CLEARVIEW
FEDERAL CREDIT UNION

October 9, 2018

Gerard S. Poliquin
Secretary to the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22315

Re: RIN 3133-AE88. Proposed Rule 701, Loans and Lines of Credit to Members

Dear Mr. Poliquin

Clearview Federal Credit Union (Clearview) appreciates this opportunity to comment on the NCUA's proposed amendments to Part 701 regarding loans and lines of credit to members. The proposal seeks to make NCUA's loan maturity requirements more user friendly. The amendments would clarify that the maturity date for a "new loan" under generally accepted accounting principles (GAAP) is calculated from the new date of origination. And, the NCUA is seeking comments on whether the agency should extend maturity limits on certain loans described more fully in the comments below.

Clearview is headquartered in Moon Township Pennsylvania. We are community chartered serving the Pittsburgh Metropolitan Area and have approximately $1.2 billion in total assets. The premise of our comments is that we encourage NCUA to use its discretion to extend certain loan maturity limits. Additional flexibility will help all credit unions satisfy the credit needs of members. Safety and soundness will not be compromised.

1. Consolidating Maturity Limits in One Section

NCUA proposes to place the loan maturity limits into one subsection of Part 701, specifically, section 701.21(c)(4). Grouping the loan maturity rules in one section of the regulations will make the rule more user-friendly. The proposed cross-references will be helpful in terms of identifying issues and compliance with the rule.

2. New Loans under GAAP

NCUA's rule clarifies that in the case of lending activity that qualifies as a "new loan" under GAAP, the maturity limit is calculated from the new date of origination. This clarification will be helpful in terms of establishing the appropriate loan maturity limit for such a loan.

3. Longer Maturity Limits for Certain Loans

We appreciate that NCUA is considering longer maturity limits, notably for 1-4 family real estate loans and loans such as home improvement loans, mobile home loans, and second mortgage loans. Credit unions and their members would benefit from longer maturity limits in these cases. Extending the maturities in connection with such loans will not impact safety and soundness.

Additional flexibility in connection with mobile home loans, home improvement loans, and second mortgages would enable the credit union to be more competitive in our market. Accordingly, we recommend NCUA extending the maturity by five additional years. As a result, Regulation 701.21(g) would permit a maturity of up to 25 years. The longer maturity would benefit the consumer in terms of more affordable payments. Safety and soundness would be addressed through the credit union's underwriting criteria and loan policies. In addition, the Ability to Repay analysis required by the Dodd-Frank Act and Regulation Z provides consumer protection and safety and soundness given the "underwriting" standards imposed by Ability to Repay criteria.

Also, the credit union would benefit from greater flexibility with regard to whether the property is owner occupied. The Federal Credit Union Act, specifically section 107(5)(A)(ii) requires the loans to be secured by the member's residence. However, the act does not add qualifiers like principal residence or primary residence. As such, NCUA appears to have some discretion to amend the regulation to clarify that such loans are not required to be owner occupied. Such a move would open more flexible financing options for vacation homes or 1-4-unit rental properties.

This is especially true for Clearview. Our membership base is located primarily in western Pennsylvania, but we border Ohio, West Virginia, and Maryland. Having additional flexibility with regard to maturity for non-primary residences affords us more opportunity to meet the credit needs of our members. We do understand there is risk associated with non-owner occupied real estate. We can manage that risk through policies and underwriting. Accordingly, we recommend that NCUA finalize the proposal to clarify that a 20-year maturity applies to non-owner occupied property.

The rationale for longer maturity limits is simply to meet the credit needs of our members. Our market place provides a variety of opportunities for members to purchase real estate. A longer maturity can help a member manage the payments. According to DATAUSA, the median age in the Pittsburgh metropolitan area is 43 and the median income is $56,000. As such our members are in a part of their lifecycle where they will have needs for second mortgages. Given our proximity to Deep Creek, MD, or Cheat Lake, WV, our members may have interests in vacation homes. Longer maturities can help Clearview structure loan products that are competitive with other lenders. We can manage the risk of a longer maturity limit through appropriate underwriting and valuation of the collateral.

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4. Loan to One Borrower Limits

NCUA proposes to highlight the three limits on loans to one borrower or a group of associated borrowers by cross-referencing all such limits in section 701.21(c)(5). The move may assist with compliance efforts when evaluating consumer loans, loan participations, or commercial loans. Additional flexibility regarding the limits to loans to one borrower would be beneficial.

5. Loan to One Borrower, Loan Participations and Commercial Loans

As a general proposition, the credit union would support new regulations that enhance our opportunities to extend credit to members. Limits on loans to one borrower protect the credit union from undue exposure or concentrations stemming from one borrower. That said, the current loan to one borrower rule is old and re-evaluating whether increasing the 10% limit in section 107(5)(A)(X) has merit. Loan underwriting and risk management has evolved such that a higher loan to one borrower rule may be appropriate.

As far as the loan limits for loan participations and commercial loans is concerned, a universal standard limit could reduce the compliance burden. We propose a universal limit of 15% of net worth for loan participations and commercial loans. A waiver procedure should be available for each type of loan. The waiver procedure should be completed in 30 days. The credit union should be able to justify the waiver through its business plans and borrower needs. As we have stated in these comments, any additional risk would be managed through policies and underwriting.

Conclusion

NCUA's proposal regarding loan maturity limits is welcome. The maturity limit on certain loans should be extended by five years. This would enhance our efforts to provide reasonable and competitive terms that create more opportunities for our members to take advantage of real estate in our market. The proposed technical changes will provide some assistance with compliance. We would tend to support changes to the loan to one borrower rules, provided that increases our capacity to serve our members consistent with sound polices and underwriting criteria.

Very truly yours,

Ron Gottschalk

Ron Gottschalk
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