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

Submitted electronically via regcomments@ncua.gov

RE: Comments on Notice of Proposed Rulemaking – RIN 3133-AE88
(Loans to Members and Lines of Credit to Members)

Dear Mr. Poliquin:

On behalf of the United Nations Federal Credit Union (UNFCU) we would like to thank the National Credit Union Administration Board (NCUA or Board) for allowing comments on the change to the regulations regarding loans and lines of credit to members proposed in the Federal Register on 10 August, 2018 (the Proposed Rule). UNFCU's members are located in over 200 countries and territories throughout the world; our mission is to "serve the people who serve the world."

As a general matter, UNFCU supports the Proposed Rule as a positive step toward reforming the compliance landscape, streamlining credit unions' regulatory burdens, and allowing us to better serve our members. UNFCU's specific comments relate to the Proposed Rule's section II.A ("Loan Maturity Limits for Federal Credit Unions").

UNFCU strongly supports the Board's proposal to identify the regulation's various maturity limits in a single section. UNFCU agrees with NCUA's statement in the Proposed Rule that reorganizing the regulatory text in this way will serve to make the regulation "more understandable and user-friendly." UNFCU also supports NCUA's proposal to clarify that, for actions considered "new loans" under GAAP, credit unions should calculate the maturity limit from the new date of origination. By increasing regulatory clarity and minimizing potential confusion, the Proposed Rule will help credit unions meet their compliance obligations without needing to commit excessive resources to the task.

Proposed Rule II.A.iii – Longer maturity limits for certain loans

At present, NCUA regulation 12 CFR 701.21(g) allows for "Long-Term Mortgage Loans" with maturities of up to 40 years for first-lien loans made on a "one to four family dwelling that is or will be the principal residence of the member-borrower."

Section 701.21(e) allows for a longer-term maturity limit on loans secured by the insurance or guarantee of a government agency. For other types of loans, though, NCUA's maturity limits are significantly shorter. For example, a member may wish to finance a second home that would serve as their residence for certain seasons during the year, or which might serve as their family's residence while they themselves live elsewhere for work. Because NCUA guidance allows for only one "principal residence" at a time, though, a credit union's loan for such a property would be limited to the general 15 year maturity term set by statute unless a member demonstrates intent to have that property be her principal residence in the future. Similarly, NCUA regulations establish 20 year maturity limits on loans to a member for the purchase of a mobile residence, for the repair or improvement of a residence, and for a second mortgage on the member's residence. Under the current government agency exception, NCUA allows a credit union to apply an extended maturity term to a loan made through a Small Business Administration lending program, but not to a loan with a commitment from a government sponsored enterprise (GSE) like Fannie Mae or Freddie Mac.

For the reasons outlined below, UNFCU supports the Board (a) expanding its definition of a "principal residence" to include second homes and vacation homes; (b) extending the exception for loans secured by a government agency to include those secured by GSEs; and (c) extending to 30 years the existing 20 year maturity limit for loans made under section 107(5)(A)(ii) of the Federal Credit Union Act (the Act).

The Act permits the Board to extend the maturity terms that the statute establishes. The current 40 year term for principal residences, for example, is permissible because section 1757(5)(A)(i) of the Act states that such loans "may have a maturity not exceeding [30] years *or other such limits as shall be set by the National Credit Union Administration Board*" (emphasis added). Similarly, the existing 20 year maturity term is permissible because section 1757(5)(A)(ii) of the Act allows for such loans "to have a maturity not to exceed 15 years *or any longer term which the Board may allow*" (emphasis added). The Act thus empowers the Board to determine a longer maturity term than that prescribed by statute if it determines such a term to be reasonable.

In the current climate, it is reasonable for the Board to expand its definition of a "principal residence," include GSEs in its government agency exception, and apply a 30 year maturity term to all 107(5)(A)(ii) loans for several interrelated reasons—member service, competitive principles, and risk mitigation.

Member service

The demanding work that UNFCU's members do on the global stage often causes them to lead unconventional lifestyles. A member working with the United Nation's Children's Fund (UNICEF), for example, may find herself unexpectedly called upon to live for an extended period of time in a distant region of the world like Myanmar or

Syria to respond to an emerging crisis in providing clean water to children in refugee camps. In the aftermath of a catastrophic typhoon like the one that recently devastated the Philippines, a member who works with the UN Population Fund may find herself relocated with very short notice to provide aid to pregnant women impacted by the disaster. Under the current rule, such a member could have difficulty meeting the principal residency requirement to finance a residence for her family in the US with favorable 30 year financing.

Given this unique member base, UNFCU is dedicated to providing banking solutions tailored to a member's global lifestyle. For such members, having more than one property that serves as a principal residence—albeit, for only a particular time of the year or in which their family will live while they themselves are called on to work in another part of the world—is both understandable and common.

Under the current regulation, UNFCU may only offer loans for non-principal residences with the general maturity term of 15 years. To ensure compliance with NCUA's current regulations, UNFCU requires members to demonstrate their intent that the home will be their principal residence at some point in the future. Uncertainty about where their work may lead them causes many of our members to be apprehensive about making such a demonstration. Shorter term loans are often less desirable to members, though, because they often require higher monthly payments than a longer term loan. As a result, members may look elsewhere for a financial institution that can more competitively meet their needs. Unfortunately, due to UNFCU members' international status they often encounter difficulty finding other United States financial institutions to meet their lending needs. UNFCU's inability to provide a longer term loan to its members therefore results often in those members being unable to find such loans anywhere.

Competitive principles

The regulation's current restrictions unfairly put federally regulated credit unions at a competitive disadvantage. Other regulated financial entities are permitted to make loans with maturity terms greater than 15 years to borrowers seeking to purchase homes that the NCUA's current regulations would not consider a principal residence. An economically rational borrower may reasonably wish to lower her payments by having her loan amortize over a longer term. Quite simply, the current regulations prevent FCUs from competing on a level playing field for an economically rational borrower's business.

The narrow interpretation of the government agency exception leads to similar competitive disadvantage. GSEs are experts in the field of mortgage lending and evaluating the risks associated with the practice. Moreover, GSEs have been in the conservatorship of the Federal Housing Finance Agency (FHFA or Agency)—

unequivocally a government agency—for the last decade, under which FHFA has broad authority over the GSEs. Still, even if an Agency-supervised GSE is willing to make an advanced commitment to a loan UNFCU makes to a member for a home that does not qualify as that member's principal residence under the current definition, the current regulation limits such a loan to a 15 year maturity term. A member looking to take out such a loan is likely to seek financing from a competitor that is not subject to such limits.

Moreover, once a member is forced to seek a particular type of loan from a competitor untethered to the NCUA's regulations, that member may find it burdensome to have multiple entities providing their financial services. As discussed above, UNFCU strives to provide its global membership with the means to serve all their financial needs. The regulation's restrictions frustrate UNFCU's ability to provide its members with service tailored to their global lifestyle, thereby impacting its competitiveness not just as a provider of certain types of loans, but as an overall institution.

Risk mitigation

The NCUA regulation's maturity term limit is unnecessary as a means of mitigating the risk associated with certain types of loans. Mortgage lending is a highly regulated field, and regulated entities therefore subject loan applications to rigorous review procedures. These procedures adequately capture the risk involved in making loans such as those FCUs are authorized to make under sections 107(5)(A)(i) and (ii) of the Act, and can easily be calibrated to offset any added risk from an increase in the maturity term limits.

Overall, UNFCU supports the Proposed Rule and believes, with the changes proposed herein, it will benefit financial institutions and consumers alike. Thank you for the opportunity to comment and for your consideration of UNFCU's position.

Very Truly Yours,

Eric Darmanin
Chief Lending Officer

cc: William Predmore, President/CEO, UNFCU