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April 6, 2018

Arthur Lindo
Chairman, Appraisal Subcommittee
1401 H Street NW, Suite 760
Washington, DC 20005

RE: Request for a Temporary Waiver, Docket ID ASC-2018-0004-0001

Dear Chairman Lindo:

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), I submit this letter in response to the Appraisal Subcommittee's (ASC) Request for Comment on Tri-Star Bank's application for a waiver of appraisal requirements for commercial Federally Related Transactions in the Nashville MSA including Davidson, Dickson, Maury, and Williamson counties. While NAR recognizes that the real estate market might sometimes need extreme governmental intervention to function properly, the current situation as presented by Tri-Star Bank does not meet that standard. NAR believes a blanket waiver of appraisals for all commercial Federally Related Transactions would adversely affect the greater real estate market and the secondary mortgage market.

The National Association of REALTORS® is America's largest trade association, including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock and making it available to the widest range of potential homebuyers.

NAR understands and appreciates that an efficient real estate market is essential to support a healthy economy. For certain real estate transactions a traditional appraisal may not always be necessary and alternative valuation methods can offer solid collateral support without compromising safety and soundness. For example, NAR recently supported increasing the commercial appraisal threshold for Federally Related Transactions from \$250,000 to \$400,000. NAR supported this increase given the state of the commercial real estate market as a whole and the need for adjustment of the appraisal threshold based on historic pricing and the effect of inflation. However, NAR disagrees with Tri-Star Bank's request for a blanket waiver of traditional appraisal requirements for all commercial Federally Related Transactions. 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. In addition, the soundness of the mortgage-backed securities (MBS) derived from these loans will be circumspect. Investor confidence in the MBS market will be compromised by a complete lack of appraisals in these transactions.

Tri-Star is asking the ASC for commercial appraisal relief under 12 U.S. Code § 3348 (b) which requires demonstrating a *"scarcity of certified or licensed appraisers to perform appraisals in connection with federally related transactions in a State, or in any geographical political subdivision of a*



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State, leading to significant delays in the performance of such appraisals.” Tri-Star argues that there is a scarcity of appraisers given the increase in wait-times and costs for commercial appraisals in recent years. In support of this, Tri-Star has provided information of their own commercial transactions in Nashville and the surrounding areas, but not information on commercial transactions for the area generally. According to the Tennessee Department of Financial Institutions 2016 Annual Report, Tri-Star did not even have the most loans total in Dickson, TN, where they are based, yet they chose to rely solely on their limited market data in asking for the appraisal waiver. Nor does the information provided give a sense of why valuation of some properties had longer delays or were more costly. Were these properties unique? Was there a lack of reasonable comparable sales? The information provided by Tri-Star, which is by no means an independent and bias-free source of data, does not answer those questions.

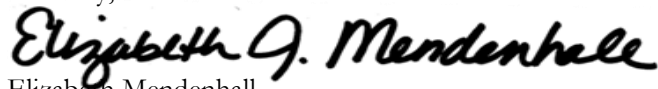
Had Tri-Star provided an assessment by an independent source demonstrating that commercial properties faced long wait times and large costs that could not be accounted for by other factors such as unique or unusual property details and/or a lack of comparable sales, then the next step would be assessing whether there are enough appraisers to supply market need. However, that baseline has not been met. In addition, reliance on the information provided by Tri-Star should also be of concern as the Tennessee Department of Commerce and Insurance noted in their letter of January 23, 2018 that Tri-Star provided an inaccurate count of the general certified appraisers in the four counties of interest to this request. While some of these wait-times and costs are unfortunate for the particular Tri-Star borrowers, by no means does the information provided by Tri-Star suggest an overall scarcity of appraisers in the Nashville MSA and related counties resulting in significant delays and increased costs.

As part of the request for appraisal relief, Tri-Star proposes alternatives to using a general certified appraiser for commercial transactions. Specifically, in Tri-Star’s initial request dated November 20, 2017, Tri-Star suggests that a REALTOR®¹ could be used to obtain a property value. While the NAR Responsible Valuation Policy supports REALTORS® developing well-researched non-appraisal opinions of value for use in short sales, foreclosures, and loan modifications, the policy cautions against using such opinions for purchase transactions. Perhaps Tri-Star should have reached out to NAR before stating that REALTORS® would be willing to engage in activity that NAR policy suggests would not be in the best interest of its members or the housing market as a whole. NAR is also concerned with the ability for Tri-Star to develop independent assessments of value with the suggested alternative of using a of single Tri-Star employee to utilize MLS data to determine appropriate value.

Tri-Star Bank’s request for a blanker waiver of traditional appraisals in all commercial Federally Related Transactions for Nashville and its surrounding areas would severely undermine confidence in the quality of those loans and by extension, any securities structured on those loans. Much of the regulation enacted after 2008 to prevent another economic failure of the housing market is related to ensuring real estate transactions are supported by sound, independent, and quality valuations. Any potential step to reduce those safeguards must be evaluated carefully and with prudence, and not allowed simply because one market player is unhappy with their personal book of business.

Thank you for the opportunity to comment on this matter. If I may be of any assistance to you, please do not hesitate to contact me or NAR Policy Representative, Sehar Siddiqi, at (202) 383-1176 or SSiddiqi@REALTORS.org.

Sincerely,



Elizabeth Mendenhall

2018 President, National Association of REALTORS®

¹ As a side note, in their official request Tri-Star Bank did not properly designate the term “REALTOR®” or “REALTORS®” with appropriate capitalization and trademark notation.