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

Re: Loans/Lines of Credit to Members - 12 CFR 701 – [RIN 3133-AE88]

10/08/18

Mr. Poliquin,

The League of Southeastern Credit Unions & Affiliates (LSCU) appreciates the opportunity to comment on Loans and Lines of Credit to Members. By reviewing these regulations, NCUA is providing federal credit unions the opportunity to stay competitive with state-chartered credit unions as the economic environment has improved and as the lending landscape continues to evolve with technology. The LSCU is a trade association that represents 244 credit unions in Alabama and Florida. Our mission is "to create an environment that enables credit unions to grow and succeed." That mission applies to both state and federally chartered credit unions, and we support NCUA reorganizing and clarifying these regulations and providing more flexibility regarding maturity limits on some loans.

1) LSCU supports the Board's proposal regarding consolidating the various maturity limits into one understandable and user-friendly section. (§ 701.21(c)(4)),
2) LSCU supports NCUA clarifying that the maturity for a lending action that qualifies as a "new loan" under GAAP is calculated from the new date of origination.

3) NCUA should provide for longer maturity limits for the variety of loans discussed in section 107(5)(A)(i)–(ii) of the Federal Credit Union Act. There may be many circumstances in which a credit union will find it useful to provide longer maturities for those loan products to meet the unique needs of their members, including high housing costs that harm consumers in many regions of the country. An older study has shown that consumers' choice of maturity for a mortgage is strongly influenced by affordability, specifically that short term mortgages are less utilized where housing prices are high compared to income.[1] While newer data may need to be consulted, it does give insight into what circumstances play a role in a consumer's decision to seek out a longer maturity mortgage.

With that said, there are concerns with a loan maturity of 40 years. For instance, the length of time a consumer is paying interest on the loan and the low equity being built with a long maturity may not be the best option for some consumers,[2] especially considering consumers have options such as a balloon mortgage.[3]

While LSCU doesn't have specific input on what the appropriate maturity limits should be, we think it is important to give the credit unions the flexibility to provide products their members need while balancing the need to protect the credit union from risks, primarily interest rate and concentration risk. Within NCUA's authority under the FCUA, its goal on setting maturities should be to ensure federal credit union competitiveness with state charters, banks, and online lenders.

The case-by-case exemptions from the anticipated, greater maturity limits discussed above should be maintained to give specific credit unions with unique, demonstrable circumstances the tools they need to serve their members. The multiplicity of factors that should be considered may make

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[1] Upinder Dhillon, James Shilling & Clemon Sirmans, *The Mortgage Maturity Decision*, So. Econ. J., Vol. 56, No 4, 1104 (1990).
[2] Email from Steven Swindler, Professor at Auburn University to author (August 28th, 2018).
[3] *Id.*

maturity limits appropriate for one credit union and not another, including the geographic location (relevant for analyzing cost of housing and average income), the nature of the membership (relevant for long-term income), generational behavior (such as younger borrowers not purchasing homes), and many other factors in which maturity may have an impact on borrowing decisions. Similarly, there are factors that relate to the credit union's portfolio and whether longer-term maturity loans are appropriate based on its makeup that should be taken into consideration. NCUA has the ability to analyze all these factors when deciding whether an extension of the maturity would be appropriate beyond those anticipated extensions in the regulation.

4) We do not oppose NCUA's proposal to more clearly express the limits in place for loans to a single borrower or group of associated borrowers.

We support these proposed changes and support NCUA's efforts to continue to modernize regulations to reduce compliance costs to credit unions (and their members), to promote operational efficiencies, and to stay competitive in a rapidly evolving financial services sector. If we can be of any assistance regarding this issue or any other, please let me know.

Sincerely,

Michael Lee
Director of Regulatory Advocacy.