PURDUE FEDERAL
CREDIT UNION

PO BOX 1950
WEST LAFAYETTE, IN 47996
765.497.3328 // 800.627.3328

September 12, 2018

Email to: regcomments@ncua.gov

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

RE: 18-EA-25: NCUA - Agency/Docket Number: RIN 3133-AE88 - Loans to Members and Lines of Credit to Members/Maturity Limits for Federal Credit Unions

Credit Union Charter # 19307

Dear Mr. Poliquin:

We are writing on behalf of Purdue Federal Credit Union (Purdue Federal), which primarily serves the faculty/staff/students/alumni of Purdue University. Purdue Federal has 78,447 members nationwide and $1.2 billion in assets and provides a full suite of financial products which includes 1st and 2nd Mortgage Loan products. Purdue Federal appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on the proposal to clarify mortgage loan maturity limits and to make them more in line with member needs and competition from other financial institutions.

Should the NCUA provide longer maturity limits for certain lending actions permitted by §107(5)(A)(i)-(iii) of the Federal Credit Union Act (FCU Act) (i.e. loans for one-to-four family real estate, home improvement, mobile homes, and second mortgages)? If so, what are the appropriate maturity limits for such lending actions?
Purdue Federal Credit Union believes NCUA should allow for longer maturity limits for Federal Credit Unions in regards to non-owner occupied (vacation homes and investment properties) even if the property is not intended to be the member's future primary residence for the following reasons:

1. Managing Risk
2. Member Need
3. Market Competitiveness
4. Member Primary Financial Institution

Point #1: Managing Risk
There have been many rules and regulations that have tightened over the last few years in regards to mortgage lending that has helped mitigate some of the risk in regards to mortgage lending however there are many other important key factors that are taken into consideration when mortgage loans are being originated, no matter what type of property, such as the following:

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- Loan to Value
- Combined Loan to Value
- Private Mortgage Insurance is obtained if LTV is over 80%
- Debit to Income Ratio
- Credit Scores
- Disposable Income
- Loan Level Price adjustments
- Risk Based Pricing

In addition to the above factors that are reviewed Purdue Federal also follows secondary market guidelines (FNMA) when reviewing and approving 1st Mortgage Loans regardless of whether the home will be owner occupied or not. The numbers have to work and the risk needs to make sense before we will fund the loan. These types of borrowers typically have very strong ratios and have proven to perform well in various economic scenarios. The existing rule is far too stringent to allow us to assess the risk, price the risk and manage the risk of these types of loans. We would be open to a policy that required FCUs to monitor the amount of loans of this type and manage our risk within a certain limit (x% of net worth for example).

Point #2 Member Need:
Purdue Federal Credit Union serves members all over the United States at all life stages so it is very important that Purdue Federal has mortgage products available with maturity terms that meet their financial needs for properties that may not be the member's future primary residence. Longer maturity terms are necessary to make non-owner occupied purchases/refinances attainable and affordable. Restricting maturity terms to only 15 years forces the credit union to offer balloon type products which the Bureau of Consumer Financial Protection has now classified as a riskier product that may not be in the best interest of the consumer (non-qualified mortgage product). Balloon loans offer the amortization that fits the member's budget but the loan must be paid off within a much shorter period of time making it an unattractive product forcing the member refinance later at a greater expense or to choose another financial institution that can provide a fully amortizing loan.

Point #3 Market Competitiveness:
Purdue Federal cannot be competitive in a market where it seems that only Federal Credit Unions are not allowed to originate non-owner occupied properties with a maturity term greater than 15 years unless it will be their future primary residence. Offering balloon products which require a larger than usual one-time payment at the end of the loan places our credit union at a distinct disadvantage vs. banks and even state chartered CUs within our market. Our members deserve to have the maturity terms and amortization schedule from their local FCU.

Point #4 Primary Financial Institution:
Purdue Federal Credit Union's vision statement is "To be our members' trusted financial partner for life." Not being able to offer maturity terms that other financial institutions offer for these types of

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properties puts Purdue Federal at a disadvantage when it comes to being our members' primary financial institution and "trusted financial partner for life".

In 2004 Purdue Federal made the decision to sell loans to the secondary market "servicing retained" so that we could indeed be our members' financial partner for life. Selling loans "servicing retained" allows the credit union to service each 1st mortgage loan for life without the credit union investing their dollars in every 1st mortgage loan. It is very important to Purdue Federal members to work with the same organization that they know and trust throughout the life of their loan. In making the decision to sell servicing retained it was not made clear in the rule that Purdue Federal would no longer be able to even originate these loans with longer maturity periods even though the loan would be sold to the secondary market.

It is very important to Purdue Federal to sell loans to the secondary market "servicing retained" to continue to build strong relationships with each and every member and to be our members' Primary Financial Institution and trusted financial partner for life. Purdue Federal has very knowledgeable employees with many years of service who look out for the best interest of our member and the credit union. Let's let our staff do the work and due diligence involved to determine what maturity terms work for the member and the credit union's portfolio.

We ask that NCUA strongly consider changing the rule to allow all federal credit unions to originate and service 1st and 2nd mortgage loans for non-primary residences with maturity restrictions that are the same as a primary residence to remain competitive with other financial institutions. At a minimum, we ask that you clarify the existing rule to allow Federal Credit Unions to at least originate these loans and sell them to the secondary market while we maintain the servicing on these loans for our members.

We sincerely appreciate the opportunity to comment on NCUA 18-EA-25 updating longer maturity periods for certain properties and loan types so Federal Credit Unions can compete with other financial institutions. Purdue Federal is encouraged that NCUA is reviewing and considering changing a much needed rule that causes the credit union loss of members and trust. Please contact Nikki Gaylord for clarification or further discussion at 765-497-8834 or email ngaylord@purduefed.com

Sincerely,

Robert A Falk

Robert Falk
President/CEO

Nikki Gaylord

Nikki Gaylord
VP Lending