

# SchoolsFirst™

FEDERAL CREDIT UNION

December 29, 2008

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Proposed Interagency Appraisal and Evaluation Guidelines

Dear Ms. Rupp,

SchoolsFirst Federal Credit Union serves school employees in Southern California. We have more than 400,000 Members and \$7.7 billion in assets. SchoolsFirst FCU is pleased to have the opportunity to comment on the joint Agencies' proposed guidelines for appraisals and evaluations.

We would like to comment specifically on two of the issues which the NCUA has requested comment on.

- Would the use of automated tools and sampling methods that Guidelines allow for reviews of appraisals or evaluations supporting lower risk single-family mortgages be appropriate for other low-risk mortgage transactions? Can appropriate constraints be placed on these methods to ensure the integrity of the appraisal process for these transactions?

Automated valuation models (AVM) serve the useful function of allowing a credit union to analyze lower risk loans using reliable methodology and without the necessity of passing on the added expense of a full appraisal to its Members. SchoolsFirst Federal Credit Union currently utilizes AVMs on certain lower risk open-end home equity line of credit (HELOC) programs. We have had extremely positive results through this usage.

We see no reason why the use of AVMs should not be permitted in low LTV, owner-occupied mortgage transactions as long as safeguards are in place to ensure that the AVM being relied upon yields a true representation of the value of the subject property. These safeguards should include the use of AVMs which include "confidence scores" as a separate result in addition to the automated property value. A low confidence score would serve as a strong indication to the lender that further value analysis should be undertaken as part of underwriting due diligence.

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Another safeguard which could be implemented is having vendor representatives from the AVM companies conduct thorough training with a lender's underwriting staff so that the underwriters may better understand the subtleties of each AVM product. By doing so, the underwriting staff would be better equipped to address potential red flags in the valuation results.

The ten due diligence criteria delineated in the Proposed Guidelines to address the selection of a specific AVM, provides ample guidance to lenders as to what must be examined prior to employing the use of an AVM. By following these criteria, it would be difficult to imagine a situation where the use of an actual field appraisal would yield a result superior to that of an AVM in the case of a lower-risk mortgage.

- For credit unions, AVMs may be used to meet the requirement to provide an evaluation of value, as long as there is also a review by a loan officer or person with knowledge, training and experience in the real estate market in which the loan is being made. Do you agree with this requirement, which does not appear to be required by federal banking agencies?

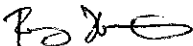
By their very nature, most credit unions have a clearly defined field of membership and their real estate lending area is constrained by their field of membership. Our credit union, for example, has a field of membership limited to employees of learning institutions and their immediate families. Membership is further limited to residents of 10 specific counties. We do not lend on real property located outside the State of California. Other credit unions have even more defined fields of membership and lending areas.

These limitations on membership and lending area make credit unions unique from most banks and other lending institutions in that we have the distinct ability to familiarize ourselves with our real estate lending area to an extent that national institutions cannot. For example, we are more adept at tracking valuation trends and aberrations in particular counties because we can focus our resources in those counties as opposed to monitoring trends in all 50 states, as many larger institutions must.

For these reasons, we would agree with the appraisal exemption given to credit unions in the Proposed Guidelines. Our lending managers and higher level personnel have extensive knowledge, training and experience in the markets in which we lend and thus, are uniquely qualified to review AVMs for accuracy and reliability.

Thank you again for the opportunity to express our views on these Proposed Guidelines.

Sincerely,



Rudy Hanley  
President/CEO  
SchoolsFirst Federal Credit Union

cc: Credit Union National Association (CUNA)  
California/Nevada Credit Union League (CCUL)