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June 9, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Minimum Requirements for Appraisal Management Companies

Dear Mr. Poliquin:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing regarding the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Bureau of Consumer Financial Protection (CFPB), and Federal Housing Finance Agency (FHFA) (collectively referred to as "the Agencies") request for comment on the proposed minimum requirements for appraisal management companies (AMC).

The Agencies have requested comment on, among other things, whether references to NCUA and insured credit unions should be removed from the definition of "federally regulated AMC" and other parts of the final regulation to clarify that AMC CUSOs do not qualify under the proposed definition of "federally regulated AMC." NAFCU believes that references to NCUA and insured credit unions should be removed in order to provide a clearer understanding of the proposed rule.

Under section 1124(c) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), an AMC that is a subsidiary owned and controlled by an insured depository institution or an insured credit union, and that is regulated by a federal financial institution's regulatory agency is not required to register with a State. Accordingly, the Agencies seek to

define such an AMC under the proposed rule as a "federally regulated AMC." Specifically, the proposed rule would define "federally regulated AMC" as:

> "an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813, or an insured credit union, as defined in 12 U.S.C. 1752, and that is regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the National Credit Union Administration, or the Federal Deposit Insurance Corporation."

As the Agencies noted in the preamble of the proposed rule, NCUA does not directly oversee or regulate any subsidiaries owned and controlled by credit unions. Instead, NCUA's Rules and Regulations permit federal credit unions to invest in or lend only to credit union service organizations (CUSOs). 12 CFR Part 712. NCUA does not, however, directly regulate or oversee CUSOs. Therefore, under the proposal, AMC CUSOs, whether owned by a state or federally chartered credit union, are not considered to be regulated by NCUA and therefore would fall outside the definition of "federally regulated AMC."

NAFCU believes that proposed definition of "federally regulated AMC" creates undue confusion for credit unions and the credit union industry. As discussed above, AMC CUSOs will not qualify under the proposed definition of "federally regulated AMC" because they are not regulated by NCUA. The definition therefore should not reference NCUA or insured credit unions as these references could cause unnecessary confusion for AMC CUSOs. To ensure that AMC CUSOs clearly understand that they are required to register with a State because they do not qualify under the proposed definition of "federally regulated AMC," the Agencies should remove references to NCUA and insured credit unions from all parts of their final regulations.

NAFCU would also like to take this opportunity to reiterate our concerns with other aspects of the NCUA's appraisal requirements. Under the CFPB's final appraisal rule, which became effective on January 18, 2014, credit unions are required by Regulation B to provide an applicant a copy of all appraisals and other written valuations developed in connection with an application for credit that will be secured by a first lien on a dwelling. NCUA's Rules and Regulations, however, also impose a duty on credit unions to make, at the request of the member, copies of appraisal used for that member's real estate-related loan application available for up to 25 months. 12 CFR 701.31(c)(5). NAFCU continues to hear from its members that these inconsistent requirements present a burden on credit unions. They require credit unions to provide appraisals, for first lien loans on a dwelling to a member at his or her request for more than two years even though the member will be given a copy by the credit union at the time of the appraisal. As NAFCU outlined in its "Dirty Dozen" list of regulations to eliminate or amend, NAFCU and its members believe that these requirements are unnecessarily duplicative and burdensome on credit unions, and provide little to no benefit for credit union members given the CFPB's appraisal final rule.

In its 2013 Regulatory Review, NCUA's Office of General Counsel recommended that the NCUA Board eliminate any redundant NCUA requirements on credit unions to provide copies of appraisals upon request. NAFCU encourages the agency to implement this recommendation.

In addition, NAFCU urges NCUA to revisit provisions in Part 722 that pertain to appraisal requirements for loan modifications, renewals, and financing. Currently, §722.3(a)(5) parts (i) and (ii) do not require an appraisal when a credit union is modifying or renewing an existing extension of credit when two conditions are present: 1) when there are no new funds advanced beyond normal closing costs, and 2) when 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 collateral protection. The December 2010 *Interagency Appraisal and Evaluation Guidelines*, however, allows other financial institutions to select between these two conditions. In its 2013 Regulatory Review, NCUA's Office of General Counsel noted that NCUA subscribes to this guidance, and recommended that the NCUA Board make a technical change to the regulation to change the word "and" to the word "or." NAFCU encourages the agency to implement this recommendation because the current regulation sets a standard that is stricter than other regulatory agencies and puts credit unions members at distinct disadvantages to banks consumers.

NAFCU appreciates the opportunity to comment on this proposed rule. If you have any questions or concerns, please feel free to contact me at anealon@nafcu.org or (703) 842-2266.

Sincerely,

Alicia Nealon
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