

April 29, 1996  
Jean M. Yokum, President  
Langley Federal Credit Union  
P.O. Box 7463  
Hampton, VA 23666-0463

Re: Long-Term Mortgage Loans (Your April 5, 1996, Letter)

Dear Ms. Yokum:

You have written seeking relief from the requirement in Section 701.21(g)(1) and (2) of NCUA's Regulations that in order to qualify for a 40 year loan, the loan must be made on a "one-to-four family dwelling . . . and the loan shall be secured by a perfected first lien in favor of the credit union on such dwelling . . . ." Your federal credit union wishes to set up a loan program secured by a "First Deed of Trust on Unimproved Property." Under the program, the property must be suitable to build one-to-four family dwellings and the intent must be that the property will "ultimately be the principal residence of the borrower." The NCUA examiner has correctly advised you that these loans are subject to a 12 year limitation because they are not secured by a principal residence dwelling on the property.

Although we are sympathetic to your situation, there is very little that the NCUA can do to remedy the situation. Congress has promulgated the limits written into the Federal Credit Union Act (the Act), and only Congress, and not the NCUA Board, can revise those limits. Therefore, we cannot by regulation amend section 107(5) of the Act which limits the maturity of loans to 12 years. Section 107(5)(A)(i) of the Act provides an exception to the 12 year limitation for "a residential real estate loan on a one-to-four family dwelling, including an individual cooperative unit, that is or will be the principal residence of a credit union member, and is secured by a first lien upon such dwelling . . . ."

I trust that this makes clear the fact that since these maturity limits are statutory and not regulatory, the NCUA Board cannot alter them.

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/MFR:bhs  
SSIC 4650  
96-0413