

July 20, 1992

Alfredia Brown
AVP Mortgage Lending
DM Federal Credit Union
P.O. Box 15115
Tuscon, Arizona 85708

Re: Secondary Principal Residences (Your letter of June 26, 1992)

Dear Ms. Brown:

You have asked whether a member may obtain a long-term mortgage loan on a second home that he plans to use in the future as his retirement home. A federal credit union (FCU) may finance a future retirement home (as a future "principal residence") under the long-term mortgage authority. The time for judging the "principal residence" requirement is when the loan is made. If at that time it is a member's intent to establish a new principal residence, either immediately or some time in the future, an FCU may extend a long-term mortgage loan to the member. Under this analysis, a secondary residence that is not currently the principal residence may qualify if the member plans to eventually retire to that residence.

You specifically asked whether an FCU may make a long-term mortgage loan under the following fact situation:

An FCU member currently has a second home. The member intends on eventually using the residence as his retirement home. The member's eligibility date for retirement is August 1996. The member's eligibility date for retirement is irrelevant. Since the member plans to establish the residence (the second home) as his future retirement home (a new principal residence), an FCU is authorized to make a long-term mortgage loan secured by the second home.

Sincerely,

Hattie M. Ulan
Associate General Counsel

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