NATIONAL ASSOCIATION of REALTORS®

Tom Salomone
2016 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Scott Reiter, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194; Fax 202-383-7580
www.REALTOR.org

March 11, 2016

Federal Financial Institutions Examination Council
c/o Judith E. Dupree
Executive Secretary
L. William Seidman Center
Mail Stop: B-7081a
3501 Fairfax Drive
Arlington, VA 22226-3550

RE: [Federal Register Notice 80 FR 79724] Economic Growth and Regulatory Paperwork Reduction Act review; Rules of Procedure, Safety and Soundness, and Securities

To the members of the Federal Financial Institutions Examination Council:

I am writing on behalf of the over 1.1 million members of the National Association of REALTORS® (NAR) to provide comment on appraisal related regulations being reviewed under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). NAR appreciates this opportunity to state our support for the current threshold level for requiring real estate appraisals in federally related transactions. NAR would also like to take this opportunity to thank you for issuing the March 4, 2016 Interagency Advisory on Use of Evaluations in Real Estate-Related Financial Transactions, reaffirming the current threshold level of $250,000.00.

The National Association of REALTORS® (NAR) is America's largest trade association, including our eight affiliated Institutes, Societies and Councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 30,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock and making it available to the widest range of potential homebuyers.

Currently, real estate appraisals are required for real estate loans with a transaction value equal to or greater than $250,000. NAR believes increasing the appraisal threshold levels would undermine the health of the real estate lending industry as a whole. As NAR states in its Responsible Valuation Policy, a trustworthy valuation of real property ensures the real property value is sufficient to collateralize the mortgage, protect the mortgagor, allow secondary markets to have confidence in the mortgage products and mortgage backed securities, and build public trust in the real estate profession.

According to NAR's research, in 2015, there were 1,591,357 existing single-family homes sold for between $250,000 and $500,000. This equals about 30% of the total home sales in 2015. Compared to that number, only 632,509 existing single-family homes sold for over $500,000 in 2015. In addition, only 5 out of 180 U.S. metropolitan areas had a median existing single-family home value above $500,000. Increasing the appraisal threshold to $500,000, which some in the industry have suggested, would severely reduce the number of appraisals required in residential real estate transactions in many communities, putting into question the safety and soundness of those transactions, as well as the well-being of neighborhoods in which those loans are made. NAR members are concerned about the varying quality of valuation tools used by

EQUAL HOUSING OPPORTUNITY

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

lenders for transactions that fall outside of the federal requirements for an appraisal. Some of the on-line automated valuation tools available today are not sophisticated enough to be relied on for an accurate valuation of real property. Should the appraisal threshold be raised, lenders relying on these estimating tools could be severely under- or over-estimating a property's value in a number of real estate transactions.

Raising the appraisal threshold level would likely increase the levels of risk lending institutions have to manage. When the Government Accountability Office (GAO) investigated this issue[1], GAO found no support for raising the current threshold. Rather, GAO reported that many stakeholders supported the reduction or elimination of current threshold levels, helping to improve risk management and providing better consumer protection. In interest of safety and soundness, NAR asks that the appraisal threshold remains at $250,000 for real estate loans.

Thank you again for your consideration of these matters. If I may be of any assistance to you, please do not hesitate to contact me or our Regulatory Policy Representative, Sehar Siddiqi, at (202) 383-1176 or SSiddiqi@REALTORS.org.

Sincerely,

Tom Salomone
2016 President, National Association of REALTORS®

[1] See *Real Estate Appraisals: Appraisal Subcommittee Needs to Improve Monitoring Procedures*. January 2012. Available at http://gao.gov/assets/590/587735.pdf