June 4, 2001

Gwen Baker, Director, Regulatory Affairs
National Association of Federal Credit Unions
3138 N. 10th Street
Arlington, VA 22201

Re: Recreational Vehicles as Mobile Homes in NCUA Lending Rule.

Dear Ms. Baker:

You have asked us to reconsider if a recreational vehicle (RV) can be considered a mobile home and qualify for a 20-year loan maturity. 12 C.F.R. §701.21(f)(1). As discussed below, we now believe that house trailers and RVs containing sleeping, cooking, and toilet facilities may qualify as mobile homes.

The Federal Credit Union Act (FCUA) provides that FCU loans not exceed twelve years in maturity, with exceptions for certain loans including mobile home loans. 12 U.S.C. §1757(5). A loan to finance the purchase of a mobile home "shall have a maturity not to exceed 15 years or any longer term which the [NCUA] Board shall allow" if the loan is secured by a first lien and the mobile home is used by the member as his residence. 12 U.S.C. §1757(5)(A)(ii). The Board has established a maximum maturity of 20 years for mobile home loans. 12 C.F.R. §701.21(f)(1).

Neither the FCUA nor the lending rule contains a definition of mobile home. Previously, we stated that only homes that met the standard of a "manufactured home" as established in the National Manufactured Home Construction and Safety Standards Act would be considered mobile homes for purposes of the our lending rule. 42 U.S.C. §5402(6); Letter from Hattie Ulan to Dale Lyon, dated March 18, 1993; Letter from Richard Schulman to Patricia Aldridge, dated February 22, 1996. We have reconsidered our position in light of the tax treatment of homes, including certain RVs and house trailers, under the Internal Revenue Code (IRC).

The IRC allows a deduction for the interest paid on certain qualified residential loans. 26 U.S.C. §163(a), (h)(2)(D). To take this deduction, the debt must be secured by the taxpayer's main or second home. "A home includes a house, condominium, cooperative, mobile home, house trailer or similar property that has sleeping, cooking, and toilet facilities." Internal Revenue Service Publication 936, Home Mortgage Interest Deduction (2000), p. 2. We conclude that, if a loan for a house trailer or RV qualifies for this deduction, we believe it is appropriate for it to qualify for the 20-year maturity limit.

We want to note that safety and soundness considerations may dictate against the use of extended loan maturities for particular trailers and RVs with short useful lives. Finally, our views here on the meaning of mobile home do not extend beyond the lending rule. Our flood insurance rule, for example, defines mobile home in a manner that specifically excludes RVs. 12 C.F.R. §760.2(g).

Sincerely,

Sheila A. Albin
Associate General Counsel

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