ICBA
INDEPENDENT COMMUNITY BANKERS *of* AMERICA®

September 9, 2013

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. R-1443

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA58
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, SW
Washington, DC 20024

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552
Re: Docket No. CFPB-2013-0020

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW
Suite 3E-218
Mail Stop 9W-11
Washington, DC 20219
Re: Docket ID OCC-2013-0009

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

Re: Appraisals for Higher-Priced Mortgage Loans—Supplemental Proposal

Dear Sir or Madam:

The Board of Governors of the Federal Reserve System, Bureau of Consumer Financial Protection (CFPB), Federal Deposit Insurance Corporation, Federal Housing Finance

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[1] *The Independent Community Bankers of America®, the nation's voice for more than 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.* With nearly 5,000 members, representing more than 24,000 locations nationwide and employing more than 300,000 Americans, ICBA members hold more than $1.2 trillion in assets, $1 trillion in deposits, and $750 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

Agency, Office of the Comptroller of the Currency and the National Credit Union Administration (Agencies) are proposing a rule, **Appraisals for Higher-Priced Mortgage Loans—Supplemental Proposal**, implementing the Truth in Lending Act (Regulation Z) to reflect implementation of appraisal requirements for "higher-risk mortgages" (referred to as HPML) as called for by the Dodd-Frank Act. This also relates to the Interagency Appraisals Final Rule which goes into effect on January 18, 2014. The Independent Community Bankers of America welcomes the opportunity to comment on the proposal.

<u>Extensions of Credit for $25,000 or Less</u>
The Agencies propose an exemption from the HPML appraisal rules for extensions of credit of $25,000 or less, indexed to inflation. ICBA strongly supports an exemption for small loans but most community bankers have told ICBA that the exemption should be set at $100,000. Standard appraisal costs are high ($350-$450 per loan) relative to the size of the loan yet the bank's exposure to loss is relatively low on small loans. Often these low cost properties are in smaller rural communities and community bank lenders have a good knowledge about properties in their area. We urge the Agencies to exempt all loans $100,000 or less from the HPML appraisal rules.

<u>Loans Secured by Manufactured Homes</u>
The Agencies are seeking information about how manufactured homes are valued. While some community banks sell loans they make on manufactured housing loans, more often they keep the loans in portfolio due to the relatively illiquid market for them. While the classification of these properties can vary from locality to locality, they can be treated as personal property if financed without land or until they are placed on land owned by the borrower or treated as real property and titled accordingly.

There are a variety of methods that community bankers use to estimate the collateral value on a manufactured home loan and generally more than one method is used and the methods used are highly dependent on the particular loan and property. Sources of information may include an appraisal or evaluation by a certified appraiser, an evaluation by a trained employee of the bank, the manufacturer's statement or invoice on new units, real property tax assessments, the purchaser's closing documents, and third party valuation services including the NADA Manufactured Housing Guide (some bankers make adjustments to guide valuations based on their location). In some banks, qualified bank employees will do an interior and exterior inspection as they feel that is the most accurate way to determine value. When selling loans, bankers predominately rely on an appraisal due to secondary market requirements. While some banks find that qualified appraisers can be readily engaged in their geographic area, others have difficulty finding appraisers or the appraisals are significantly more expensive and take longer to complete than the evaluations that the bank can do "in-house."

We urge the Agencies not to impose specific appraisal requirements such as requiring USPAP compliant appraisals with state licensed or certified appraisers for any loans secured by manufactured homes held in portfolio and to allow banks to continue to determine the best evaluation methods for institutional safety and soundness based on the particular loan and property and knowledge of the local market. Secondary market underwriting standards dictate the most appropriate valuation methods for those loans being sold. The same treatment should apply for refinances of all types. Because these are generally small loans, the cost of unnecessary appraisals can significantly raise the ultimate cost to the borrowers on these loans, borrowers who often have relatively low incomes.

<u>Definition of Business Day</u>
The Agencies propose to define "business day" to mean all calendar days except Sundays and the legal holidays. This is intended to make disclosure timing requirements consistent under the

existing Regulation Z and the CFPB's proposed rules for combining mortgage disclosures so that the timing of the HPML appraisal notice and the early mortgage disclosures must be provided at the same time and that the copy of the HPML appraisal and the final mortgage disclosures must be provided at the same time. ICBA agrees with this definition and supports the Agencies' efforts to provide consistent disclosure timing requirements where possible.

Implementation Date
The Agencies propose to adopt the exemptions contained in this proposal as of January 18, 2014. We urge that the Agencies delay implementation until January 18, 2015, given all of the other mortgage rules that become effective in January, 2014.

ICBA appreciates the opportunity to comment on the proposed rule. We would be happy to discuss our comments further with you. Please contact me at ann.grochala@icba.org or by phone at 202-659-8111.

Sincerely,

Ann Grochala
Vice President, Lending and Housing Policy
Independent Community Bankers of America