TO: NCUA Board   **DATE:** June 3, 2019

FROM: Office of General Counsel   **SUBJ:** Final Rule: Real Estate
Office of Examination and Insurance   Appraisals (Part 722)

ACTION REQUESTED: NCUA Board approval to issue the attached final rule.

DATE ACTION REQUESTED: June 20, 2019

OTHER OFFICES CONSULTED: N/A

VIEWS OF OTHER OFFICES CONSULTED: N/A

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Lou Pham, Senior Credit Specialist, Office of
Examination and Insurance; Rachel Ackmann, Senior Staff Attorney, Office of General Counsel.

SUMMARY: At its September 20, 2018 meeting, the Board issued a proposed rule to amend its
regulations requiring real estate appraisals for certain transactions. The final rule accomplishes
four objectives: (1) increasing the threshold below which appraisals are not required for
commercial real estate transactions from $250,000 to $1,000,000; (2) restructuring the rule to
enhance clarity; (3) exempting from the rule certain federally related transactions involving real
estate in a rural area; and (4) making conforming amendments to the definitions section. The
NCUA received 87 comment letters on the proposed rule. In general, all of the comments
received from appraisal- and bank-related interests objected to the proposed $1 million threshold.
In contrast, most commenters associated with the credit union industry favored the $1 million
threshold and other changes in the proposed rule. Some commenters, however, expressed
concerns about specific aspects of the proposed rule. In response to commenters, the final rule
includes one modification from the proposed rule. The final rule maintains the current
exemption for existing extensions of credit rather than adopting the proposed exemption that
exempted transactions that did not qualify as new loans under generally accepted accounting
principles.

RECOMMENDED ACTION: NCUA Board approve the attached final rule.

ATTACHMENT: Final Rule.