

# NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION  
1775 Duke Street, Alexandria, VA 22314

**DATE:** July 2014 **LETTER NO.:** 14-CU-08

**TO:** Federally Insured Credit Unions

**SUBJ:** Home Equity Lines of Credit Nearing Their End-of-Draw Period

**ENCL:** Interagency Guidance on Home Equity Lines of Credit Nearing Their End-of-Draw Period

Dear Board of Directors and Chief Executive Officer:

**As home equity lines of credit (HELOCs) approach their end-of-draw period, some borrowers may have difficulty meeting higher payments** that result from principal amortization, or in renewing the existing loan. Changes in financial circumstances and declines in property value may limit options for your members.

The attached interagency guidance encourages credit unions to work with borrowers where possible, consider sound risk management principles, and minimize risk while meeting the needs of your members.

The risk management principles and approach described in the enclosed guidance can help you identify potential exposures, and guide consistent, effective responses to HELOC borrowers who may be unable to meet their contractual obligations. The guidance also addresses appropriate accounting and reporting for HELOCs, as well as appropriate practices for identifying and managing associated risks.

**I encourage you to review this guidance to ensure your practices align with NCUA's risk management expectations.**

Please contact your regional office or state supervisory authority with any questions on this issue.

Sincerely,

/s/

Debbie Matz  
Chairman

Enclosure