**SUPPORTING STATEMENT
Paperwork Reduction Act Information Collection Submission**

**Appraisals, 12 CFR 722**

**3133-0125**

1. **JUSTIFICATION**
2. **Necessity of Information Collection**

Title XI of the Financial Institutions, Reform, Recovery and Enforcement Act of 1989 (FIRREA) was enacted to protect federal financial and public policy interests in real estate related transactions. To achieve this purpose, the statute directed the National Credit Union Administration (NCUA), as one of the federal financial institutions regulatory agencies, to adopt standards for the performance of real estate appraisals in connection with federally related transactions. FIRREA requires that appraisals be maintained in writing and meet certain minimum standards. NCUA’s regulation Part 722 carries out the statutory requirements. The information collection activity requires a credit union to obtain a written appraisal on federally related transactions or maintain written support of the estimated market value for transactions not required to have an appraisal. These information collections are attributable to the regulation and are a direct consequence of the legislative intent and statutory requirements.

1. **Purpose and Use of the Information Collection**

Federally insured credit unions use the information in determining whether and upon what terms to enter into a federally related transaction, such as making a loan secured by real estate. In addition, NCUA uses this information in its examinations of federally insured credit unions to ensure that extensions of credit by the federally-insured credit union that are collateralized by real estate are undertaken in accordance with appropriate safety and soundness principles. The use of their information by credit unions and NCUA helps ensure that federally insured credit unions are not exposed to risk of loss from inadequate appraisals. A federally insured credit union must obtain an appraisal if the transaction value is in excess of $250,000 unless otherwise exempt. Transactions that are exempt must be supported by a written valuation of the market value.

1. **Consideration Given to Information Technology**

Title XI of FIRREA requires real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by competent appraisers. This regulation does not require submission of appraisals, but credit unions must retain the appraisals as part of their records. Under NCUA regulation §749.5, credit unions may use any format, electronic or other, as long as records are accessible and accurately reflect the information in the record.

1. **Duplication**

Under 12 CFR 1002.14, financial institutions are required to provide a copy of the appraisal to the applicant. Credit unions can use the same appraisal obtained to meet the requirements of part 722 to comply with 12 CFR 1002.14 through disclosing the appraisal to the applicant.

1. **Effect on Small Entities**

Loans under $250,000 are exempt from the appraisal requirements. Smaller credit unions generally make smaller loans; therefore, this exemption minimizes the impact to small business or other small entities.

1. **Consequences of Not Conducting Collection**

 The information is collected only as real estate related transactions arise. Less frequent collection is inconsistent with the underlying statute and would not promote safety and soundness for federally insured credit unions.

1. **Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

1. **Consultations Outside the Agency**

Notice and request for comment was published in the federal register on April 11, 2016 [81 FR 21404]. No comments were received.

1. **Payment or Gift**

There is no intent by NCUA to provide payment or gifts for information collected.

1. **Confidentiality**

Credit union examination reports and any documents related thereto are exempt from the Freedom of Information Act disclosure, pursuant to exemption 8, 5 U.S.C. 552(b)(8).

1. **Sensitive Questions**

 No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

1. **Burden of Information Collection**

Based on call report data, approximately 4,000 federally insured credit unions offered real estate loans as of June 30, 2015. On average, credit unions make 280 real estate loans per year, which would require written appraisals or valuations. NCUA estimates it will take each credit union 0.25 hours per real estate loan to meet the recordkeeping requirement. This results in a total annual estimated burden of 280,000 hours.

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| **Information Collection Activity** | **Number of Respondents** | **Frequency of Response (Annual (1), Quarterly (4), etc.)** | **Number of Responses** | **Burden****Hours per Response** | **Annual Hourly Burden** |
|  | **(A)** | **(B)** | **(C)** | **(D)** | **(E)** |
| 1. | ***Obtain written appraisal or valuation*** | 4,000 | 280 | 1,120,000 | 0.25 Hours | 280,000 Hours |
| **Total (Sum)** | **4,000** | **280** | **1,120,000** | **0.25 Hours** | **280,000 Hours** |

 Based on call report data, the average salary for credit union staff is approximately $32 per hour.

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| **Information Collection Activity** | **Annual Hourly****Burden****(see 12 above, item E)** | **Hourly $ Rate per Response** | **Total $ Amount** |
| 1. | ***Obtain written appraisal or valuation*** | 280,000 Hours | $32 | $8,960,000 |
| **Total (Sum)** | 280,000 **Hours** | **$32** | **$8,960,000** |

1. **Costs to Respondents**

All equipment needed to meet the recordkeeping requirement is equipment used for the customary and usual business of the credit union. Likewise conduct of the appraisals themselves is customary in real estate transactions. There is no special or additional equipment; therefore, there is no additional cost.

1. **Costs to Federal Government**

These information collections are reviewed during the examination process and result in no additional cost to the federal government.

1. **Changes in Burden**

This is a reinstatement, without change, of a previously approved collection.

1. **Information Collection Planned for Statistical Purposes**

 Not applicable. The information collection is not used for statistical purposes.

1. **Approval to Omit OMB Expiration Date**

NCUA is not seeking approval to omit the expiration date.

1. **Exceptions to Certification for Paperwork Reduction Act Submissions**

 This collection complies with the requirements in 5 CFR 1320.9.

1. **Collections of Information Employing Statistical Methods**

 This collection does not involve statistical methods.