From: Beverley Rutherford [beverley.rutherford@vacu.org]
Sent: Tuesday, January 20, 2009 4:51 PM
To: _Regulatory Comments
Subject: Proposed Interagency Appraisal & Evaluation Guidelines (related to 12 CFR Part 722)

Thank you for the opportunity to comment on the proposed changes to appraisal and evaluation guidelines. I am responding on behalf of the largest state chartered credit union located in Virginia. After review of the proposed changes, we offer the following comments:

- We would appreciate clarification on the separation of duties with regards to the review of the appraisal. It is standard practice in our organization for the individual who issued loan approval to be the same individual who reviews the appraisal. Clarification would be appreciated to further explain whether "involved in the appraisal or evaluation" includes the setting of a closing condition or is it limited to the selection of the appraiser? For small to mid-size credit unions separating the underwriter from home valuation may result in increased costs with unclear benefits.
- The guidelines detail risk management expectations and controls in the evaluation process. With regards to AVM's, they are primarily used to determine value on properties for subordinate liens which are usually of a smaller amount than first mortgage loans, thus saving costs in establishing the loan and reducing time to closing for the member. We contract with third party vendors to provide an estimate of value based on these models and rely on their expertise in determining the confidence level. Requiring credit unions to perform extensive due diligence as outlined in the proposal would increase the costs and burden to such a level as to prohibit their use.
- We respectfully disagree with the use of AVMs 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. The purpose of relying on an AVM is to reduce both the processing time and costs to establish a subordinate lien when obtaining a reasonable value for the property. Requiring an independent review of an AVM will likely result in delays in the time needed to close a subordinate loan, placing credit unions at a competitive disadvantage. Although we agree that all lenders should be prudent with the method they use to value properties, this review requirement will result in increased staffing costs, closing costs, as well as higher fallout rates of loan production applications--a burden that would not be shared by other lending institutions. Additionally we question the need for this since default rates experienced by the credit union industry appear to be less than that of other lending institutions.

Thank you again for the opportunity to comment on the proposal. Should you have any questions about our comments, please feel free to contact me.

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