commenters stated that the interpretation of the data given by the appraiser may be misleading and not acceptable. The Board believes that appraisal data is always subject to some interpretation. A credit union can minimize this risk by carefully selecting an appraiser. Furthermore, appraisers preparing appraisals using the Departure Provision must still comply with all binding requirements of the USPAP and must be sure that the resulting appraisal is not misleading. The amendment also makes clear that the written appraisal must contain sufficient information and analysis to support the credit union's decision to engage in the transaction. This puts the credit union on notice of their responsibility to have appraisals that are appropriate for the particular federally related transaction.

Deductions and Discounts

The Board proposed to retain the current standard in the appraisal regulation regarding deductions and discounts. See 12 CFR 722.4(a)(8). The USPAP provision on this subject requires the appraiser to include a discussion of deductions and discounts when it is necessary to prevent an appraisal from being misleading. The Board believes it is appropriate to emphasize the need to include an appropriate discussion of deductions and discounts applicable to the estimate of value in Title XI appraisals for federally related transactions. For example, in order to properly underwrite a loan, a credit union may need to know a prospective value of a property, in addition to the market value as the date of the appraisal. A prospective value of a property is based upon events yet to occur, such as completion of construction or renovation, reaching a stabilized occupancy level, or some other event to be determined. Thus, more than one value may be reported in an appraisal as long as all values are clearly described and reflect the projected dates when future events could occur.

The standard on deductions and discounts emphasize the need for appraisers to analyze, apply and report appropriate discounts and deductions when providing values based on future events. In financing the purchase of an existing home in a long-standing community, there typically would be no need to apply any discounts or deductions to arrive at the market value of the property since the credit union's financing of the project does not depend on events such as further development of the property or the sale of units in a tract development. Therefore, the Board

is adopting in final the amendment as proposed.

Remaining Standards

The Board also proposed to retain the current market value standard in the appraisal regulation which requires the appraisal to be based on the definition of market value in NCUA's Regulations. See 12 CFR 722.4(a)(2). Finally, the Board proposed a new standard that all appraisals for federally related transactions must be prepared by licensed or certified appraisers. This requirement is mandated by Title XI of FIRREA and is repeated in other parts of the appraisal regulation.

The Board is adopting the minimum appraisal standards as proposed. The Board believes these five standards will simplify compliance with the appraisal regulation without diminishing the usefulness of Title XI appraisals prepared for federally related transactions. Under these standards, the USPAP is referenced but is no longer part of NCUA's Regulations. This approach no longer requires NCUA to republish changes to the USPAP adopted by the Appraisal Standards Board in Appendix A of this rule. The appendix is deleted from NCUA's appraisal regulation.

4. Elimination of the Provision on Unavailable Information

The Board proposed to delete the current provision that requires appraisers to disclose and explain when information necessary to the completion of an appraisal is unavailable. See 12 CFR 722.4(b). The USPAP currently requires appraisers to disclose and explain the absence of information necessary to complete an appraisal that is not misleading. See USPAP Standard Rule 2-2(k). Moreover, when information that may materially affect the estimate of the value is unavailable, the Board believes that generally accepted appraisal standards require appraisers to explain the absence of that information and its effect on the reliability of the appraisal. Therefore, to streamline the regulation the Board is adopting the amendment as proposed.

5. Elimination of the Provision on Additional Appraisal Standards

The Board proposed to delete the current provision that merely confirms the authority of credit unions to require appraisers to comply with additional standards. See 12 CFR 722.4(c). As the regulation's minimum appraisal standards for federally related transactions do not prevent a credit union from requiring additional appraisal standards or information to

meet the credit union's business needs. It is unnecessary to keep this provision in the appraisal regulation. Consequently, the Board is adopting the proposed amendment in final.

6. Appraiser Independence

The Board proposed to permit a credit union to use an appraisal that was prepared for any financial service institution including mortgage bankers. Twenty commenters supported this amendment. One of these commenters added a caveat that it should be permissible only if the appraisal is ordered by a lending establishment and the appraiser is one that has been approved by the lender. Three of these commenters believed the appraiser should be certified or licensed. Two commenters say the appraisal should be recent. Three commenters objected to this provision. One of these commenters stated that relying on an appraisal commissioned by another financial institution may lead to a faulty credit decision. A credit union need not rely on an appraisal if it does not have confidence in the report or the appraiser. The Board believes that these are all business decisions that should be made by the credit union and need not be regulated. However, it is incumbent on the credit union to ensure that the appraisal conforms to the requirements of the regulation and is otherwise acceptable. Furthermore, the appraiser would not be allowed to have a direct or indirect interest, financial or otherwise, in the property or the transaction, and must have been directly engaged by the non-regulated institution.

Age of Appraisal

In the preamble to the proposed amendments, the Board addressed the maximum age for an acceptable appraisal. The Board believed that there should be a maximum age (time from date of the appraisal to date of the application of the loan) for an appraisal, but that the age should not be so short as to unnecessarily require a new appraisal in the unlikely event that a mortgage is refinanced within a reasonably short time or a credit union is using an appraisal prepared for another financial service institution. The Board realized that setting a specific time period would not be appropriate in all situations. The Board proposed allowing credit unions to determine the period for an appraisal but recommending that any appraisal over six months not be used. Ten commenters supported the six month recommendation and nine commenters objected. Most of these commenters