



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, DC 20456

May 31, 1990

Mr. Richard L. Neidigh  
Cummins Employees Federal Credit Union  
P.O. Box 789  
Columbus, IN 47201

Re: Home Equity Loan Program (Your April 2, 1990,  
Letter)

Dear Mr. Neidigh:

You have asked that we review a home equity loan program to determine whether its maturity terms are in compliance with NCUA's Rules and Regulations. Our review indicates that the program is permissible.

**BACKGROUND**

Cummins Employees Federal Credit Union ("FCU") is considering a new home equity loan program which would offer members a line of credit with an eight-year maturity. During the eight years, repayment will be the greater of \$100 or 2 percent of the outstanding loan balance. After eight years, the FCU has the option of extending the line of credit for another eight years with a maximum repayment period of 17 years.

**ANALYSIS**

We have reviewed similar lending programs in the past and have concluded that, for purposes of the limits on FCU loan maturity, this type of program is neither a line of credit nor a closed-end loan. Instead we have viewed this type of program as a hybrid or bifurcated loan, the first part providing for a line of credit and the second part providing for a closed-end loan or "refinancing" of the line of credit.

There is no maturity limit on a line of credit. Section 701.21(c)(4) of NCUA's Rules and Regulations (12 C.F.R. 701.21(c)(4)) provides ". . . Lines of credit are not subject to a statutory or regulatory maturity limit. . . ." As you know, there is a 20-year maturity limitation on second mortgage loans

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and nonpurchase money first mortgage loans in Section 701.21(f) of NCUA's Regulations (12 C.F.R. 701.21(f)). The 17-year maturity of the closed-end (refinancing) loan portion of your program is consistent with the 20-year limitation on second mortgage loans in Section 701.21(f).

Sincerely,

*Hattie M. Ulan*  
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Associate General Counsel  
Office of General Counsel

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