



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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OCT 08 1985

J. Gregory Garrison, Esq.  
Garrison & Kiefer, P.C.  
7351 Shadeland Station, Suite 201  
Indianapolis, IN 46256

Dear Mr. Garrison:


This is in reply to your letter dated August 1, 1985, to this Office concerning the maximum maturity for lines of credit (LOC) secured by a second trust on the borrower's residence. Specifically, you seek our opinion on whether Section 701.21(c)(4) allows the maturity of an LOC to exceed fifteen years.

We have reviewed your proposed lending program and have concluded that, for purposes of the limits on FCU loan maturity, it is neither an LOC, nor a closed-end loan. Rather, it is a hybrid or bifurcated loan, the first part providing for a five year LOC and the second part providing a fifteen year closed-end loan or "refinancing" of the LOC. With respect to the LOC, there is no maturity limit pursuant to either the FCU Act or Section 701.21(c)(4) of NCUA's regulations. The fifteen year maturity of the closed-end (refinancing) loan is consistent with the limit of the Act and Section 701.21(f) of the NCUA Rules and Regulations.

In summary, assuming the documents are appropriately drafted, it is our opinion that the maturities on the LOC and closed-end loans would comport with the limitations in the FCU Act and NCUA Rules and Regulations. However, we do recommend that a thorough analysis of Regulation Z issues be undertaken before implementing the program, if that has not already been done.

I hope we have been of assistance. Please let us know if you have further questions.

Sincerely,

  
STEVEN R. BISKER  
Assistant General Counsel

cc: RD, Region IV

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