

September 12, 2018

SUBMITTED ELECTRONICALLY AT REGCOMMENTS@NCUA.GOV

Gerard S. Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Notice of Proposed Rulemaking (Loans to Members and Lines of Credit to Members)

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), the largest education-based credit union in the U.S., serving school employees in California and their families since 1934. We have more than 825,000 Members and approximately \$15 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on the Board's proposed rulemaking addressing loans and lines of credit to members. The proposed rule would simplify NCUA regulations to 1) consolidate the various maturity limits into one section; 2) clarify that the maturity for a lending action that qualifies as a "new loan" under GAAP is calculated from the new date of origination; 3) seek comments on whether regulations should provide for longer maturity limits on certain loans; 4) and clarify the limits for loans to a single borrower or group of associated borrowers.

SchoolsFirst FCU generally supports amendments to simplify and streamline regulations. We offer responses to your specific questions contained in the proposed rule:

1. Should the NCUA should provide longer maturity limits for 1-4 family real estate loans and other loans, such as home improvement, mobile home, and second mortgage loans?

SchoolsFirst response: The 40-year maturity limit for long-term first lien mortgage loans is appropriate and should not be expanded. However, Part 701.21 limits the maximum maturity term to 15 years for a first or second lien loan secured by a dwelling that is not the residence of the member-borrower ("non-owner occupied"). We encourage the Board to broaden the exemptions to allow for a long-term first lien mortgage of up to 30 years for non-owner occupied properties; and up to a 20-year maturity for a non-owner occupied second lien mortgage. This would afford credit unions parity with banks and state-licensed mortgage lenders who are not subject to these restrictions and enable us to better serve our Members with affordable mortgage options. It would also align with the NCUA's May 2018 final rule revising Part 723 to remove any loan fully secured by a lien on a 1-4 family dwelling from the definition of a "Member Business Loan."

2. What the appropriate maturity limits for such lending actions should be.

SchoolsFirst response: The exemptions in Part 701.21 should be expanded to allow for a long-term first lien mortgage of 30 years for non-owner occupied property; and up to 20 year maturity for a non-owner occupied second lien mortgage. As stated earlier, this would allow for credit unions to serve more member-borrowers, while creating harmony with the May 2018 final rule amending Part 723 to remove any loan fully secured by a lien on a 1-4 family dwelling from the definition of a "Member Business Loan."

3. Whether the case-by-case Board exemption should be retained and, if so, under what circumstances would such exemptions be appropriate?

SchoolsFirst response: Yes, case-by-case Board exemptions should be retained, based on a credit union's financial condition, market served, and current economic conditions.

4. Any other issues stakeholders believe to be relevant.

SchoolsFirst response: The proposed revision would make explicit that the maturity date in the case of a lending action that qualifies as a "new loan" under GAAP is calculated from the new date of origination. Further clarity is needed around the definition of "lending action that qualifies as a new loan." It is not evident if this is referring only to new loan originations or to loan modifications, or both.

Additionally, in May 2018, the NCUA's final rule amended Part 723 to remove any loan fully secured by a lien on a 1-4 family dwelling from the definition of a "Member Business Loan." However, there remains some uncertainty over the proper characterization of a 1-4 family dwelling that contains on the same parcel of land a detached second unit, such as a studio apartment over a detached garage. The member-borrower occupies the main dwelling as their residence, yet may rent the detached secondary unit to a tenant or may have a family member residing in the unit, rent-free. In its final rulemaking, the NCUA should revise Part 701.21(g)(2) to clarify that such a loan is not a Member Business Loan. This would enable credit unions to better serve members with affordable mortgages, whereas today, members may be forced to seek financing from another lender.

With respect to the proposed amendments to provide a universal standard limit for loans to a single borrower or group of associated borrowers, in lieu of the current loan product specific standards, SchoolsFirst generally supports reduction in regulatory burdens and streamlining of limitations.

1. Whether the NCUA should provide a single universal standard limit for commercial loans and loan participations that may be purchased with respect to a single borrower or group of associated borrowers;

SchoolsFirst response: SchoolsFirst supports the proposal of a single universal standard limit.

2. If so, what the appropriate limit for such a standard should be;

SchoolsFirst response: We recommend a standard limit of 10% of a credit union's net worth.

3. If not, why not; and

SchoolsFirst response: N/A

4. Any other issues stakeholders believe are relevant to this determination.

SchoolsFirst response: We have no other issues relevant to this determination.

We thank you for the opportunity to provide comments and hope they will be carefully considered.

Sincerely,



Francisco Nebot
SVP/Chief Financial Officer
SchoolsFirst Federal Credit Union

cc: Credit Union National Association (CUNA)
California & Nevada Credit Union Leagues (CCUL)