



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

Office of General Counsel

GC/JT:sg  
3320  
89-1109

December 11, 1989

James R. Brown, III Esq.  
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Towson, Maryland 21204-5980

Re: Preemption of Maryland Statute Requiring  
Real Estate Appraisal Policies and Procedures  
(Your November 3, 1989, Letter)

Dear Mr. Brown:

You have asked whether Federal credit unions ("FCU's") located in Maryland must comply with Section 2-110 of the Financial Institutions Article of the Annotated Code of Maryland, providing that directors and officers of financial institutions shall develop and implement written real estate appraisal policies and procedures pertaining to the hiring and performance of real estate appraisers. This Maryland statute is preempted by Section 701.21(b)(1)(iii)(C) of NCUA's Regulations (12 C.F.R. 701.21(b)(1)(iii)(C)). NCUA's Regulations do not currently contain any specific appraisal requirements. Pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), NCUA is currently developing an appraisal regulation in conjunction with the other financial institutions regulators.

**ANALYSIS**

Section 2-110 of the Financial Institutions Article of the Annotated Code of Maryland requires directors and officers of financial institutions to develop and implement written real estate appraisal policies and procedures pertaining to the hiring and performance of real estate appraisers. The policies must be submitted to the State Bank Commissioner for

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review and approval. You state that the Bank Commissioner is taking the position that FCU's are subject to this statute.

Section 701.21(b)(1)(iii)(C) of NCUA's Regulations preempts any state law affecting "the type or amount of security and the relation of the value of the security to the amount of the loan or line of credit." This provision preempts the Maryland statute.

Presently, appraisal standards are set by the FCU's board of directors and are subject to review by NCUA on a safety and soundness basis. As you are aware, NCUA has also issued Letter to Credit Unions No. 112 regarding real estate lending. Letter No. 112 contains specific guidance on appraisals.

FIRREA requires NCUA, in conjunction with the other financial institutions regulators, to issue regulations on appraisals. FIRREA requires that a proposed rule be issued in February, 1990, and a final rule in August, 1990. The rule will apply to all federally-insured credit unions.

Sincerely,

*Hattie M. Ulan*

HATTIE M. ULAN  
Associate General Counsel