

Part 722 Appraisals

§ 722.1 Authority, Purpose, and Scope.

- (a) Authority. Part 722 is issued by the National Credit Union Administration (“NCUA”) under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“FIRREA”) (Pub. L. No. 101–73, 103 Stat. 183, 1989) and 12 U.S.C. 1757 and 1766.
- (b) Purpose and Scope.
- (1) Title XI provides protection for federal financial and public policy interests in real estate-related transactions by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. This Part implements the requirements of Title XI and applies to all federally related transactions entered into by the National Credit Union Administration or by federally insured credit unions (“regulated institutions”).
- (2) This Part:
- (i) identifies which real estate-related financial transactions require the services of an appraiser;
 - (ii) prescribes which categories of federally related transactions shall be [sic] appraised by a state-certified appraiser and which by a state-licensed appraiser; and
 - (iii) prescribes minimum standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of the National Credit Union Administration.

§ 722.2 Definitions.

- (a) “Appraisal” means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information.
- (b) “Appraisal Foundation” means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.
- (c) “Appraisal Subcommittee” means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.
- (d) “Complex 1 to 4 family residential property appraisal” means one in which the property to be appraised, the form of ownership, or market conditions are atypical.
- (e) “Federally related transaction” means any real estate-related financial transaction entered into on or after August 9, 1990, that:
- (1) the National Credit Union Administration, or any federally insured credit union, engages in or contracts for; and
 - (2) requires the services of an appraiser.
- (f) “Market value” means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not

affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
 - (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
 - (3) a reasonable time is allowed for exposure in the open market;
 - (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- (g) “Real estate or real property” means an identified parcel or tract of land, including easements, rights of way, undivided or future interests and similar rights in a parcel or tract of land, but does not include mineral rights, timber rights, and growing crops, water rights and similar interests severable from the land when the transaction does not involve the associated parcel or tract of land.
- (h) “Real estate-related financial transaction” means any transaction involving:
- (1) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or
 - (2) the refinancing of real property or interests in real property; or
 - (3) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.
- (i) “State certified appraiser” means any individual who has satisfied the requirements for certification in a state or territory whose criteria for certification as a real estate appraiser currently meet the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation. No individual shall be a state certified appraiser unless such individual has achieved a passing grade upon a suitable examination administered by a state or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board. In addition, the Appraisal Subcommittee must not have issued a finding that the policies, practices, or procedures of a state or territory are inconsistent with Title XI of FIRREA. The National Credit Union Administration may, from time to time, impose additional qualification criteria for certified appraisers performing appraisals in connection with federally related transactions within its jurisdiction.
- (j) “State-licensed appraiser” means any individual who has satisfied the requirements for licensing in a state or territory where the licensing procedures comply with Title XI of FIRREA and where the Appraisal Subcommittee has not issued a finding that the policies, practices, or procedures of the state or territory are inconsistent with Title XI. The NCUA may, from time to time, impose additional qualification criteria for licensed appraisers performing appraisals in connection with federally related transactions within its jurisdiction.
- (k) “Tract development” means a project of five units or more that is constructed or is to be constructed as a single development.
- (l) “Transaction value” means:

- (1) for loans or other extensions of credit, the amount of the loan or extension of credit;
- (2) for sales, leases, purchases, and investments in or exchanges of real property, the market value of the real property interest involved; and
- (3) for the pooling of loans or interests in real property for resale or purchase, the amount of the loan or market value of the real property calculated with respect to each such loan or interest in real property.

§ 722.3 Appraisals Required; Transactions Requiring a State Certified or Licensed Appraiser.

- (a) Appraisals required. An appraisal performed by a State certified or licensed appraiser is required for all real estate-related financial transactions except those in which:
 - (1) The transaction value is \$250,000 or less;
 - (2) A lien on real property has been taken as collateral through an abundance of caution and where the terms of the transaction as a consequence have not been made more favorable than they would have been in the absence of a lien;
 - (3) A lien on real estate has been taken for purposes other than the real estate's value;
 - (4) A lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate;
 - (5) The transaction involves an existing extension of credit at the credit union, provided that:
 - (i) There is no advancement of new monies, other than funds necessary to cover reasonable closing costs; and
 - (ii) There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction;
 - (6) The transaction involves the purchase, sale, investment in, exchange of, or extension of credit secured by, a loan or interest in a loan, pooled loans, or interests in real property, including mortgage backed securities, and each loan or interest in a loan, pooled loan, or real property interest met the requirements of this regulation, if applicable, at the time of origination;
 - (7) The transaction is wholly or partially insured or guaranteed by a United States government agency or United States government sponsored agency;
 - (8) The transaction either:
 - (i) Qualifies for sale to a United States government agency or United States government sponsored agency; or
 - (ii) Involves a residential real estate transaction in which the appraisal conforms to the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation appraisal standards applicable to that category of real estate; or
 - (9) The Regional Director has granted a waiver from the appraisal requirement for a category of loans meeting the definition of a member business loan.
- (b) Transactions Requiring a State Certified Appraiser.

- (1) (All transactions of \$1,000,000 or more) All federally related transactions having a transaction value of \$1,000,000 or more shall require an appraisal prepared by a state certified appraiser.
- (2) (Non-residential transactions) All federally related transactions having a transaction value of more than \$50,000, other than those involving appraisals of 1 to 4 family residential properties, shall require an appraisal prepared by a state certified appraiser.
- (3) (Complex residential transactions of \$250,000 or more) All complex 1 to 4 family residential property appraisals rendered in connection with federally related transactions shall require a state certified appraiser if the transaction value is \$250,000 or more. A regulated institution may presume that appraisals of 1 to 4 family residential properties are not complex unless the institution has readily available information that a given appraisal will be complex. The regulated institution shall be responsible for making the final determination of whether the appraisal is complex. If, during the course of the appraisal, a licensed appraiser identifies factors that would result in the property, form of ownership, or market conditions being considered atypical, then either:
 - (i) the regulated institution may ask the licensed appraiser to complete the appraisal and have a certified appraiser approve and cosign the appraisal; or
 - (ii) the institution may engage a certified appraiser to complete the appraisal.
- (c) Transactions Requiring Either a State certified or Licensed Appraiser. All appraisals for federally related transactions not requiring the services of a state certified appraiser shall be prepared by either a state certified appraiser or a state-licensed appraiser.
- (d) Valuation requirement. Secured transactions exempted from appraisal requirements pursuant to paragraphs (a)(1) and (a)(5) of this section and not otherwise exempted from this regulation or fully insured shall be supported by a written estimate of market value, as defined in this part, performed by an individual having no direct or indirect interest in the property, and qualified and experienced to perform such estimates of value for the type and amount of credit being considered.
- (e) Appraisals to address safety and soundness concerns. NCUA reserves the right to require an appraisal under this part whenever the agency believes it is necessary to address safety and soundness concerns.

§ 722.4 Minimum Appraisal Standards.

For federally related transactions, all appraisals shall, at a minimum:

- (a) Conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation, 1029 Vermont Ave., NW., Washington, DC 20005;
- (b) Be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction;
- (c) Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units;
- (d) Be based upon the definition of market value as set forth in § 722.2(f); and

- (e) Be performed by State-licensed or certified appraisers in accordance with requirements set forth in this part.

§ 722.5 Appraiser Independence.

- (a) Staff Appraiser. If an appraisal is prepared by a staff appraiser, that appraiser must be independent of the lending, investment, and collection functions and not involved, except as an appraiser, in the federally related transaction, and have no direct or indirect interest, financial or otherwise, in the property. If the only qualified persons available to perform an appraisal are involved in the lending, investment, or collection functions of the credit union, the credit union shall take appropriate steps to ensure that the appraisers exercise independent judgment. Such steps include, but are not limited to, prohibiting an individual from performing an appraisal in connection with federally related transactions in which the appraiser is otherwise involved.
- (b) Fee Appraisers.
 - (1) If an appraisal is prepared by a fee appraiser, the appraiser shall be engaged directly by the credit union or its agent and have no direct or indirect interest, financial or otherwise, in the property or the transaction.
 - (2) A credit union also may accept an appraisal that was prepared by an appraiser engaged directly by another financial services institution; if:
 - (i) the appraiser has no direct or indirect interest, financial or otherwise, in the property or transaction; and
 - (ii) the credit union determines that the appraisal conforms to the requirement of this part and is otherwise acceptable.

§ 722.6 Professional Association Membership; Competency.

- (a) Membership in Appraisal Organization. A state certified appraiser or a state-licensed appraiser may not be excluded from consideration for an assignment for a federally related transaction solely by virtue of membership or lack of membership in any particular appraisal organization.
- (b) Competency. All staff and fee appraisers performing appraisals in connection with federally related transactions must be state certified or licensed as appropriate. However, a state certified or licensed appraiser may not be considered competent solely by virtue of being certified or licensed. Any determination of competency shall be based upon the individual's experience and educational background as they relate to the particular appraisal assignment for which he or she is being considered.

§ 722.7 Enforcement.

Credit unions and institution-affiliated parties, including staff appraisers, may be subject to removal and/or prohibition orders, cease and desist orders, and the imposition of civil money penalties pursuant to Section 1786 of the Federal Credit Union Act, or any other applicable law.