CREDIT UNION LOAN MATURITY RELIEF

PROVIDE NCUA GREATER FLEXIBILITY TO ADDRESS MARKETPLACE CONDITIONS IN LENDING

ISSUE BRIEF

NAFCU

National Association of Federally-Insured Credit Unions

BACKGROUND

The Federal Credit Union Act (FCUA) has a general statutory limit on federal credit union loans of 15 years, with a limited number of exceptions, such as mortgage loans for a primary residence. However, the FCUA does not have as much explicit flexibility for other types of loans and the National Credit Union Administration's (NCUA) ability to address this through regulation may be limited. For example, many military members may purchase a home to move to when their service ends, but because it is not their current primary residence, they may be unable to obtain a loan with a term longer than 15 years. Credit union members looking for an education loan from their credit union may want longer terms as well to help reduce monthly payments. The current 15 year limit is outdated and does not conform to maturities that are commonly accepted in the market today.

Language to raise the credit union general loan maturity limit from 12 to 15 years *and* to provide NCUA greater flexibility to address loan maturity limits passed the House in 2006, as part of the efforts that led to P.L. 109-351, the Financial Services Regulatory Relief Act of 2006. However, the final version of the legislation only raised the limit to 15 years and did not include the language providing greater flexibility for the NCUA Board. In a rising interest rate environment, it is important that consumers have options for longer maturity products.

LEGISLATIVE OUTLOOK

Representatives Lee Zeldin (R-NY) and Vincente Gonzalez (D-TX) introduced H.R. 1661, on March 8, 2019. This legislation mirrors the additional language that passed the House in 2006, and would clarify the NCUA Board's ability to establish longer maturities for other types of loans. The language does not extend any maturity limits on its own, rather just gives the NCUA Board the ability to do so if it deems necessary.

The current and proposed language of the Federal Credit Union Act is below:

CURRENT

(5) to make loans, the maturities of which shall not exceed 15 years, except as otherwise provided herein, and extend lines of credit to its members, to other credit unions, and to credit union organizations and to participate with other credit unions, credit union organizations, or financial organizations in making loans to credit union members in accordance with the following:

PROPOSED (CHANGES IN **BOLD**)

(5) to make loans, the maturities of which shall not exceed 15 years ***or any longer maturity as the Board may allow, in regulations,*** *except as otherwise provided herein, and extend lines of credit to its members, to other credit unions, and to credit union organizations and to participate with other credit unions, credit union organizations, or financial organizations in making loans to credit union members in accordance with the following:*

A copy of the text of H.R. 1661 is below:

A BILL

To provide the National Credit Union Administration Board flexibility to increase Federal credit union loan maturities, and for other purposes.

Be it enacted by Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. FLEXIBILITY YFOR NCUA BOARD TO INCREASE FEDERAL CREDIT UNION LOAN MATURITIES.

Section 107(5) of the Federal Credit Union Act (12 U.S.C. 1757(5)) is amended by inserting after "shall not exceed 15 years," the following: "or any longer maturity as the Board may allow, in regulations,".

REGULATORY OUTLOOK

NCUA Chairman Rodney Hood expressed his support for H.R. 1661 and Congress providing relief on loan maturity limits during testimony before both the Senate Banking Committee and House Financial Services Committee in May of 2019.