

and risk management procedures are in place at section 20 subsidiaries.

When a section 20 subsidiary serves as lead underwriter, it is responsible for performing adequate due diligence. In other instances, such as the dealing of an outstanding debt security, a section 20 subsidiary may rely on the due diligence performed by independent rating agencies. Due diligence efforts conducted by a section 20 subsidiary or an independent rating agency often include analyses of factors such as payment history, mortgage and security structure, borrower's income or property cash flow, credit enhancements, and seasoning. In most CMBS transactions, the underlying loans have demonstrated their ability to perform over a period of time. As the underlying commercial real estate loans in a CMBS pool season, appraisals obtained at origination become increasingly less relevant to an investor's decision to purchase the related CMBS because the market assumptions upon which the appraisals were based may have become obsolete. Further, the public rating or due diligence that must be obtained or conducted for CMBS provides investors with sufficient information to assess the risks associated with the CMBS. A majority of the commenters agreed with this assessment of the CMBS market.

In response to the concerns expressed by one commenter that exempting CMBS transactions from the appraisal regulation would pose undue or unacceptable risk to federally-insured depository institutions, the Board notes that the proposed amendment relates solely to section 20 subsidiaries of bank holding companies and would not affect the appraisal requirements applicable to any federally-insured depository institution. In addition, transactions between a federally-insured depository institution and an affiliated section 20 subsidiary would continue to be subject to applicable restrictions in section 23A and 23B of the Federal Reserve Act (12 U.S.C. 37k, 37k-1). At this time, the Board is not considering any additional exemptions from the appraisal regulation for other transactions related to the CMBS market. Further, since the agencies have uniform appraisal regulations, any proposal to exempt CMBS-related transactions for federally-insured depository institutions would be addressed on an interagency basis.

#### Regulatory Flexibility Act Analysis

This amendment is not expected to have a significant economic impact on a substantial number of small business entities within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) because this amendment will

only affect bank holding companies that have section 20 subsidiaries, which generally are among the largest bank holding companies. Further, the amendment is not expected to impose any additional burdens on regulated institutions.

#### Paperwork Reduction Act

No collection of information pursuant to section 3504(h) of the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) is contained in this rulemaking.

#### List of Subjects in 12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

For the reasons set forth in the preamble, the Board amends 12 CFR part 225 as set forth below:

#### PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

1. The authority citation for part 225 continues to read as follows:

**Authority:** 12 U.S.C. 1817(j)(13), 1818, 1828o, 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Subpart G, § 225.63 is amended by removing the word "or" at the end of paragraph (a)(11), by redesignating paragraph (a)(12) as paragraph (a)(13), and by adding a new paragraph (a)(12) to read as follows:

#### § 225.63 Appraisals required; transactions requiring a State certified or licensed appraiser.

(a) \* \* \*  
(12) The transaction involves underwriting or dealing in mortgage-backed securities; or  
\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System.

Dated: November 20, 1998.

**Robert deV. Frierson,**

*Associate Secretary of the Board.*

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#### NATIONAL CREDIT UNION ADMINISTRATION

#### 12 CFR Parts 701, 722, 723 and 741

#### Organization and Operations of Federal Credit Unions; Appraisals; Member Business Loans; and Requirements for Insurance

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Interim final rule; extension of comment period.

**SUMMARY:** On September 23, 1998, the NCUA issued an interim final rule concerning member business loans and appraisals for federally insured credit unions' as well as implementing recent statutory limitations regarding member business loans. The interim final rule was published in the **Federal Register** on September 29, 1998 (see 63 FR 51793). The NCUA Board stated that comments on the interim final rule must be received by November 30, 1998. Due to a request made, the Board has decided to extend the comment period for an additional 60 days to January 29, 1999.

**DATES:** The comment period is being extended from November 30, 1998 to January 29, 1999. Comments must be postmarked or received by January 29, 1999.

**ADDRESSES:** Direct comments to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428. Fax comments to (703) 518-6319. Please send comments by one method only.

**FOR FURTHER INFORMATION CONTACT:** Michael J. McKenna, Senior Staff Attorney, Division of Operations, Office of General Counsel, at the above address or telephone: (703) 518-6540.

By the National Credit Union Administration Board on November 19, 1998.

**Becky Baker,**

*Secretary of the Board.*

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#### NATIONAL CREDIT UNION ADMINISTRATION

#### 12 CFR Part 708a

#### Conversion of Insured Credit Unions to Mutual Savings Banks

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Interim final rule with request for comments.

**SUMMARY:** The NCUA is revising its rules that govern the conversion of insured credit unions to mutual savings banks or savings associations, if the savings associations are in mutual form. These revisions will simplify the charter conversion process and reduce regulatory burden for insured credit unions that choose to convert. NCUA is making these revisions in compliance