MINNESOTA
CREDIT UNION NETWORK

October 9, 2018

Gerald Poliquin
National Credit Union Administration
1775 Duke Street
Alexandria, Va. 22314-3428

SUBMITTED VIA EMAIL: *regcomments@ncua.gov*

RE: RIN 3133-AE88 – Loans to Members and Lines of Credit to Members – Proposed Rule

Dear Mr. Poliquin,

On behalf of Minnesota's credit unions, please accept this correspondence in response to the National Credit Union Administration's (NCUA) proposed rule for Loans to Members and Lines of Credit Lines of Credit to Members. The Minnesota Credit Union Network (MnCUN) represents the interests of Minnesota's 109 credit unions and their more than 1.7 million members. Thank you for considering improvements to the regulations for Loans to Members and Lines of Credit to Members (Regulation) and for the opportunity to provide feedback on this matter. Overall, we support the proposed rule and ask the NCUA to consider the following additional enhancements to the Regulation.

Regulations on Maturity Limits Should be Revised

We support your efforts to simplify the Regulation as much as possible, including simplifying the language on maturity limits. The language and layout of those rules (having a general rule with numerous exceptions) creates unnecessary complexity. We think restructuring the language will be helpful, however, it is not the only improvement that should be made regarding maturity limits.

In addition to simplifying the language, we encourage you to remove the restrictiveness on maturity limits. This is needed because currently credit unions are at a significant competitive disadvantage compared to banks and other lending institutions when it comes to loans such as second mortgages, including home equity and home improvement loans as well as loans on second homes and investment properties. This disadvantage hinders credit unions in their ability to fully serve their members, which harms members in several ways. First, it reduces consumer options when it comes to obtaining such loans. Second, it often results in credit union members having to obtain financing from the bank or mortgage company down the street and not the credit union. To remedy this problem, we suggest the following:

- Allow for long-term mortgages (up to 40-years) on second homes and investment properties regardless of whether the dwelling "is or will be" the member's principal residence. (§ 701.21(g)(2)). Doing so will help put credit unions on equal footing with banks and other lending institutions and provide more financing options for consumers; and

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- Revise the Regulation to allow long-term second mortgages. (§ 701.21(f)(2)) This will benefit members by creating more flexibility for their financing decisions. The current maturity limits harms members who need a second mortgage but cannot afford the loan because of the shorter term. It's especially negative when the member has a lower rate first mortgage and then must refinance that mortgage to access the funds they need.

Clarification Needed for § 701.21(c)(8)

There is confusion regarding the scope and application of § 701.21(c)(8), which restricts compensation related to "any loan" made by the credit union. It's our understanding this provision was created to prevent conflicts of interest at the individual loan level but does not prohibit compensation tied to overall loan production. We also understand examiners are applying § 701.21(c)(8) inconsistently. We ask that you clarify this provision and specify that it applies only to conflicts of interests at the individual loan level and that it does not prohibit compensation for overall loan production.

Clarity Needed for Insured, Guaranteed and Advance Commitments

The Regulation has an expressed exception for loans secured by insurance, guarantee or advance commitment to purchase by federal or state governments and agencies. However, this exception has been interpreted as not applying to Fannie Mae or Freddie Mac. Please consider clarifying the Regulation to specifically include Fannie Mae and Freddie Mac. Doing so will benefit members by giving them more financing options.

In summary, we hope the NCUA moves beyond mere technical revisions to the Regulation and makes revisions that will enhance the ability of credit unions to provide flexible financing options to members. The Regulation is too restrictive in numerous ways and those restrictions must be reduced to put credit unions on equal footing with banks and other lending institutions. Doing so will benefit members and ultimately all consumers. Thank you for seeking to improve the Regulation and for considering our commentary on this matter. If you have any questions about our comments, please do not hesitate to contact me at (651) 288-5517.

Sincerely,

Tim Tacheny

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General Counsel

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