



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

June 11, 1987

GC/EOR:sg
4650

Office of General Counsel

Ms. Anna Mae Roberts
Manager/Assistant Treasurer
MATCOM Federal Credit Union
Hoadley & Blackhawk Roads
Edgewood Area, A.P.G., MD 21010

Dear Ms. Roberts:

In response to your request of May 1, 1987, you will find enclosed a copy of an opinion letter to Brian J. Quinn, Esq. dated March 25, 1987, on the subject of hybrid home equity loans. In addition, I am enclosing a copy of an earlier opinion provided to J. Gregory Garrison, Esq., dated October 8, 1985, which dealt with the same subject.

I hope these will be of assistance to you.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

EOR:sg

Enclosures

FOIA I, C, (5)
I, C, 6
I, C, 14



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

March 25, 1987

Office of General Counsel

GC/JT:sg
4650

Brian J. Quinn, Esq.
Bleakley, Platt, Remsen, Millham & Curran
80 Pine Street
New York, New York 10005

Dear Mr. Quinn:

This is in response to your letter of January 9, 1987, regarding the permissibility of a home equity line of credit program that American Airlines Employees Federal Credit Union would like to offer to its members.

You stated in your letter that under the home equity line of credit program, there is an initial 10-year time period in which the member can draw on the line of credit. The borrower is required to immediately repay any advances received during this period. Repayment is to be made on a 15-year amortization schedule. The initial 10-year period is followed by a 15-year period during which no further advances will be made and any outstanding balance is to be repaid on a 15-year amortization schedule. The credit union will take a first or second lien on the borrower's home as security for the line of credit .

You expressed some concern in your letter that the above-described plan might violate §701.21(f) of the NCUA Rules and Regulations, which provides in part that second mortgage loans may not have a maturity in excess of 15 years. However, you also noted that §701.21(c)(4) of the NCUA Rules and Regulations provides that lines of credit are not subject to a statutory or regulatory maturity limit, and that amortization of the line of credit balances shall be as determined by contract between the Federal credit union (FCU) and the member.

Based upon the above facts, it is our opinion tha the proposed lending program, for purposes of the limits on FCU loan maturity, is neither a line of credit nor a closed-end loan. Rather, it is a hybrid or bifurcated loan, the first part providing for a 10-year line of credit and the second part providing for a 15-year closed-end loan or "refinancing" of the line of credit. With respect to the line of credit there is no maturity limit pursuant to either the FCU Act or Section 701.21(c)(4) of the NCUA's Regulations.

Mr. Brian J. Quinn

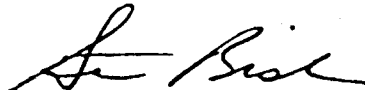
Page 2

The 15-year maturity of the closed-end (refinancing) loan is consistent with the limit of the FCU 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 line of credit and closed-end loan 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 and any other applicable law be undertaken before implementing the program, if that has not already been done. We should stress that our analysis is limited to the issues raised in your letter only and in no way represents an analysis of the lending program evidenced by the documents submitted to us.

I hope we have been of assistance.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

JT:sg



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20458

LS/YG:cch
4650

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