



January 23, 2009

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

RE: Proposed Interagency Appraisal and Evaluation Guidelines

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the request for comments by the National Credit Union Administration (NCUA), Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (collectively, "the Agencies") regarding proposed Interagency Appraisal and Evaluation Guidelines (proposed guidelines).

The proposed guidelines would supersede the 1994 Interagency Appraisal and Evaluation Guidelines (1994 Guidelines). NCUA was not a party to the 1994 Guidelines, but is participating in the proposed guidelines. NAFCU generally supports the proposed guidelines because they integrate guidance and other policy documents, and incorporate content that address advances that have taken place in the appraisal and lending industries. We also believe that the guidelines provide clarification on existing regulations on appraisals and evaluations. We would, however, like to take this opportunity to provide the following specific comments.

NAFCU commends the NCUA for being a part of the proposed guidelines. We believe consistent guidelines applicable to participants across the mortgage lending market are important. In the case of real estate appraisals and evaluations, since credit unions are subject to essentially and materially the same regulations as other regulated financial institutions that engage in mortgage lending, we believe it is important that similar guidelines are provided to credit unions and other regulated market participants throughout the mortgage lending market.

Supervisory Policy

The proposed guidelines provide that examiners will review credit unions' appraisal and evaluation policies and procedures as part of the examination process of the overall real estate related activities. Examiners would specifically consider the size and complexity of the institution when assessing the appropriateness of the program.

NAFCU supports the Agencies' consideration of the size and complexity of the institution. We believe that a one-size-fits-all approach would unfairly burden smaller and less complex institutions. The proposed approach would avoid this result. While we support this approach, we strongly urge the NCUA to ensure that examiners are properly trained so that they do not fail to take into account this component of the regulations and the guidelines. In this regard, we would like to point out that relevant sections of NCUA's Examiner's Guide do not presently include discussion that an examination should be conducted with consideration to the size and complexity of the credit union's real estate lending operations. We urge the NCUA to make appropriate changes to the Examiner's Guide.

Appendix B – Evaluation Alternatives

Appendix B contains discussion on evaluation alternatives. These include the Automated Valuation Model (AVM) and Tax Assessment Valuation. For lending institutions subject to the proposed guidelines, with the exception only of credit unions, AVMs can be used as an alternative, either alone or in conjunction with other supplemental information. Those institutions that are not subject to NCUA's regulations are encouraged to establish standards and procedures for independently validating an AVM's results on a periodic basis.

NAFCU recommends that NCUA removes the requirement that allows credit unions to use AVMs only if used in conjunction with a review by a loan officer or a person with knowledge, training and experience in the real estate market where the loan is being made. *See* 12 C.F.R. § 722.3(d). We recognize that prudent standards and procedures could include independent review. However, especially given credit unions' proven track record in lending practices, the regulatory requirement is unnecessary. We do not believe that credit unions should be subject to any more stringent regulations on evaluation alternatives than other regulated lending institutions. NCUA, thus, should make the necessary changes to remove the requirement.

NAFCU appreciates this opportunity to share its comments on the proposed guidelines. Should you have any questions or require additional information please call me at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,



Tessema Tefferi
Associate Director of Regulatory Affairs