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September 25, 2017

Mr. Keith A. Noreika  
Acting Comptroller of the Currency  
Office of the Comptroller of the Currency  
U.S Department of Treasury  
400 7th Street, SW  
Washington, DC 20219

The Honorable Martin J. Gruenberg  
Chair  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20249

The Honorable Janet Yellen  
Chair  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave, NW  
Washington, DC 20551

*Submitted via: [www.regulations.gov](http://www.regulations.gov)*

RE: Appraisal Threshold for Commercial Real Estate Transactions, Docket ID OCC-2017-0011

Dear Acting Comptroller Noreika, Chair Yellen and Chair Gruenberg:

On behalf of the over 1.2 million members of the National Association of REALTORS® (NAR), I thank you for the opportunity to comment on the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency (collectively, the Agencies) proposal to increase the current appraisal threshold for federally related commercial real estate transactions from \$250,000 to \$400,000. NAR agrees with the Agencies that an increase to the commercial appraisal threshold is appropriate at this time.

The National Association of REALTORS® is America's largest trade association, representing over 1.2 million members, including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. Membership is composed of residential and commercial brokers, salespeople, property managers, appraisers, counselors, and others engaged in the real estate industry who belong to NAR and agree to comply with NAR's strict Code of Ethics. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®. REALTORS® are essential to consumers, providing expertise and guidance during the home buying process.

Appraisals are integral to the safety and soundness of the real estate industry. As NAR states in its *Responsible Valuation Policy*, a trustworthy valuation of real property ensures the real property value is sufficient to collateralize the mortgage, protect the mortgagor, allow secondary markets to have confidence in the mortgage products and mortgage-backed securities, and build public trust in the real estate profession. Many transactions require, and should continue to require, traditional Uniform Standards of Professional Appraisal Practice (USPAP) compliant appraisals due to the collateral risk involved to consumers and lenders. However, NAR also believes in the need for an efficient real estate market to support a healthy economy, and understands certain real estate transactions are well served through alternative valuation methods. NAR supports



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increasing the commercial appraisal threshold for federally related transactions from \$250,000 to \$400,000, which would improve transaction time and cost for many properties and consumers, without destabilizing the housing market.

The proposed increase of the commercial appraisal threshold from \$250,000 to \$400,000 represents an appropriate assessment of inflation since 1994, when the commercial threshold level was last raised, as demonstrated by the Agencies in the supplementary information of the proposed rule. More importantly, the value of commercial transactions has increased such that the number of commercial properties that this increase will affect does not undermine the safety and soundness of the commercial real estate market. According to the information provided by the Agencies, the number of loans affected would likely number 1,504 to 4,040 per year, a relatively small number of transactions in the commercial space. The estimated benefit to borrowers is substantial, with the Agencies assuming a reduction in loan origination cost to borrowers of \$1.5 to \$4.0 million per year. Commercial buyers tend to be larger entities, with the capital to withstand detrimental financial events and shifts in the market.

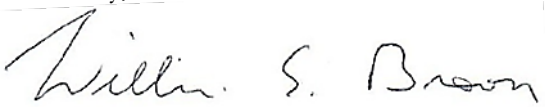
While supportive of an increase to the commercial appraisal threshold, NAR does not support raising the current \$250,000 appraisal threshold for residential federally related transactions. According to NAR's research, in 2016, there were 1,730,000 single-family homes sold for between \$250,000 and \$500,000. This equals 31.7% of the existing single-family homes sold in 2016. In addition, 700,000 existing single-family homes sold for over \$500,000, representing 12.5 percent of existing single-family homes sold in 2016. Only 5 out of 180 U.S. metropolitan areas had a median existing single-family home value above \$500,000. Given these numbers, removing the safeguards provided by a traditional USPAP compliant appraisal for this high number of properties would seriously undermine the collateral risk of the housing market, which could adversely affect the entire economy.

For most homebuyers, a home is the largest purchase and savings investment they will make in their life. Residential borrowers are not only putting their financial interests into a house, but are also tying their and their families' well-being into the homes and the communities that the transaction involves. NAR is concerned that the varying quality of valuation tools used by lenders in non-USPAP compliant valuations will incorrectly assess collateral risk and lead to great harm to residential borrowers. Some of the on-line automated valuation tools available today are not sophisticated enough to be relied on for an accurate valuation of real property. Should the residential appraisal threshold be raised, lenders relying on these estimating tools could be severely under- or over-estimating a property's value in a number of real estate transactions, putting into question the safety and soundness of those transactions, as well as the financial well-being of neighborhoods in which those loans are made.

The stability of the housing market is of vital importance for NAR, its members, and American consumers. The current threshold for commercial appraisals does not reflect the current reality of the value of most commercial properties in the US. Raising the appraisal threshold to \$400,000 would more accurately mirror the valuation of the commercial building stock. Deals would move with better efficiency and less cost to borrower, especially in the \$250,000 to \$400,000 value range, because of the raised threshold. At the same time, NAR believes that the residential appraisal threshold value of \$250,000 is appropriate, given how many homes are valued in this price range. An USPAP compliant appraisal of a home's value gives security to lenders, protects the homeowner, and ensures stability in the housing market.

Thank you for the opportunity to share NAR's views on the proposed rulemaking. If I may be of any assistance to you, please do not hesitate to contact me or our Regulatory Policy Representative, Sehar Siddiqi, at (202) 383-1176 or [SSiddiqi@REALTORS.org](mailto:SSiddiqi@REALTORS.org).

Sincerely, \_\_\_\_\_



William E. Brown

2017 President, National Association of REALTORS®