

June 7, 1996

Colleen M. Thrift  
Mortgage Branch Manager  
Northwest Federal Credit Union  
200 Spring Street  
Herndon, VA 22070

Re: Request for an Opinion on Member Business Loan Issues (Your May 28, 1996, Letter)

Dear Ms. Thrift:

You have requested a legal opinion on two issues as they relate to the National Credit Union Administration's (NCUA's) member business loan regulation, Section 701.21(h) of NCUA's Rules and Regulations.

First, you ask whether a member business loan secured by a home equity line of credit is subject to the 12 year maturity limit set forth in Section 701.21(c)(4). Section 701.21(h)(2) states that member business loans are to be made in accordance with Sections 701.21(a) through (g) to the extent those sections are not inconsistent with the business loan rule. Section 701.21(a)(4) states that lines of credit are not subject to a statutory or regulatory maturity limit. This does not conflict with any provision of the business loan rule except to note that Section 701.21(h)(2)(iii)(C) provides that "(m)ember business loans shall be granted for periods consistent with the purpose, security, creditworthiness, of the borrower, and sound lending policies."

Second, you inquire whether a business loan secured by the borrower's primary residence is classified as a business loan. As explained in the enclosed April 21, 1993, opinion letter to Mr. Earl Hardy, "if a loan is fully secured by a lien on a 1 to 4 family dwelling that is the member's primary residence, **regardless of the purpose**, the loan is exempt from the definition of a business loan." (Emphasis added).

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/MFR:bhs  
SSIC 3501  
96-0602

Enclosure