

October 25, 19996

Rick Gray, Manager
RMB Employees Federal Credit Union
1200 Bluff City Highway
P.O. Box 4368
Bristol, Tennessee 37625

Re: Business Real Estate Loans (Your September 23, 1996 Letter)

Dear Mr. Gray:

You have asked us to clarify what the maximum maturity limit is on business real estate loans. By business real estate loans, it is presumed that you mean loans secured by a lien on real property. Unless the loan is secured by a member's primary residence, the general maximum maturity limit for a business loan is 12 years.

Member business loans are defined as "any loan, line of credit, or letter of credit, the proceeds of which will be used for a commercial, corporate, business investment property or venture, or agricultural purpose." 12 C.F.R. §701.21(h)(1)(i). A loan for a business purpose, secured by a lien on a 1 to 4 family dwelling that is a member's current or future primary residence is excluded from the definition of business loan and is not subject to the business loan rule. 12 C.F.R. §701.21(h)(1)(i)(A). However, a loan made for a business purpose and secured by any real estate other than a member's primary residence is defined as a business loan.

As provided in Section 701.21(c)(4), generally, loans made by federal credit unions have maturity limits of 12 years, except lines of credit which are not subject to a statutory or regulatory maturity limit and certain real estate loans covered in Sections 701.21(f) and (g) of NCUA Rules and Regulations, but which do not fall in the category of business loans. 12 U.S.C. §1757(5); 12 C.F.R. §701.21(c)(4). Pursuant to Section 701.21(h)(2)(iii)(C), member business loans must be made in accordance with Sections 701.21(a) through (g) to the extent that these sections are not inconsistent with the business loan rules. Thus, the general 12 year maturity limit set forth in Section 701.21(c)(4) is applicable to member business loans. Enclosed is a June 7, 1996,

opinion letter to Ms. Colleen Thrift that provides additional clarifications on the maturity limits of member business loans.

Sincerely,

Michael J. McKenna
Acting Associate General Counsel

GC/NSW:bhs
SSIC 3500
96-1001

Enclosure