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March 1, 2016

TO: Members of the Federal Financial Institutions Examination Council

RE: Appraisal Regulations Related to the Economic Growth and Regulatory Paperwork Reduction Act.

The National Association of Appraisers (NAA) represents over 1,500 appraisers in all 50 states and is one of the fastest growing appraiser organizations in the country. We are writing today to provide comment on appraisal related regulations being reviewed under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). NAA appreciates this opportunity to state our support for the current threshold level for requiring real estate appraisals in federally related transactions.

Appraisals are required for most [LEE1] first mortgage origination loans purchased by the Government Sponsored Enterprises (GSEs). Currently, federally related transactions such as real estate equity loans [LEE2] require an appraisal performed by a state licensed or certified appraiser for residential [LEE3] real estate loans with a transaction value equal to or greater than \$250,000. NAA believes increasing the appraisal threshold levels would undermine the health of the residential real estate lending industry as a whole.

The financial markets along with Fannie Mae, Freddie Mac, FHA, and the VA have raised the bar on the valuation requirements for new loan origination. Raising the “de minimus” transaction value limit where less reliable valuation tools are often used to value collateral in making or renewing higher risk loans is imprudent and not in the public interest. Given recent history, we believe that if any change is made, the “de minimus” should be lowered rather than raised to ensure that valuations used in making lending decisions for federally related transactions are provided by those qualified to do so: licensed/certified appraisers.

According to the National Association of REALTORS® (NAR)’s research, in 2015 there were 1,591,357 existing single-family homes sold for between \$250,000 and \$500,000. Compared to that number, only 632,509 existing single-family homes sold for over \$500,000 in 2015. In addition, only 5 out of 180 U.S. metropolitan areas had a median existing single-family home value above \$500,000. Increasing the appraisal threshold to \$500,000 or higher, which some in the industry have suggested, would severely reduce the number of appraisals required in residential real estate transactions in many communities, putting into question the safety and soundness of those transactions.

The National Association of Appraisers believes that it is in the best interest of the consumer and the public and the lending community that reliable valuation services be used provided by licensed valuation professionals. Many, if not most of the valuation methods including on-line automated valuation tools and non-appraiser estimates available today are not sophisticated enough to be relied upon for an accurate valuation of real property and should not be relied upon for lending decisions. Should the appraisal threshold be raised, lenders relying on these unreliable estimating tools could be severely under- or over-estimating a property’s value in a number of real estate transactions.

Finally, raising the appraisal threshold level would likely increase the levels of risk lending institutions have to manage. When the Government Accountability Office (GAO) studied this issue [LEE4], GAO found no support for raising the current threshold. Rather, GAO reported that many stakeholders supported the reduction or elimination of current threshold levels, helping to improve risk management and providing better consumer protection.

In the interest of safety and soundness, NAA asks that the appraisal threshold not be increased from the current \$250,000 for real estate loans and consider lowering the threshold.

We appreciate the opportunity to provide feedback. Thank you again for your time and consideration of these matters. If we may be of any assistance to you, please do not hesitate contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Laurie Egan". The signature is fluid and cursive, with a large initial "L" and "E".

Laurie E. Egan, MNAA  
President, National Association of Appraisers