

National Credit Union Administration
SUPPORTING STATEMENT

Appraisals, 12 CFR 722
OMB No. 3133-0125

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

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 certain other 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.

2. Purpose and use of the information collection.

Federally insured credit unions (FICU) 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 FICUs to ensure that extensions of credit by the FICU 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 FICUs are not exposed to risk of loss from inadequate appraisals or written estimates of market value. A FICU must obtain an appraisal prepared by a state-certified appraiser if the federally related transaction is \$1 million or more; is complex, involves a residential real estate transaction, and \$400,000 or more of the transaction value is not insured or guaranteed by a United States government agency or United States government sponsored agency, as prescribed by §722.3(b)(2), or unless otherwise exempt. A FICU must obtain an appraisal by a state-certified or state-licensed appraiser if the federally related transaction is non-complex, involves a residential real estate transaction, and \$400,000 or more of the transaction value is not insured or guaranteed by a United States government agency or United States government sponsored agency. A FICU must obtain a written estimate of market value for federally related transactions unless; an appraisal performed by a state-certified or state-licensed appraiser was obtained; an appraisal is not required as prescribed by §722.3(a)(2) through (6); the transaction is fully insured or guaranteed by a United States government agency or United States government-sponsored agency.

The use of this information will help ensure that FICUs are not exposed to risk of loss from inadequate appraisals or written estimates of market value. A FICU's failure to engage in the information collection activities included in the regulation will, in some cases, (1) result in a violation of the provisions of Title XI, (2) impede the NCUA in carrying out its statutory obligation to ensure that its regulated institutions conduct their activities in accordance with safe and sound principles, and (3) increase the risk of loss to the National Credit Union Share Insurance Fund (NCUSIF).

3. Use of 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 or written estimates of market value, but credit unions must maintain these 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.

4. Duplication of information.

There is no duplication; each appraisal and/or written estimate of market value is unique to the individual property appraised. No similar information is available to the regulated institution or NCUA.

5. Effect to reduce burden on small entities.

Loans under \$400,000 for non-complex residential real estate transactions and under \$1,000,000 for non-residential real estate transactions will be 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.

6. 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 FICUs.

7. 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).

8. Consultations with person outside the Agency.

A 60-day notice was published in the *Federal Register* on June 1, 2022, at 87 FR 33212, soliciting comments from the public. No public comments were received in response to this notice.

9. Payment or gifts to respondents.

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

10. Assurance of confidentiality.

There is no assurance of confidentiality other than that provided by law.

11. Questions of a sensitive nature.

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

12. Burden of information collection,

Based on current call report data, approximately 3,365 FICUs originated real estate loans in December 2021. On average, FICUs make 618 real estate loans per year, which would require written appraisals or valuations. NCUA estimates it will take each FICU 5 minutes per real estate loan to meet the recordkeeping requirement. This results in a total annual estimated burden of 173,309 hours.

Information Collection Activity	# Respondents	Frequency	Total Number of Responses	Hours per Response	Total Annual Burden Requested	Previously Approved Burden	Difference
Recordkeeping requirements associated with real estate appraisals and evaluations	3,365	618	2,079,707	0.083333	173,309	137,098	36,211

Based on the labor rate of \$35 per hours, the total cost to respondents is \$6,065,812.

13. Capital start-up or on-going operation and maintenance costs.

There are no capital start-up or maintenance costs.

14. Costs to the Federal Government.

This is a recordkeeping requirement; therefore, there is no cost to the Federal government.

15. Reason for changes in burden.

The increase of 36,211 burden hours is the result of agency adjustments. The number of FICUs have decreased since the previous submission (3,449 to 3,365), but the number of real estate loans have increased; thus, an increase in the number of responses per respondent (477 to 618). A total of 173,309 burden hours requested.

16. Information collection planned for statistical purposes.

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

17. Request non-display the expiration date of the OMB Control Number.

The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket site at www.reginfo.gov.

18. Exceptions to Certification for Paperwork Reduction Act Submissions.

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.