



August 25, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke St.
Alexandra, VA 22314-3428

RE: RIN3133-AE36 – Comments on Proposed Rule: Appraisals – Availability to Applicants and Requirements for Transactions Involving an Existing Extension of Credit

VIA ELECTRONIC MAIL: www.regulations.gov

The Michigan Credit Union League (MCUL), the statewide trade association representing 98% of credit unions located in Michigan and their 4.5 million members, appreciates the opportunity to comment on the National Credit Union Administration's (NCUA) proposal to amend Parts 701 and 722 of the NCUA's regulations regarding appraisal requirements. The MCUL is pleased to see the NCUA seeking parity with the Consumer Financial Protection Bureau's (CFPB) appraisal requirements under Regulation B and that of the Other Banking Agencies.

Copies of Appraisals to Requesting Applicants

The NCUA is requesting comment on if there are other real-estate related loan transactions that are covered under current 1002.14 or current 701.31(c)(5) that would not be covered if the proposed amendments to the rule were finalized. The NCUA's protections go beyond that of the CFPB's. The NCUA is proposing to amend section 701.31(c)(5) to narrow the scope of the current requirement to cover only loans secured by a subordinate lien on a dwelling. While the MCUL understands the NCUA does not want to limit the protections for Federal Credit Unions, by amending this section, the NCUA has made its rules inconsistent with the appraisal requirements for subordinate lien loans under 1002.14 of the CFPB's Valuations Rule.

The CFPB's Valuations Rule under Regulation B does not cover second liens and other subordinate loans and loans that are not secured by a dwelling (such as loans secured solely by land). The Valuations Rule has specific requirements for financial institutions in order to comply with the rules for loans secured solely by a first-lien on a dwelling, which the NCUA is adopting. The requirements include notification to the applicant in writing within three business days of application of the right to receive a copy of any appraisal developed in connection with the application; when processing an application for a closed-end loan, the credit union must deliver copies of appraisals and other written valuations "promptly upon completion," or three business days before consummation, whichever is earlier; when processing an application for an open-end loan, the credit union must deliver copies of appraisals and other written valuations "promptly upon completion," or three business days before account opening, whichever is earlier; the credit union cannot charge the applicant for copies of any appraisal or written valuation provided; however, the credit union can charge a reasonable fee to reimburse the cost of the appraisal or other written valuation if not otherwise prohibited by law; for applicants who waive the right to receive the required copies at least three business days before consummation or account opening, the credit union must provide the copies either at, or prior to, consummation or account opening.

The NCUA's rule under 701.31(c) (5), while amended to apply to only subordinate lien loans will state the appraisal shall be available for a period of 25 months after the applicant has received notice from the credit union of action taken by the Federal credit union on the real-estate related transaction while only making the appraisal available upon request. However, for a first lien transaction, an appraisal copy is required to be provided promptly upon completion.

With the NCUA maintaining appraisal requirements for subordinate lien loans for Federal Credit Unions, the requirements differ between NCUA and that of the CFPB's Regulation B Valuations Rule. The MCUL strongly encourages the NCUA to harmonize its proposed rule with the CFPB rule for first-liens, to avoid confusion and the risk of inadvertent non-compliance with either.

Exemption for Transactions involving an Existing Extension of Credit

Current 722.3(a)(5) exempts from the appraisal requirement transactions that involve an existing extension of credit at a Federally Insured Credit Union (FICU), provided that: (i) there is no advancement of new monies, other than funds necessary to cover reasonable closing costs, *and* (ii) there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction. Under the current regulation, for the exemption to apply, the transaction must satisfy both of the criteria above.

The MCUL applauds the NCUA's efforts in order to provide parity with the Other Banking Agencies appraisal requirements for certain transactions involving existing extensions of credit as finalized earlier this year. Proposed 722.3(a)(5) would exempt a transaction from the appraisal requirement in 722.3(a) provided that : (i) there is no advancement of new monies, other than funds necessary to cover reasonable closing costs; *OR* (ii) there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction, even with advancement of new monies, as reflected in the rules for the Other Banking Agencies.

Conclusion

The MCUL is pleased by the NCUA's efforts to modernize their regulations and better align them with the rules of the CFPB as well as those of the Other Banking Agencies, while also reducing costs for FICUs and their members, and removing outdated regulatory requirements. However, the MCUL encourages the NCUA to continue to take heed in reviewing comments submitted by credit unions and trade associations when proposing changes to regulations as to continue to assist credit unions and alleviate regulatory burden.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Ross', with a stylized flourish at the end.

Ken Ross
Executive Vice President & Chief Operating Officer