CREDIT UNION ASSOCIATION OF THE DAKOTAS

October 9, 2018

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

RE: Comments on Proposed Rule 701, Loans to Members and Lines of Credit to Members

Dear Mr. Poliquin,

The Credit Union Association of the Dakotas (CUAD) appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) regarding its proposed rulemaking concerning loans to members and lines of credit to members. To provide a brief background, the Credit Union Association of the Dakotas represents 62 state and federally chartered credit unions in the states of North Dakota and South Dakota, whose assets total over $6 billion and who have more than 445,000 members.

CUAD supports the NCUA's efforts to provide more regulatory clarity and make compliance easier by identifying all loan maturity requirements in one section for federal credit unions. In addition to revisions to provide clarity, the NCUA also seeks comment on "whether the agency should provide longer maturity limits for 1-4 family real estate loans and other loans permitted by the Federal Credit Union Act (FCU Act) such as home improvements, mobile homes and second mortgage loans." *83 FR 39622*.

CUAD believes that it would be prudent for the NCUA to permit longer maturity limits for 1-4 family real estate loans. In addition to the types noted in the proposed rule, i.e. home improvements, mobile homes and second mortgage loans, CUAD requests the NCUA's consideration for non-owner occupied loans. CUAD requests the NCUA adopt a provision to include first lien loans secured by non-owner occupied one-to-four residential dwellings, owned by members, and allow loan maturities up to 30 years. However, CUAD acknowledges that a statutory change might be necessary prior to a regulatory change being adopted.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (Economic Growth Act) was signed into law on May 24, 2018. Subsequently NCUA amended its regulations to reflect the amended definition of Member Business Loan with respect to 1-4 family dwellings. The NCUA's rule was effective June 5, 2018. CUAD appreciates the NCUA's swift action to update its regulations to reflect the changes made by the Act.

Non-owner occupied 1-4 family dwellings are purchased by FCU members for a number of reasons, from a source of personal and/or retirement income, to members providing affordable housing to young adult children or aging parents. Restrictions on the maturity limit for FCUs has the potential to create a limit on available credit sources as FCUs members seeking a longer term mortgage must seek out other options from entities that are not saddled by this shortened maturity limit. 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 that may not be in the best interest for every consumer. While the balloon loan offers the amortization that fits the member's budget, 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. While the Economic Growth Act did open up some credit options in terms of removing lending caps, the maturity limit is still a hinderance to FCUs in offering an affordable/competitive product.

Thank you for this opportunity to share our comments.

Respectfully,

Jeffrey Olson
CEO/President

Amy Kleinschmit
Chief Compliance Officer