

August 29, 2017

Office of the Comptroller of the Currency
Re: Docket No. OCC-2017-0011

Federal Reserve System
Docket No. R-1568
RIN 7100 AE81

Federal Deposit Insurance Corporation
RIN 3064-AE56

Re: Threshold for Real Estate Appraisals

On behalf of the Kansas Bankers Association (KBA), thank you for the opportunity to provide comment on the proposal to increase the threshold at or below which appraisals would not be required for commercial real estate transactions from \$250,000 to \$400,000.

KBA's membership includes 99% (250 of 252) of the commercially chartered banks headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks and 6 savings and loans operating in Kansas. Our member banks employ more than 13,000 Kansans that provide financial services in more than 400 towns and cities across the state. KBA member banks range in size from \$6.4 billion to \$4.5 million in assets. Nearly one-third of all Kansas banks have 15 employees or fewer. Kansas chartered banks currently employ approximately 14,300 Kansans.

The KBA has had as one of its priorities for the past two years, helping to assure that there are qualified appraisers available in all four corners of the state. Member banks report to us that there is a critical shortage of appraisers in the state—especially in the more rural areas. Stories of waiting six months for an appraisal are not uncommon. Appraisers sometimes travel several hundred miles to do the appraisal which adds significant cost to the appraisal.

And we fear that this problem is worsening quickly. The average age of appraisers in many areas of the state is 60+ years old, and there are very few entrants into the field. As we move further away from the recession and loan demand continues to grow, the lack of real estate appraisers will become a great burden on both lenders and customers. This shortage will also have a detrimental impact on state and local economies by delaying and stifling real estate transactions.

We believe that the proposal to increase the threshold at or below which an appraisal is required on commercial real estate is a tool that will help alleviate the frustration caused by delays in the loan process due to lack of local appraisers without causing any threat to the safety and soundness of member banks. As stated in the proposal, this threshold was most likely appropriate in 1994 when it was last visited. Since then, the price of commercial real estate has generally increased so that it makes sense to index the threshold based on a blending of the CRE Index over the past almost 25 years.

Generally speaking, the KBA would also urge a future review of the threshold for residential real estate transactions. While we understand the concern that "imprudent residential mortgage lending can provide significant risks to financial institutions", evaluations completed by independent (of the loan transaction) employees must be sufficient to justify the decision to enter into the transaction. That justification has to be made not only to the institution's own loan committee and board of directors, but also to its prudential regulators. In addition, requiring an appraisal adds a cost to the transaction that may lessen the appeal of homeownership on the part of the consumer, and in some areas, may add a delay to the completion of the transaction.

In conclusion, the KBA greatly appreciates the move to update the threshold for requiring appraisals on commercial real estate transactions, and urges the continued review of other thresholds as well.

Sincerely,

Charles A. Stones
President

Kathleen A. Taylor
SVP-General Counsel