

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: November 2005 **LETTER NO.:** 05-CU-17

TO: Federally Insured Credit Unions

SUBJ: Real Estate Appraisal Waiver for Credit Unions Affected by Hurricanes Katrina and Rita

ENCL: FFIEC Interagency Federal Register Notice – Real Estate Exceptions in Major Disaster Areas

DEAR BOARD OF DIRECTORS:

The purpose of this letter is to inform you that the National Credit Union Administration and the other federal financial institution regulatory agencies¹ have granted a waiver of their appraisal regulations for three years to credit unions that are entering into transactions with borrowers affected by Hurricanes Katrina and Rita (“Hurricanes”). The waiver permits exceptions to appraisal requirements under 12 CFR Part 722 regarding transactions involving real property in major disaster areas when the exceptions would assist credit unions in responding to the financial needs of members affected by the Hurricanes.²

The waiver covers real estate-related transactions involving real estate located in certain Alabama, Mississippi, and Texas counties and Louisiana parishes that have been designated by the Federal Emergency Management Agency as major disaster areas qualifying for special consideration as a result of the Hurricanes. A listing of the designated disaster areas is in the appendix of the enclosed Federal Register notice. Exceptions for the major disasters declared due to Hurricane Katrina will expire on August 29, 2008, in Alabama, Mississippi, and Louisiana, and for Hurricane Rita on September 24, 2008, in Louisiana and Texas.

To qualify for the waiver, a credit union needs to document that: (1) the transaction involves real property located in the designated disaster areas; (2) the property involved

¹ Federal Financial Institution Examination Council member agencies include Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

² This action is being taken pursuant to the agencies' authority under the Depository Institutions Disaster Relief Act (DIDRA) of 1992 to waive the appraisal requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the agencies' appraisal regulations for up to 36 months when the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, determines that a major disaster exists and the agencies determine that such waiver would both facilitate recovery in the disaster area and be consistent with safety and soundness.

was directly affected by the major disaster or the transaction would facilitate recovery from the disaster(s); (3) there is a binding commitment to fund the transaction that is made within three years after the date the major disaster was declared; and (4) the value of the real property supports the credit union's involvement in the transaction.

Whether or not a credit union elects to take advantage of this waiver is a business decision that may be determined by the credit union on a case-by-case basis. When a credit union decides to rely on the appraisal waiver for a particular real estate-related transaction, the credit union should provide sufficient documentation in the loan file to support its credit decision and assessment of the collateral's value. Credit unions should continue to extend credit on terms that are consistent with safe and sound lending principles, and such transactions will be reviewed by NCUA staff during the course of routine safety and soundness examinations. Please refer to NCUA Letter to Credit Unions No. 05-CU-06, titled, Frequently Asked Questions on Independent Appraisal and Evaluation Functions, and NCUA Letter to Credit Unions No. 03-CU-17, titled, Independent Appraisal and Evaluation Functions for Real Estate-Related Transactions for additional guidance on appraisals and evaluation criteria. These letters can be downloaded at the following link: <http://www.ncua.gov/letters/letters.html>.

Additional materials and guidance issued by the National Credit Union Administration and other agencies related to the recent Hurricanes can be found on our website at <http://www.ncua.gov/hurricane/index.htm>.

Should you have any questions or concerns, please contact your NCUA Regional Office or State Supervisory Authority.

Sincerely,

/s/

JoAnn M. Johnson
Chairman

Enclosure