

April 1, 1993

Barb Rothfuss  
Loan Manager  
The Summit Federal Credit Union  
1200 Sibley Tower  
Rochester, New York 14604

Re: Appraisal Form (Your March 10, 1993, Letter)

Dear Ms. Rothfuss:

You have asked us to review the enclosed "drive-by inspection" form for compliance with Part 722 of NCUA's Regulations (12 C.F.R. Part 722). Although we do not generally review credit union documentation for its own internal use, we have briefly reviewed your proposed form. As you know, 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 \$50,000 or less) and not otherwise exempted from this 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.

You plan on having the "drive-by inspection" form completed by a state certified real estate appraiser in connection with your home improvement loan program which has a maximum loan amount of \$15,000. The credit union would use the lowest market value stated on the form (either the neighborhood range or house value). Since the appraiser is qualified to determine the market value of the property and is conducting the drive-by (to ensure the collateral is in good condition), the credit union can rely on the completed form to meet the valuation requirements of Section 722.3(d).

Sincerely,

Hattie M. Ulan  
Associate General Counsel

Enclosure

GC/MM:sg  
SSIC 3501  
93-0323