



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

March 14, 1992

home equity lenders

Ruth M. O'Brien
Navy Orlando Federal Credit Union
Naval Training Center
Orlando, Florida 32813-8001

Re: Maturity Limits (Your February 18, 1992 Letter)

Dear Ms. O'Brien:

You have asked whether a federal credit union (FCU) may grant an open end home equity line of credit with a thirty year term that contains a maximum twenty year maturity on the repayment period. Such a loan is legally permissible.

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. . . ." The maximum 20-year maturity of the closed-end (refinancing) loan is consistent with the 20-year limitation on second mortgage loans and nonpurchase money first mortgage loans in Section 701.21(f) of NCUA's Regulations (12 C.F.R. 701.21(f)). We defer to the Region for any safety and soundness concerns with this type of loan program.

Sincerely,

Hattie M. Ulan

Hattie M. Ulan
Associate General Counsel

GC/MM:sg
SSIC 3501
92-0232

FOIA Vol. I, C. 2 Maturity Limits