



# *Credit Union Department*

## *Informational Memorandum*

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**TO:** Credit Union Presidents and CEOs

**FROM:** John J. Kolhoff, Commissioner

**DATE:** April 22, 2020

**SUBJECT:** COVID-19 Regulatory Relief measures related Appraisal Requirements in TAC Section 91.708.

The Department recognizes the effects the current pandemic has on the operational aspects of loan underwriting and related documentation efforts. As outlined in previous publications, the Department supports the financial well-being of credit unions' members as well as the safety and soundness of the industry and urges credit unions to work with borrowers during this crisis in a reasonable, practical and flexible manner. The Department understands that efforts to work with borrowers, when conducted reasonably, are consistent with safe and sound credit union principles and in the public interest.

As part of these relief measures the Department worked with the state and federal regulatory agencies who make up the Federal Financial Institution Examiner Council (FFIEC) to outline several temporary appraisal relief measures in an [April 14, 2020 Interagency Statement](#). The Department fully supports the regulatory relief provided within the statement. Accordingly, the Department incorporates the provisions of the April 14, 2020 Interagency Statement and through the authority provided to the Commissioner under Texas Admin. Code Section 91.701(g) grants an industry waiver of provisions within Texas Admin. Code Chapter 91 that conflict with the Interagency Statement, including Texas Admin. Code Section 91.708. The waiver as provided will sunset on December 31, 2020 unless another termination date is set by the Commissioner at a future date.

On [April 16, 2020 the National Credit Union Administration Board announced](#) the temporary rule noted above as well as [approved amendments to the current appraisal rule](#) NCUA R&R Part 722 to align with other FFIEC agencies. Due to the federal insurance requirements the Commission had previously approved [Texas Admin. Code Section 91.708](#) using the same dollar threshold for licensed appraisal requirements. With this informational memorandum, the Commissioner grants specific waiver of Texas Admin. Code Section 91.708 to incorporate the lifting of the appraisal dollar threshold from \$250,000 to \$400,000 through the authority provided under Texas Admin. Code Section 91.701(g). This waiver will remain in effect until such time as formal amendment of Texas Admin. Code Section 91.708 has been formally acted upon by the Texas Credit Union Commission.

### **Conclusions**

The Department encourages credit unions to make use of these exceptions when reasonable. The use of an existing appraisal or evaluation for subsequent transactions may be particularly relevant during the COVID-19 emergency. A credit union can use an existing evaluation or appraisal instead of obtaining a new appraisal for a subsequent transaction in certain circumstances if the institution can confirm that

the evaluation or appraisal remains valid. The passage of time is a criterion that institutions can consider when determining whether an appraisal remains valid. If the institution determines that the appraisal still reflects reasonable market value, the institution may rely on the appraisal based on an acceptable level of risk as evidenced by a loan's LTV ratio and other underwriting criteria. The Department understands it may be appropriate for institutions to have different criteria for assessing the validity of an appraisal or evaluation for purposes of subsequent transactions during major disasters or other emergencies. The institution's determination of the validity of existing appraisals and evaluations used for subsequent transactions conducted during the COVID-19 emergency will not be subject to examiner criticism if it is consistent with safe and sound practices.

The Department reminds credit unions that in cases where the flexibility outlined in this pronouncement are utilized, a reasonable and consistent internal methodology to determine the fair market value of the collateral during underwriting remains necessary to ensure the safety and soundness of the institution.

The Department will continue to monitor the COVID-19 situation and provide additional guidance, as needed to address the need of credit unions and their members. With proper mitigating controls and management oversight, the steps taken by credit unions during this pandemic can contribute to the health of local communities and serve the long-term interest of the credit union and its members.