

From: Union Bankshares Corporation, Douglas F. Woolley, III and Deborah A. Richardson
Subject: Appraisal and Evaluation Guidelines

Comments:

January 15, 2009

Jennifer J. Johnson, Secretary

Board of Governors of the Federal Reserve System

20th Street and Constitution Ave., NW

Washington, DC 20511

Re: Proposed Interagency Appraisal and Evaluation Guidelines (11/13/08)
Docket No. OP-1338

Ms. Johnson:

Union Bankshares Corporation (UBSH) appreciates the opportunity to respond to the Proposed Interagency Appraisal and Evaluation Guidelines, dated November 13, 2008 (Proposed Guidelines). Our organization, headquartered in Bowling Green, Virginia, has three subsidiary banks, two of them state-chartered (Union Bank and Trust Company and Northern Neck State Bank) and one federally-chartered (Rappahannock National Bank).

Our comments are focused on two sections of Appendix B - Evaluation Alternatives in the Proposed Guidelines:

1. Evaluation Alternatives - Automated Valuation Model (AVM): The validation testing requirement, as described in the proposal, would be extremely difficult for smaller institutions to practically implement. With the AVM use in many cases for home equity products, there is never sales data that occurs from the transaction to go back and confirm if the AVM value correlated to the market or sales price.

In order to complete the proposed validation testing, the bank would have to pull a large volume of loans where AVMs were used for valuations and then presumably either order appraisals on them or find some other type of valuation with which to compare. The cost of this could obviously prohibit many smaller institutions from being able to use the AVM products and put the banks at a competitive disadvantage with their larger counterparts.

In researching the AVM provider UBSH ultimately selected, the provider gave references from other banks that use their services. Because of its size, one of the references has the ability to pull hundreds of AVMs for sample testing against appraised values, AVM values from other providers it uses, and sales

data on a semi-annual to annual basis. However, they do not require the type of site inspections and lender involvement with transactions that smaller institutions require to help mitigate risk.

UBSH uses a cascade of four AVMS, as well as the provider's Alternative Valuations Products (AVP). The AVPs consist of a real estate professional being sent to the site for either an exterior only inspection or an interior/exterior inspection and then returning a value based on the inspection in conjunction with sales comps and public record data. The AVM and AVP products provide sales comps on the reports, which the bank reviews for compatibility with the subject properties.

As a matter of policy, we accept the use of AVMs and AVPs in providing valuations for all residential properties that meet the criteria for an appraisal exemption, including low dollar loans (\$250,000 and under) and those that fall under the exemption for Renewals, Refinancings and Other Subsequent Transactions. We also use these products as validation methods for lenders that believe an older residential appraisal provides a suitable current market valuation.

2. Evaluation Alternatives - Tax Assessment Valuation (TAV): As with AVMs, smaller institutions that lend in multiple tax jurisdictions will have a difficult time performing the analysis required in the proposed guidelines. Our organization only uses TAVs when an AVM or AVP is unavailable and the transaction amount is \$250,000 and under. In these cases, we depend on the loan officer's knowledge of the market to determine whether TAVs in their jurisdiction correlate to market value. In general, those jurisdictions that assess annually follow market trends, while those that assess less frequently do not.

The level of analysis required in the guidelines may be cost prohibitive to smaller institutions lending in multiple jurisdictions and put these institutions at a competitive disadvantage.

Thank you for your thoughtful consideration of our comments.

Respectfully yours,

Union Bankshares Corporation
Executive Vice President and Chief Credit Officer
Union Bankshares Corporation
211 N. Main Street
Bowling Green, Virginia 22427

Deborah A. Richardson
Vice President and Appraisal Review Officer
Union Bankshares Corporation