



Submitted electronically via www.regulations.gov

August 21, 2023

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Quality Control Standards for Automated Valuation Models
RIN: 3313-AE23 / Docket Number: NCUA-2023-0019

Dear Ms. Conyers-Ausbrooks:

The Wisconsin Credit Union League, representing Wisconsin's credit unions[®] and their 3.7 million members, is pleased to comment on the federal regulators' proposed rule to implement quality control standards for automated valuation models (AVMs). The proposed rule, mandated by the Dodd-Frank Act, would cover AVMs used by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer's principal dwelling.

Under the proposal, institutions that engage in certain credit decisions or securitization determinations would need to adopt policies, practices, procedures, and control systems to ensure adherence to quality control standards designed to ensure a high level of confidence in the estimates produced by the AVMs; protect against the manipulation of data; seek to avoid conflicts of interest; require random sample testing and reviews; and comply with applicable nondiscrimination laws.

We want to thank the agencies for dedicating the time and effort to craft a proposal designed to ensure the safe and effective use of AVMs. It is vital that we protect consumers from discrimination in mortgage lending and the potential misuse of AVM systems. That said, we believe that the proposal is misguided in targeting credit unions and other end-users of AVM systems. Even in its current form, it could be improved to decrease undue compliance burdens for lenders and control costs for borrowers, while maintaining adequate consumer protections.

General comments

The League's overarching concern is that this proposal is directed at the wrong parties. Those who design, program, and sell AVMs should be the targets of the new rules, not credit unions, which have no control over how AVMs are created. AVM vendors know that their products will be used by, and relied upon by, end-user lending institutions. And AVM vendors know that those institutions have obligations to comply with Fair Housing and other nondiscrimination laws. Requiring those institutions to police the internal functioning of AVM systems they did not create is inefficient and misguided. As others have pointed out: "The credit union has to adopt policies and incur expenses in an effort to satisfy vague regulatory standards that other parties are in a better position to achieve. Worse, credit union members are likely to bear the costs of additional compliance expenses generated by this rule."

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One of The League's member credit unions shared the following general observations:

Definitions: Many of the terms used in the proposed rule are already defined in other rules and regulations. Except where a term is specific to this proposal, we would advocate for terms to be consistent with and specifically refer to those pre-existing definitions in Regulation Z, the Dodd-Frank Act, etc. Deviating from those definitions creates opportunities for confusion in the application of rules and even potential for conflicting guidance.

Model controls: Guidance for managing the design, implementation and use of models already exists in the April 2011 "Supervisory Guidance on Model Risk Management" from the Federal Reserve.

Also, including loan originators in managing AVM risk would require significant access to data and resources that only the largest originators likely could afford. Statistically meaningful information on the accuracy and quality of a specific property value can only be determined through comparison with data that is not readily available for loan originators, so significant investment of time and resources would be required to establish and maintain a review process.

Requiring users of model data to validate AVM accuracy would involve random sample testing and reviews. Using a mathematical model should control for human-based conflicts of interest.

Modifications: Covering loan modifications with this rule would add financial burdens for borrowers that may already be in a distressed state. Additional rules governing the use of AVMs may prevent smaller creditors from using a lower-cost AVM option to benefit borrowers.

Non-discrimination: The regulators should bear in mind that non-discrimination laws and regulations already exist. Assigning responsibility to a loan originator or secondary market issuer is excessively burdensome. The resources and investment required to obtain sufficient data to analyze AVMs for potential discriminatory bias inherent in the AVM provider's algorithms would be significant. This would likely be a barrier for a significant number of smaller financial institutions, causing them to abandon AVMs as a resource that could have saved borrowers expenses when refinancing.

Responses to agencies' questions

The following responses to the questions that the agencies posed are based on input from two large Wisconsin credit unions.

Question 1. How, if at all, could the agencies' proposal to cover loan modifications and other changes to existing loans be made clearer?

Credit union #1: The definition of "credit decision" in the proposed rule makes it sufficiently clear that regulators intend to include in the rule the use of AVMs for modification and other changes to existing loans.

Credit union #2: Please clarify how the rule may apply when AVMs are used to decide whether or to what extent to reduce or suspend advances on a home equity line of credit (HELOC). Also, please clarify whether the term "mortgage" includes HELOCs and closed-end home equity loans.

Question 2. Part II.B of this SUPPLEMENTARY INFORMATION discusses the proposed definitions of mortgage originator and secondary market issuer. To what extent do financial institutions purchase or service HELOCs without engaging in mortgage originator or secondary market issuer activities as defined by the proposed rule?

Credit union #1: We service HELOCs as needed under the terms of the underlying loan agreements, such as for interest rate adjustments. The proposed rule would cover the use of AVMs in deciding whether or to what extent to reduce or suspend a HELOC and cover AVMs used in security determinations.

Question 3. How might a rule covering only AVM usage by mortgage originators and secondary market issuers disadvantage those entities vis-à-vis their competitors?

Credit union #1: Requiring mortgage originators and secondary market issuers to adhere to AVM controls would increase barriers to the use of AVMs, due to challenges in accessing information and implementing effective controls. The likely result of this would be decreased use of AVMs and potentially disproportionate usage by the largest companies, leading to the exclusion of smaller loan originators and ultimately creating an uneven playing field.

Question 4. To what extent do secondary market issuers other than the GSEs issue appraisal waivers?

Credit union #1: N/A: We do not originate investor-backed mortgage loans.

Question 5. Please address the feasibility of mortgage originators performing quality control reviews of the AVMs that secondary market issuers use to evaluate appraisal waiver requests. What, if any, consequences would such an approach have for mortgage originators' use of appraisal waiver programs?

Credit union #1: There is a complexity to such quality controls that small originators would have difficulty performing. The likely result of this would be decreased use of AVMs and potentially disproportionate usage by the largest companies, leading to the exclusion of smaller loan originators and ultimately creating an uneven playing field.

Question 6. The agencies are proposing to include securitizations within the scope of the proposed rule where the AVM is being used to determine collateral value for loans being considered for inclusion in pools collateralizing mortgage-backed securities. To what extent do secondary market issuers use AVMs to determine collateral value in securitizations?

Credit union #1: N/A. The credit union is not involved in creating, structuring, or organizing groups of mortgage-backed securities, and does not have meaningful feedback to this question.

Question 7. Would covering uses of AVMs for securitizations hinder small entities' access to secondary market liquidity and, if so, how might such impacts be mitigated?

Credit union #1: Section 1125 focuses on AVMs used to “determine” the collateral worth of a mortgage secured by a consumer’s principal dwelling. Among specific types of AVM uses, the regulators were considering whether the rule would cover a secondary market issuer’s use of an AVM in the offer and sale

of mortgage securities. The rule could create a cost burden and hinder access to the secondary market, particularly for small mortgage originators. Most small entities do not securitize loans.

Question 8. What would be the advantages and disadvantages of exempting federally backed securitizations from the AVM quality control standards?

Credit union #1: Advantages: Exemptions for federally backed securitizations could reduce the friction in transactions between small originators and secondary market securitizers, making it easier for small originators to access secondary market liquidity.

Question 9. Are the compliance obligations of lenders and securitizers clear under this proposed rule?

Credit union #1: In discussing the definition of control systems, the agencies wrote: “The agencies intend for institutions to use control systems that are appropriate for the size and complexity of their mortgage origination and securitization businesses.” The obligations appear to be purposely ambiguous to allow for the process to align with the risk.

Credit union #2: The obligations noted in the proposal already exist in most institutions and are required by risk management guidance and regulation. See our response to question 15 for detail.

Question 10. How often are AVMs used by certified or licensed appraisers to develop appraisals?

Credit union #1: The term AVM is defined to mean any computerized model used by mortgage originators and secondary market issuers to determine the value of a consumer’s principal dwelling collateralizing a mortgage. The proposed rule would not cover use of an AVM by a certified licensed appraiser in developing an appraisal. While appraisers may use an AVM to assist in preparing an appraisal, they must make a valuation conclusion that is supported independently and does not rely solely on an AVM to determine the value of collateral.

Question 11. What would be the advantages and disadvantages of excluding AVMs used by certified or licensed appraisers in developing appraisal valuations?

Credit union #1: Disadvantage: Including appraisers would create a duplication of effort by originators and appraisers to comply with the new rule, adding administrative costs for both with minimal benefit and increasing the costs incurred by borrowers for AVMs.

Question 12. What would be the advantages and disadvantages of including AVMs that are used in reviews of completed determinations within the scope of the proposed rule? To what extent do institutions use AVMs in reviewing completed determinations?

Credit union #1: AVMs used in reviews of completed determinations should be outside the scope of the proposed rule. Including such uses of AVMs would increase costs and not decrease the risks associated with determining the collateral worth of a mortgage secured by a consumer’s dwelling.

Question 13. What, if any, additional clarifications would be helpful for situations where an AVM would or would not be covered by the proposed rule?

Credit union #1: The proposed rule would apply to AVMs used in connection with making a credit decision. The proposed rule would also cover loan modifications and other changes to existing loans. It should not cover AVMs used in reviews of completed collateral value determinations – given that the appraiser or evaluation would determine the value of the collateral, rather than the review of the appraisal or determination. If an AVM is solely being used to review the completed determination, such an AVM should not be covered by the proposed rule regardless of how soon the AVM is used after that determination.

Credit union #2: See the response to the question about definitions. Further clarification is needed on business-purpose transactions.

Question 14. What, if any, other definitions of AVM would better reflect current practice with respect to the use of AVMs to determine the value of residential real estate securing a mortgage?

Credit union #1: The proposed definition of “AVM” in Section 1125 applies to “any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer’s principal dwelling.” Please clarify the term “computerized models” as meaning “without alteration of valuation results by a person.”

Credit union #2: Add the actual components of an AVM, i.e., comparable sales values.

Question 15. What, if any, alternate definitions would be more suitable than the proposed definition of control systems? What challenges, if any, would be involved in integrating control systems for AVMs into existing control systems?

The proposal would define “control systems” as the functions (such as internal and external audits, risk review, quality control, and quality assurance) and information systems that institutions use to measure performance, make decisions about risk, and assess the effectiveness of processes and personnel, including with respect to compliance with statutes and regulations. The agencies intend for institutions to use control systems that are appropriate for the size and complexity of their mortgage origination and securitization businesses.

Credit union #1: With the last sentence indicating that the agencies intend to have the control systems aligned to the size and complexity of the institution, it is difficult to offer an alternative definition. Looking for alignment between risk and process, any further detail could contribute to a misalignment of controls and complexity. Regulations already exist for the use of AVMs and general model management. How does this definition compare to existing definitions?

Credit union #2: The proposed definition does not give the details required to ensure a clear understanding of control expectations. The list of functions in the proposal already exists in most institutions and is required by risk management guidance and regulation. As such, the rule needs to clarify what the expectation is and how that expectation would change the control structures already in place. For example, both the appraisal sections of Regulation Z and the requirements of Appraiser Independence Requirements (AIR) outline specific requirements of control systems. These existing rules do not over-generalize control systems with ambiguous descriptions that are generally aligned to existing expectations. If the rule does not clarify the expectation of control, then institutions will be left with interpretations and standards, which risks misaligning the institutions’ controls with the purpose of the rule as well as with the standards already set for appraisal evaluations. If the intent is to ensure the

legitimacy of an AVM to determine value during a credit decision, the agencies would be better served by defining their expectations for the use of (and the requirements for) those agencies/companies supplying the AVMs to financial institutions. This would ensure that accuracy and fairness occur at both stages of use – when the AVM value is determined (agency/company producing the AVM) and when the AVM is used in a credit transaction (institution making the credit decision).

Question 16. Would the proposed definition of a covered securitization determination hinder small entities' access to secondary market liquidity and, if so, how might such impacts be mitigated?

Credit union #1: Section 1125 focuses on AVMs used to “determine” the value of collateral for a mortgage secured by a consumer’s principal dwelling. Among specific types of AVM uses, the agencies were considering whether the rule would cover a secondary market issuer’s use of an AVM in the offer and sale of mortgage securities. The rule could create a cost burden and hinder access to the secondary market, particularly for small mortgage originators. Most small entities do not securitize loans.

Question 17. Other than the uses discussed in the proposed rule, are there other ways that AVMs are used in the securitization process? Is the scope of the proposed definition of “covered securitization determination” appropriate and, if not, how should the agencies expand or narrow the definition?

Credit union #1: We are not involved in creating, structuring, or organizing groups of mortgage-backed securities and do not have meaningful feedback to this question.

Question 18. What, if any, clarifications are needed for the definition of the term “credit decision”?

The proposal would define “credit decision” to mean a decision regarding whether and under what terms to originate, modify, terminate, or make other changes to a mortgage. The proposed definition of credit decision would include a decision whether to extend new or additional credit or change the credit limit on a line of credit. Monitoring the value of the underlying real estate collateral in their mortgage originators' loan portfolios would not be a credit decision for the purposes of this proposed rule. This reflects the fact that the collateral worth of a mortgage is generally determined in connection with credit decisions or covered securitizations rather than when the value of the collateral supporting a mortgage is monitored or verified.

Credit union #1: Credit decisions should not include modifications. Requiring a modification to follow the rules for a full credit decision will slow down the process and add unnecessary costs.

Question 19. What, if any, other decisions should the agencies include within the definition of credit decision?

Credit union #1: “Credit decision” is defined to include a decision regarding whether and under what terms to originate, modify, terminate, or make any other changes to a mortgage. This would cover loan modifications and the use of AVMs in deciding whether or to what extent to reduce or suspend a HELOC. The rule would apply to a decision as to whether to change the terms of an existing mortgage, even if the change would not result in a new mortgage origination, if the AVM is used to determine the value of the mortgage secured by the member’s principal dwelling. The use of AVMs solely to monitor a creditor’s mortgage portfolio would not be a credit decision under the proposed rule because the lending institution would have already made the credit decision.

Question 20. What, if any, alternate definitions would be more suitable than the proposed definition of dwelling and the approach to what is a principal dwelling?

Credit union #1: “Dwelling” is defined as “a residential structure that contains one to four units, whether or not that structure is attached to real property.” Please add clarifying language to exclude the following from that definition: recreational vehicles, camper trailers, park model homes, etc., that retain their mobility.

Question 21. Should the rule define the meaning of “consumer” or is that term commonly understood?

Credit union #1: The rule does not need to define consumer.

Question 22. Because the CFPB proposes to apply its existing Regulation Z definitions of “dwelling” and “consumer,” the CFPB invites comment on whether, for purposes of the AVM requirements, it should amend its definitions and associated commentary to address particular circumstances, consistent with the objectives of section 1125. Should the rule exclude from coverage AVMs used only in making determinations of the worth of particular residential structures or AVMs used only in extending credit to a trust where a non-obligor individual uses the residence as their principal dwelling? Should the rule include language to address special circumstances, such as dwellings purchased by active-duty military personnel for their future permanent residence while assigned temporarily to a different duty station? Please provide any supporting explanation and data.

Credit union #1: The section 1125 definition of an AVM refers to a mortgage secured by a principal dwelling. The terms “consumer,” “dwelling,” and “principal dwelling” are not defined in Title XI. We assume that the AVM standards would not apply to second homes, vacation homes and new construction. Please consider clarifying that. Also, the agencies should consider the importance of how this rule may apply to active military personnel who are purchasing a home for their future permanent residence but who are assigned temporarily to a different duty station.

Question 23. What, if any, alternate definitions would be more suitable than the proposed definition of mortgage?

Credit union #1: No recommendation for alternate definition of “mortgage.”

Credit union #2: The complexities of the proposed definitions are not related to the use of the term “mortgage.” However, when combined with the proposed definitions of “consumer” and “dwelling,” that presents challenges and requires additional considerations in the rule. The rule proposes to adjust the definition of “primary use,” removing exceptions for business-purpose lending, among other exceptions, from Reg. Z §1026.3. The proposed definitions and changes to the TILA rules will cause a disconnect in how organizations apply the rest of the standards of TILA, which take the exceptions into consideration when applying the rest of the rule to mortgage transactions. Additionally, as the proposal indicates, the definitions would not align with the current federal credit union definitions. For those reasons, the definitions of “consumer,” “dwelling,” and “mortgage” need to be in-depth and should only be applicable in the proposed rule, as it applies to AVM use, not cause universal changes to Reg. Z.

Question 24. What are the benefits and disadvantages of including purchase money security interests arising under installment land contracts in the definition of mortgage? Please provide any data or information you have about the use of AVMs in this market segment.

Credit union #1: Since a land contract is between the seller and the purchaser, there is no secondary market issuer involved in the transaction. Including such transactions under the term “mortgage” would be an expansion in the definition of that term. That should be decided outside of a discussion of AVM controls.

Question 25. What, if any, alternate definitions would be more suitable than the definition of mortgage originator proposed?

Credit union #1: The term “mortgage originator” includes a servicer and its employees, agents, or contactors, when they perform mortgage originator activities with the respect to any transaction that constitutes a new extension of credit, including refinancing or a transaction that obligates an extension of credit.

Credit union #2: This needs further definition. The proposed definition does not align with the proposed changes to “principal dwelling” and the inclusion of business-purpose loans. If an applicant is applying for a business-purpose loan, even one secured by their principal dwelling, they may not be interacting with the same mortgage lenders that handle consumer purpose applications. This would cause uncertainty about what those lenders are and are not allowed to do under the rule.

Question 26. Would the proposed definition of mortgage originator disadvantage any covered entities vis-à-vis their market competitors?

Credit union #1: Adopting the same definition of “mortgage originator” as the TILA definition is a logical connection and provides consistency in definitions.

Question 27. What, if any, alternate definitions would be more suitable than the proposed definition of secondary market issuer? What, if any, additional types of entities should the agencies include in the definition? Should the definition cover fewer types of entities and, if so, which entities should not be covered?

The agencies are proposing to define “secondary market issuer” as any party that creates, structures, or organizes a mortgage-backed securities transaction. The agencies propose to define secondary market issuer in this manner due to the statutory focus in section 1125 on “issuers” and “determin[ing] the collateral worth” of a mortgage. This type of determination, as opposed to verification or monitoring of such determination, would typically take place in the secondary market in connection with the creation, structuring, and organization of a mortgage-backed security. A number of parties may be involved in the securitization process and this proposed definition is designed to ensure coverage of entities responsible for the core decisions required for the issuance of mortgage-backed securities, including making determinations of the value of collateral securing the loans in the securitization transaction.

Credit union #1: No alternate definitions would be more suitable. No other entities should be included in the definition. The definition should not be changed to cover fewer types of entities. Do other regulations define a secondary market issuer? If yes, how do the definitions compare?

Question 28. Would the proposed definition of secondary market issuer hinder small entities' access to secondary market liquidity and, if so, how might the agencies mitigate such impacts?

Credit union #1: Section 1125 focuses on AVMs used to “determine” the collateral worth of a mortgage secured by a consumer’s principal dwelling. Among specific types of AVM uses, the agencies were considering whether the rule would cover a secondary market issuer’s use of an AVM in the offer and sale of mortgage securities. The rule could create a cost burden and hinder access to the secondary market, particularly for small mortgage originators. Most small entities do not securitize loans.

Question 29. What, if any, other terms should be defined in the proposed rule?

Credit union #1: “Mortgage-backed securities transaction,” “securitizations,” and “mortgage-backed securitizations” should be defined.

Question 30. Is additional guidance needed on how to implement the quality control standards to protect the safety and soundness of financial institutions and protect consumers beyond the existing supervisory guidance described in part I.A of this SUPPLEMENTARY INFORMATION? Should such additional guidance explain how a regulated entity would implement quality control for an AVM used or provided by a third party?

Credit union #1: Existing regulations for model risk management should be sufficient. (See FRB and OCC SR Letter 11-7, Supervisory Guidance on Model Risk Management (April 4, 2011)).

Credit union #2: Additional guidance on implementation is not necessary. What is necessary is setting the defined parameters for the expectations. As the rule is proposed, there is no understanding of what boundaries the QC standards are controlling for. For example, what constitutes “manipulation of data” or a “conflict of interest”? Is the goal of the standards to create an independence (see below) where the organization cannot influence the value of the AVM?

Question 31. In what ways, if any, would a more prescriptive approach to quality control for AVMs be a more effective means of carrying out the purposes of section 1125 relative to allowing institutions to develop tailored policies, practices, procedures, and control systems designed to satisfy the requirement for quality control standards? If so, what would be the key elements of such an alternative approach?

Credit union #1: Different policies, practices, procedures, and control systems may be appropriate for institutions with different business models and risk profiles. Guidance is in place to assist regulated institutions in using AVMs in a safe and sound manner, and institutions that are not regulated by the agencies providing the guidance may still look to that guidance for assistance with compliance.

Credit union #2: The QC standards are familiar to Appraisal Independence, and if that is the goal of the standards then they should be defined in a similar fashion.

Question 32. What are the advantages and disadvantages of specifying a fifth quality control factor on nondiscrimination? What, if any, alternative approaches should the agencies consider?

Credit union #1: Disadvantage: Mortgage originators likely do not possess the resources or necessary information to effectively determine whether a specific AVM's value reflects discriminatory impact.

Disadvantage: The sample size of AVMs for most mortgage originators to review for evidence of potential discriminatory impact in individual AVMs or in AVMs within a geographical region would likely be too small to be statistically relevant or provide meaningful data.

Disadvantage: The resources needed to undertake an analysis of AVMs would be significant.

Alternative approaches: Consider placing the controls and nondiscrimination standards on AVM providers rather than the companies that pay for their services.

Credit union #2: The agencies should not add a fifth factor aligned to nondiscrimination. There is heightened fair lending risk in the current market associated with discrimination that may occur when a property value is determined. Segmenting the necessary risk management into separate rules associated with AVM and/or appraisals does not present any necessary mitigation mandate in a way that will create successful compliance management. Fair lending guidelines and mandates should remain within the Interagency Fair Lending Examination Procedures. The approach that should be taken is to adjust the indicators of potential discriminatory redlining factors to include evaluation of both appraisal and AVM values via either an additional indicator or factor of risk. This approach would keep fair lending guidance and expectations within a single source, creating clarity for compliance management systems and a consistent examiner approach.

Question 33. To what extent is compliance with nondiscrimination laws with respect to covered AVMs already encompassed by the statutory quality control factors requiring a high level of confidence in the estimates produced by covered AVMs, protection against the manipulation of data, and random sampling and reviews? Should the agencies incorporate nondiscrimination into those factors rather than adopt the fifth factor as proposed? Would specifying a nondiscrimination quality control factor in the rule be useful in preventing market-distorting discrimination in the use of AVMs?

Credit union #1: Requiring lending institutions to assess and evaluate the models for potential fair lending concerns, prior to their use, would be redundant and costly. Lending institutions are already subject to the Equal Credit Opportunity Act and the Fair Housing Act. Additional fair lending controls could cause community banks and smaller credit unions not to use AVMs.

Credit union #2: Please see our response to question 32.

Question 34. What are the advantages and disadvantages of a flexible versus prescriptive approach to the nondiscrimination quality control factor?

Credit union #1: Because AVMs involve less human discretion than appraisals, AVMs have the potential to reduce human biases.

Credit union #2: A prescriptive approach would be difficult to define. What exactly would be considered prescriptive? Fair lending performance is based on data analysis. While guidance can require institutions to have nondiscriminatory policies and processes for AVM use, there is not sufficient data or analysis on the use of AVMs and the effect on lending patterns to make a prescriptive mandate. Even when those

numbers become available (post a period of statistical analysis), the control factor should be written in a similar fashion to the current risk indicators within the interagency guidance. The current factors are not prescriptive.

Question 35. Are lenders' existing compliance management systems and fair lending monitoring programs able to assess whether a covered AVM, including the AVMs underlying artificial intelligence or machine learning, applies different standards or produces disparate valuations on a prohibited basis? If not, what additional guidance or resources would be useful or necessary for compliance?

Credit union #1: No, existing compliance systems are not adequately able to monitor specific AVMs valuation for different standards.

Credit union #2: As they are today, no. Institutions will need to develop data testing to find impacts in similarly situated AVM properties, to find statistically significant differences, and to complete comparative analysis to determine if the differences are warranted. This will be complex, as certain dwelling information is not available for AVMs. Additional guidance is needed. Expectations need to ensure that there is an understanding that comparison of AVMs must allow for the consideration of property location, as location of property and sales price/value does correlate with property location.

Question 36. What, if any, other approaches should the agencies consider for incorporating nondiscrimination requirements in this proposed rule?

Credit union #1: Existing regulations for model risk management should be sufficient. (See FRB and OCC SR Letter 11-7, Supervisory Guidance on Model Risk Management (April 4, 2011)).

Credit union #2: As stated above, nondiscrimination requirements should be proposed within current fair lending rules and guidance – not this rule.

Question 37. In addition to providing time for implementation, in what other ways should the agencies facilitate implementation for small entities?

Credit union #1: The small business review panel recommended that the agencies continue to explore ways to minimize the burden to small entities, in light of concerns about compliance costs generally and the potential for additional costs and delays that could result from industry substituted AVM usage with appraisals.

Credit union #2: A compliance guide and FAQs should be provided, like the process followed during regulatory changes and documentation provided during the implementation of AIR.

Question 38. How frequently do bank holding companies and savings and loan holding companies that meet the definition of small entity use AVMs to engage in making credit decisions or securitization determinations?

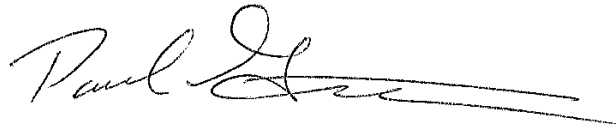
N/A. This question does not pertain to credit unions.

Question 39. Is the number of hours estimated to establish policies, procedures and control systems to comply with the rule realistic for small institutions. If not, what number [of] hours would be more appropriate?

Credit union #1: The estimate of 160 hours seems insufficient. In addition to establishing the control systems, covered institutions would need to create some controls that would be based on statistical analysis. Applying repeatable and scalable statistical tools would lower the ongoing cost of applying control systems in day-to-day originations. An estimate of 320 – 480 hours would seem more appropriate.

Thank you for the opportunity to comment on this proposal. If The League can provide any additional input, please reach out.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul E. Guttormsson", with a long horizontal flourish extending to the right.

Paul E. Guttormsson
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