



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

January 29, 1991

David Conley  
Mortgage Loan Officer  
Credit Union of Denver  
P.O. Box 261420  
Lakewood, CO 80226-9420

Re: **Valuations and the Appraisal Regulation**  
(Your December 17, 1990, Letter)

Dear Mr. Conley:

You have asked whether a federally-insured credit union that uses tax assessments for determining the market value of property may use comparable properties listed in a current Multiple Listing Service's Sold Book as evidence that property value in a given area noted in the tax assessments has not declined. This method is in compliance with Section 722.3(d) of NCUA's Rules and Regulations as long as the listings are current and of sufficient number to make a meaningful comparison.

**APPLICABLE LAW**

Section 722.3(a)(1) of NCUA's Rules and Regulations (12 C.F.R. 722.3(a)(1)) states that an appraisal is not required for any real estate-related financial transaction in which the transaction value is \$50,000 or less. Section 722.3(d) requires that:

Secured transactions exempted from appraisal requirements pursuant to paragraph (a)(1) of this section (transactions of \$50,00 or less) and not otherwise exempted from this

FOIA, Vol. C, 6 Real Estate Loans

David Conley  
January 29, 1991  
Page 2

regulation shall be supported by a written estimate of market value, as defined in this regulation, performed by an individual having no direct or indirect interest in the property, and qualified and experienced to perform such estimates of value for the type and amount of credit being considered.

The preamble to the final regulation (55 F.R. 30204, 7/24/90) states that:

. . . . the valuation should be performed by an individual who is qualified and experienced with the type of property being valued and has no direct or indirect interest in the property being evaluated. The valuation should reasonably estimate market value, as defined in section 722.2(f), with sufficient accuracy to protect the credit union's interest throughout the term of the loan.

#### ANALYSIS


A tax assessment alone is not sufficient to meet the valuation requirement because it may not be a fair representation of market value. If a tax assessment is used as part of the valuation process, the FCU must also ensure that the collateral is in good condition and that market conditions since the time of the assessment have not deteriorated. The use of comparables in the current Multiple Listing Service's Sold Book (assuming the listings are updated fairly regularly and there are sufficient listings to make a meaningful comparison) is one way to determine that market conditions have not deteriorated. This method in conjunction with a valid tax assessment meets the valuation requirement. An FCU employee may perform this valuation as long as the employee is qualified and has no direct or indirect interest in the property.

There are also alternative methods to meet the valuation requirement of Section 722.3(d). A drive-by and the use of some comparables would satisfy the valuation requirement. An appraisal that does not necessarily conform to the regulatory

David Conley  
January 29, 1991  
Page 3

requirements for a transaction requiring an appraisal, rather than a valuation, may be another acceptable method. Still other methods may be permissible as long as the process reasonably estimates market value.

Sincerely,



HATTIE M. ULAN  
Associate General Counsel

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