations of real estate than under the current threshold. As the agencies note, the vast majority of mortgage loans originated in the United States are not subject to the proposed rule. While the agencies estimate that roughly three percent of all first-lien, single-family mortgage transactions will be subject to the rule, each exempt transaction represents significant relief for the affected consumers and lenders seeking to fulfill the American Dream of homeownership.

Should you have questions or wish to discuss these comments, please contact Jenna Stewart, Senior Regulatory Counsel at (202)552-6366 or jstewart@consumerbankers.com.

Sincerely,



Jenna M. Stewart
Senior Regulatory Counsel
Consumer Bankers Association