

REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: June 2006 **NO.:** 06-RA-04

TO: Federally Insured Credit Unions

SUBJECT: 2006 Revisions to Uniform Standards of Professional Appraisal Practice (USPAP)

ENCL: (1) 2006 Revisions to Uniform Standards of Professional Appraisal Practice Statement
(2) 2006 USPAP and Scope of Work

REF: 12 CFR Part 722

Dear Board of Directors:

The purpose of this Regulatory Alert is to provide Federally Insured Credit Unions with the enclosed statement issued jointly by the National Credit Union Administration and the other federal financial institution regulatory agencies.¹ This statement provides notification that the Appraisal Standards Board (ASB) has issued the 2006 version of the Uniform Standards of Professional Appraisal Practice (USPAP) and the *2006 USPAP and Scope of Work* document.² The 2006 USPAP, effective on July 1, 2006, replaces the 2005 USPAP and incorporates extensive revisions to the appraisal standards. While the appraisal process has not changed, there is a greater emphasis on the appraiser's process of problem identification and development of an appropriate scope of work.

Part 722 of NCUA's Rules and Regulations defines the requirements for those transactions requiring the services of an appraiser. All federally insured credit unions must ensure that appraisals supporting these transactions adhere to USPAP as well as the other minimum appraisal standards contained in the regulation. Therefore, credit unions should be familiar with the 2006 USPAP and consider the ramifications of the revisions to their appraisal practices.

¹ The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Comptroller Currency, and Office of Thrift Supervision.

² The 2006 USPAP and other ASB documents are available on the Appraisal Foundation Web site at www.appraisalfoundation.org

The 2006 USPAP incorporates certain prominent revisions. These revisions include a new Scope of Work Rule and the deletion of the Departure Rule and associated terminology, such as “binding” and “specific” requirements and “complete” and “limited” appraisals. The Scope of Work Rule clarifies the standards for the type and extent of research and analysis performed by the appraiser in an appraisal assignment.

In adopting the 2006 revisions, the ASB has indicated that the appraisal process has not changed and that the concepts in the Scope of Work rule are not new to USPAP. However, there is greater emphasis on the appraiser’s process of problem identification and development of an appropriate scope of work.

The enclosed *2006 USPAP and Scope of Work* document includes specific information regarding these changes. To determine an appraisal’s acceptability, a federally insured credit union should review the report to assess the adequacy of the appraiser’s scope of work given the intended use of the appraisal. In accepting an appraisal report, the credit union must determine that the appraisal report contains sufficient information and analysis to support the credit decision.

If you have any questions regarding the enclosed document, please contact your district examiner or regional office.

Sincerely,

/s/

JoAnn M. Johnson
Chairman

Enclosures