On Interagency Proposed Appraisal Threshold for Transactions Secured by Commercial Real Estate

COMMENT LETTER

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The Conference of State Bank Supervisors ("CSBS" or "state regulators") is the nationwide organization of state regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. Each member state banking agency that CSBS represents has a comprehensive understanding of the local economy and the firms that service that economy. In fact, states are the chartering authority and primary regulator for 78% of the nation's banks, a figure that represents 4,537 institutions with over $5.3T in assets. State agencies are also the primary regulators of over 20,000 nondepository financial services providers, including: residential mortgage lenders and servicers, money service businesses and money transmitters, debt collectors, consumer and small dollar loan lenders, and emerging and established financial technology companies.

State regulators appreciate the opportunity to comment on the proposed rulemaking introduced by the OCC, Board and FDIC ("the Agencies") to amend the Agencies' regulations requiring appraisals of real estate for certain transactions. The proposal does not increase the threshold for residential real estate transactions, but solicits feedback as to how the threshold can be increased, consistent with consumer protection, safety and soundness, and reduction of unnecessary regulatory burden. The proposal aims to increase the threshold level at or below which appraisals would not be required for commercial real estate ("CRE") transactions from $250,000 to $400,000.

Based on supervisory observation and discussion with regulatory stakeholders, state regulators have the following recommendations to improve the efficiency of interagency appraisal regulations and reduce regulatory burden, and suggest that the Agencies:

- Raise the threshold for transactions secured by residential real estate to reflect inflation and average transaction values;
- Address limited appraiser availability in rural states by amending appraiser credentialing requirements and clarifying the Title XI waiver process; 2
- Provide a de-minimis exemption from residential appraisal regulations for banks that make and retain a limited number of mortgage loans in portfolio;
- Evaluate the effectiveness of a threshold increase to $400,000 utilizing more granular analysis; and
- Clarify the applicability of business-loan exemptions for small and medium sized agricultural borrowers that are not passive land investors.

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