

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 existing 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.

Section 1473(q) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) amended title XI of the FIRREA to add in a new section 1125 relating to the use of automated valuation models (AVMs) in valuing collateral securing mortgage loans. The proposed rule mandated quality control standards for the use of AVMs by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer's principal dwelling. The new information collections derive from a proposed rule that would require institutions that engage in certain credit decisions or securitization determinations to adopt policies, practices, procedures, and control systems to ensure that AVMs used in these transactions to determine the value of mortgage collateral adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs; protect against the manipulation of data; seek to avoid conflicts of interest; require random sample testing and reviews; and comply with applicable nondiscrimination laws. Information is used by examiners during the examination process to assess whether lending practices are safe and sound.

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).

The requirements of this regulation include both initial and ongoing implementation of the AVM rule, policies and procedures related to the previously published guidelines, and disclosure related to the 2010 guidelines. The use of this information will help to (1) promote credit union safety and soundness by enhancing the integrity of collateral valuation for residential mortgage lending; and (2) help ensure credit unions comply with all applicable nondiscrimination laws.

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 proposed regulation would create quality control standards for the use of AVMs to ensure that AVMs used in certain credit decisions or covered securitization determinations adhere to quality control standards designed to meet specific quality control factors. 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 as real estate and other 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 21, 2023, at 88 FR 40638, soliciting comments from the public. No public comments related to the Paperwork Reduction Act 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 3,555 FICUs originated real estate loans in December 2023. On average, FICUs make 514 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 existing recordkeeping requirement. This results in a total annual estimated burden of 152,272 hours, which is a decrease of 21,037 hours from the previously approved burden of 173,309 hours. The four new ICs (listed below) create an annual burden of 59,850 hours. Accordingly, the total annual burden requested has increased by 38,813 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 (Existing)	3,555	514	1,827,270	0.083	152,272	173,309	21,037
New IC 1 - AVM Rule - Policies and Procedures - Implementation	356	1	356	13.33	4,745	0 (New Requirement)	4,745
New IC 2 - AVM Rule - Policies and Procedures - Ongoing	356	1	356	5	1,780	0 (New Requirement)	1,780
New IC 3 - 2010 Guidelines - Policies and Procedures - Ongoing	3,555	1	3,555	10	35,550	0 (New Requirement)	35,550
New IC 4 - 2010 Guidelines - Disclosure - Ongoing	3,555	1	3,555	5	17,775	0 (New Requirement)	17,775
					212,122		38,813

Based on the labor rate of \$46.61 per hour, the total cost to respondents is \$9,887,006.

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 and disclosure requirement; therefore, there is no cost to the Federal government.

15. Reason for changes in burden.

The increase of 38,813 burden hours is the result of agency adjustments and regulatory changes. The number of FICUs have increased since the previous submission (3,365 to 3,555), but the number of real estate loans have decreased; thus, a decrease in the number of responses per respondent (618 to 514). This pre-existing requirement results in a decrease of 21,037 burden hours. However, due to new regulatory requirements, there are additional requirements resulting in a request for an additional 59,850 hours. A total of 212,122 burden hours requested with a net increase of 38,813 hours.

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.