



Gary A. Grinnell, President and Chief Executive Officer

September 27, 2018

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

Re: Proposed Rule on Loans to Members and Lines of Credit to Members

Dear Mr. Poliquin:

On behalf of the Board and Management of Corning Federal Credit Union (CCU), I would like to take this opportunity to comment on the National Credit Union Administration's (NCUA's) recent proposal to amend its regulations regarding loans to members and lines of credit to members.

By way of background, Corning Federal Credit Union is a \$1.4 billion federal credit union based in Corning, New York, with over 108,000 members served by branches in New York, North Carolina, and Pennsylvania.

Thank you for giving us an opportunity to comment on this proposed regulation. We commend NCUA's efforts to streamline the current rules regarding loans and lines of credit to members. Overall, we believe these changes represent a step in the right direction. However, we do offer the following comments and recommendations as you finalize these changes.

Long-Term Mortgage Loans

We support the currently available 40-year maximum maturity limit on 1-4 family homes that are the borrower's primary residence as outlined in NCUA Regulation Section 701.21. This limit is more than enough under all foreseeable scenarios, and even in the unlikely case that a member presents a need warranting a longer term, credit unions have the option of pursuing a Board exemption on a case-by-case basis. For these reasons, we do not recommend increasing or modifying the current limit.

However, we do request that NCUA consider providing additional clarity and regulatory relief for the available maturity limits on investment properties and second homes.

The current rule prohibits terms greater than 15 years on a first mortgage for the purchase or refinance of a 1-4 family investment or second home loan unless the member states they intend to make such property their principal residence at some unspecified future date. We have found this arbitrary principal residence requirement to be overly restrictive, uncompetitive, and subject to potential abuse. As it stands, the current rule unfairly benefits those members who can and will state their intention to use the subject property as their primary residence at some distant point in the future over those who have not made such plans and are unwilling to say they have.

In practice, it is often the case that a member is unable or unwilling to state they will live in the subject property as their primary residence someday, limiting their options to a 15-year second home mortgage or less attractive or prudent products like 15-year balloon loans, lines of credit, or second mortgages on their primary residence. We routinely lose such loans to our local and national bank competitors due to these overly restrictive and uncompetitive terms. Banks are not subjected to these restrictions and are generally willing to extend 30-year mortgages to good borrowers on such properties.

For the above reasons, we strongly recommend that NCUA amend its current rule to allow terms of up to 30 years on 1-4 family second home and investment property first mortgage loans. Without this change to the current rule, credit unions will continue to lose highly qualified members and residential mortgage loans to their competitors down the street and across the country.

Single Borrower and Group of Associated Borrowers Limits

The Board also requests comment on whether one universal limit on loans to single borrowers and groups of associated borrowers would be preferable to the current provisions contained within three separate areas of the regulations: Section 701.21(c)(5) (general limit), 701.22(b)(5)(iv) (loan participations), and 723.4(c) (commercial loans).

We believe the current limits make sense and are straightforward. Although the limits differ slightly among the three areas, this approach is prudent given the special nature of both loan participations and commercial loans. We do not support the creation of a single universal limit on loans to single borrowers and groups of associated borrowers.

Conclusion

Thank you again for your consideration of our comments and those of others in the credit union industry on NCUA's proposed enhancements to the loans to members and lines of credit to members regulations. Overall, we are supportive of the proposed changes and believe they will provide much needed flexibility and regulatory relief. We do request that NCUA consider modifying the current rule limiting terms on second home and investment property mortgage loans from the current 15 years to at least 30 years. This will allow credit unions to serve their members more effectively and continue to offer outstanding value, options, and service within the critically important residential home loan market.

Should you have any questions or require additional information in support of the recommendations made herein, please feel free to contact me at 607-962-3144, ext. 5292.

Sincerely,



Gary Grinnell
President and Chief Executive Officer

cc: The Honorable J. Mark McWatters, Chairman
The Honorable Richard Metsger, Board Member