



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

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JAN 13 1987

Office of General Counsel

Ms. Marie Hayes
Manager/Treasurer
Bethesda Hospital Federal Credit Union
619 Oak Street
Cincinnati, Ohio 45206

Dear Ms. Hayes:

This is in response to your letter of October 24, 1986, in which you inquired whether it was permissible for Federal credit unions (FCU's) to offer members self-replenishing lines of credit secured by a second mortgage on the borrower's personal residence.

Section 107(5) of the FCU Act, 12 C.F.R. §1757(5), authorizes FCU's to make loans and extend lines of credit. Subparagraph (A)(ii) of this Section provides that a second mortgage loan secured by the personal residence of the an FCU member shall generally not have a maturity that exceeds 15 years. This subparagraph applies only to loans and not to lines of credit. Section 701.21(c)(4) of the NCUA Rules and Regulations specifically provides that lines of credit are not subject to a statutory or regulatory maturity limit. Therefore, despite the fact that a line of credit is secured by a second mortgage on the member's personal residence, the line of credit is not limited to a 15-year maturity. We would note that, from a safety and soundness perspective, the line of credit agreement should establish a repayment schedule that provides for repayment within a reasonable amount of time. At a minimum, repayment schedules should call for annual principal payments sufficient to avoid loan balances from becoming stagnant for extended periods.

We hope this has been of assistance.

Sincerely,

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STEVEN R. BISKER
Assistant General Counsel

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