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Comments:

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Your comment:Thank you for the opportunity to comment on this potential change. The Agencies have proposed establishing a separate commercial real estate loan appraisal threshold level at \$400,000 and have invited comments on potential increases in the residential loan and business (owner occupied) loan appraisal threshold levels.

Increasing the appraisal threshold levels will increase risk to the banking system and conflict with safety and soundness goals. The proposed increase to the commercial real estate appraisal threshold level is particularly concerning given recently prices increases in the commercial real estate market and recent problems with risk management in commercial real estate, particularly amongst community banks. Bank failures are frequently contributed by lax risk management, particularly by smaller community banks. The Agencies' proposal sends the wrong message at the worst time, when concerns about a commercial real estate bubble have increased, supported by significant price increases. If anything, the bank regulators should be emphasizing stronger risk management activities - not loosening a fundamental risk management obligation.

These concerns are shared by those closest to the issue - chief appraisers and appraisal managers within banks - who disagree with raising the \$250,000 threshold level, and overwhelmingly disagree with raising the \$1 million business loan appraisal threshold level. Chief appraisers and appraisal managers agree that increasing the appraisal threshold levels will increase risk to borrowers and lenders.

Increasing this threshold provides an opportunity for disaster in many areas outside of urban metropolitan areas. This change would not only provide an avenue for less qualified and credible appraisals to serve these areas, but also likely become the benchmark of valuation for the more suburban and rural areas. The appraisal process is influenced by the complexity of the assignment. Strong understandings of demand generators, income analysis, highest and best use are fundamental in providing credible products to customers. My fear is that increasing the threshold will allow more decisions to be based on less credible or weakened analysis. Thus, increasing risk to the lender, borrower, and any participating in the transactions (ultimately stockholders and taxpayers).