

# NCUA LETTER TO CREDIT UNIONS

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

**DATE:** March 2005                      **LETTER NO.:** 05-CU-06

**TO:** Federally Insured Credit Unions

**SUBJ:** Frequently Asked Questions on Independent  
Appraisal and Evaluation Functions

**ENCLS:** (1) Joint Agency Frequently Asked Questions

              (2) Joint Statement—Independent Appraisal and  
                    Evaluation Functions (LTCU 03-CU-17)

Dear Board of Directors:

The National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) (the agencies) are jointly issuing the enclosed answers to frequently asked questions on appraisal and evaluation functions. The agencies developed this document in response to questions from federally regulated institutions on existing standards for selecting appraisers, ordering appraisals, accepting transferred appraisals, and other related topics.

You should review the enclosed frequently asked questions in conjunction with Letter to Credit Unions 03-CU-17 and its enclosed Interagency Appraisal and Evaluation Guidelines, as well as Part 722 of NCUA's Rules and Regulations. The Interagency Appraisal and Evaluation Guidelines are pertinent to credit unions, with one exception. Under the section, "Transactions That Require Evaluations," the guidelines state that a business loan of \$1,000,000 or less could have an appropriate evaluation rather than an appraisal. However, §722.3(b)(2) of NCUA's Rules and Regulations requires nonresidential transactions of more than \$250,000 to have an appraisal prepared by a state-certified appraiser.

The common theme among the enclosed documents is credit unions should maintain their independence when selecting appraisers and ordering and reviewing appraisals. Credit unions should ensure no single person has sole authority to make credit decisions involving loans on which he or she ordered or reviewed the appraisal or evaluation. Further, lending officials, officers, and directors should abstain from any vote or approval involving loans for which they performed the appraisal or evaluation.

Another primary consideration described in the enclosures is a credit union compromises its independence if it accepts an appraisal ordered by the borrower or uses an appraiser recommended or selected by the borrower.

If you have any questions regarding the enclosed documents, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/s/

JoAnn M. Johnson  
Chairman

Enclosures