



Illinois Department of Financial and Professional Regulation

Division of Financial Institutions

JB PRITZKER
Governor

DEBORAH HAGAN
Secretary

FRANCISCO MENCHACA
Director
Division of Financial Institutions

Guidance To State Chartered Credit Unions Regarding the Deferral of An Appraisal or Written Estimate of Market Value

On April 16, 2020, the National Credit Union Administration (“NCUA”) Board promulgated an interim final rule allowing a federal credit union to temporarily defer certain appraisals and written estimates of market value for up to 120 days after closing when other alternatives are not available and when the appraisal or evaluation would delay the closing of the transaction. The rule, which expires on December 31, 2020, covers all real estate related transactions except those involving acquisition, development, and construction real estate loans. The interim final rule was published in the Federal Register on April 21, 2020, and is immediately effective.¹ The NCUA Board stated that it provided this relief to allow credit unions to expeditiously extend liquidity to creditworthy households and businesses in light of recent strains on the U.S. economy as a result of COVID-19.

Section 65 of the Illinois Credit Union Act provides, “After the effective date of this Act, any credit union incorporated under the laws of this State shall have all of the rights, privileges and benefits which may be exercised by a federal credit union; provided, however, that the exercise of such rights, privileges and benefits may not violate any provision of this Act. In order to give effect to this provision, the Secretary shall, where necessary, promulgate rules and regulations in substantial conformity with those promulgated by the NCUA under the Federal Credit Union Act.”²

Illinois state-chartered credit unions are generally required to obtain a written estimate of market value or an appraisal prior to closing a loan secured by real estate.³ Illinois law already exempts credit unions from appraisal requirements under certain circumstances.⁴

The Department of Financial and Professional Regulation (“Department”) intends to promulgate a rule in substantial conformity with the rule promulgated by the NCUA under the Federal Credit Union Act referenced above. While such rule is being promulgated by the Department and until it is made final and effective, the Department does not intend to take adverse supervisory or enforcement action against an Illinois state-chartered credit union for deferring the appraisal or written estimate of market value for appropriate transactions up to 120 days from the date of closing. This guidance does not apply to transactions for acquisition, development, and construction of real estate. This guidance also does not apply to any transaction closing after December 31, 2020.

¹ See <https://www.federalregister.gov/documents/2020/04/21/2020-08435/real-estate-appraisals>

² See 205 ILCS 305/65.

³ See Title 38, Section 190.140(h)(1)(c) of the Illinois Administrative Code.

⁴ See, e.g., 205 ILCS 305/46(7).
www.facebook.com/ILDFPR

A credit union relying on this guidance is also required to do the following:

- Develop and implement a policy containing a credible alternative valuation methodology that is consistent with safe and sound lending practices;
- Make a risk-based determination of whether to require an appraisal or written estimate of value prior to closing a loan for an otherwise exempt transaction; and
- Develop and implement a risk mitigation plan to address the possibility that the final appraisal or written estimate of value is significantly below expectations. The plan should maintain a reasonable balance between safety and soundness and the credit union's responsibility to serve the best interests of its members.

If a credit union fails to follow the above guidance, the Department reserves the right to require the credit union to obtain appraisals or written estimates of value before completing additional closings of loans secured by real estate.

This guidance does not amend the Illinois Credit Union Act, the Illinois Administrative Code, or any other requirement of state or federal law. It describes certain situations where, for a limited period of time, the Illinois Department of Financial and Professional Regulation does not intend to take adverse supervisory or enforcement action against a licensee.

DATED THIS 1ST DAY OF MAY 2020

ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION



By:

DEBORAH HAGAN, SECRETARY

