

February 8, 2008

Sharon L. Custer, President/CEO  
BMI Federal Credit Union  
760 Kinnear Road  
Columbus, OH 43212

Re: Real Estate Appraisal Requirements and Guidance.

Dear Ms. Custer:

You asked if a credit union must include a checklist or narrative in a real estate loan file to document that it reviewed an appraisal. No, the National Credit Union Administration's (NCUA's) appraisal regulation does not require a credit union to have a checklist or narrative to document its review of a real estate appraisal, 12 C.F.R. Part 722; however, although not required, this practice is recommended in interagency guidance. See, NCUA Letter to Credit Unions (LCU), "Frequently Asked Questions on Independent Appraisal and Evaluation Functions," 05-CU-06 (March 2005).

NCUA's appraisal regulation, among other things, identifies real estate transactions requiring appraisals, the types of appraisals required for certain categories of real estate transactions, and minimum standards for the performance of real estate appraisals. 12 C.F.R. Part 722. The regulation does not require that a real estate loan file have a checklist or narrative documenting that the credit union has reviewed an appraisal.

In 2005, NCUA, along with the other federal financial institution regulators, issued joint guidance on appraisals and the evaluation function in the form of questions and answers. NCUA issued the guidance as an attachment to a Letter to Credit Unions. LCU 05-CU-06. Specifically, the guidance addressed the question of whether an appraisal should undergo a "compliance review" and provided the following answer:

[P]rior to a final credit decision, regulated institutions should perform a compliance review on all appraisals to confirm that they comply with the minimum appraisal standards as outlined in the agencies' appraisal regulations, the interagency guidelines, and the independence statement. Loan administration files should document this compliance review, which may be in checklist or narrative format. In addition, certain appraisals should be reviewed more comprehensively to assess the technical quality of the appraiser's analysis prior to making a final credit decision. The regulated institution should establish guidelines for a more detailed, technical review based on transaction risk, transaction size, or other criteria. (See "Program Compliance" in the interagency guidelines.)

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See, LCU 05-CU-06 (question and answer #19) (available at [ncua.gov](http://ncua.gov)). We hope you find this information helpful.

Sincerely,

/S/

Sheila A. Albin  
Associate General Counsel

GC/JMA:bhs  
08-0129