



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

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3/2/86

Office of General Counsel

Gary Greenwald, Esq.
Reichelt, Nussbaum, Brown,
Dukes & LaPlaca
P.O. Box 627
Greenbelt, MD 20770

Dear Mr. Greenwald:

This is in response to your letter of January 28, 1986, to Hattie Ulan of this Office, concerning the maximum amortization period for a home equity line of credit offered by a Federal credit union (FCU).

Enclosed are two letters previously prepared by this Office that address the subject of home equity lines of credit.

Pursuant to the authority in Section 107(5)(B) of the FCU Act (12 U.S.C. §1757(5)(B)), a line of credit can be set at any agreed-upon maturity. Securing the line of credit by way of a first or second trust on the member's residence will not cause the line of credit to be subject to the fifteen year maturity limit of Section 107(5)(A)(ii) of the FCU Act (12 U.S.C. §1757(5)(A)(ii)) or Section 701.21(c)(4) of the NCUA Rules and Regulations (12 C.F.R. §701.21(c)(4)). A line of credit secured by residential property should be distinguished from an ordinary home improvement loan secured by the property or a second mortgage loan, both of which are subject to the fifteen year maturity limit.

I hope that we have been of assistance. If further questions arise, please do not hesitate to contact us.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

Enclosure

HMU:cch

FOIA file: Vol I, C., 14

Home eq.
lines of credit



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

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SEP 03 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

Vol I C.2



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/TAO:jm
4650

Mr. Donald Newberg, Assistant Manager
Fairchild Federal Credit Union
Box TAF-C-24
Spokane, Washington 99220-4024

Dear Mr. Newberg:

This responds to your letter of September 9, 1983, concerning the proposal by your credit union to institute an open-end real estate lending program. These increasingly popular programs are often described as Home Equity Lines of Credit.

You have submitted a blank Deed of Trust and Notice of Right to Cancel for our review. It is not our usual policy to review forms as we do not have the staff time for this process. Therefore, while our initial reading of each document did not raise questions, you should rely upon the opinion of counsel you enclosed.

As to the issues raised in your correspondence with Camille Morgan, I concur in her conclusion that a Federal credit union would not be liable where it had insufficient funds to advance to a member under the loan contract where provision has been made for refusing requests for advances.

As to the maturity limits on an open-end loan or line of credit, some indication of either the maturity or the period over which the loan will be amortized must be disclosed and used. In their absence, it would be impossible to calculate what the interest rate would be, therefore making compliance with the usury provision of Section 107(5)(A)(vi) of the Federal Credit Union Act and Section 701.21-1A of NCUA Rules and Regulations impossible to measure. It appears, however, that the 15 and 12 year programs you have established will eliminate this problem.

Please contact us again should questions arise.

Sincerely,

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TODD A. OKUN
Assistant General Counsel

cc: Regional Director, Region VI (San Francisco)

Vd. I, Part C 1-2