



8584 Katy Freeway, Suite 420

Houston, TX 77024

Phone: 713-871-0005

Fax: 713-871-1358

Partners

Thomas E. Black, Jr.¹

Gregory S. Graham²

Shawn P. Black³

Regina M. Uhl⁴ ‡

Senior Lawyers

David F. Dulock

Diane M. Gleason

Associates

Peter B. Idziak³

Daniel S. Engle³

Nick Stevens

Syndy Davis

Margaret Noles

Of Counsel

David M. Tritter

Calvin C. Mann, Jr.

Retired Partner(s)

Calvin C. Mann, Jr.

¹ Also Licensed in Iowa, New York, and Washington

² Also Licensed in Georgia

³ Also Licensed in New York

⁴ Also Licensed in Kentucky and Illinois

‡ Board Certified- Residential Real Estate Law- Texas Board of Legal Specialization

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To: Clients and Friends

From: David F. Dulock

Subject: NCUA Amends Regulations Regarding Loans and Lines of Credit to Members of Federal Credit Unions

In the March 25, 2019, issue of the *Federal Register* (84 FR 10971, [click here](#)), the NCUA published a final rule amending its regulations regarding loans and lines of credit to federal credit union members. The final rule's amendments identify in one section all of the various maturity limits applicable to federal credit union loans, states that the maturity date for a new loan under generally accepted accounting principles (GAAP) is calculated from the origination date of the new loan, and more clearly expresses the limits for loans to a single borrower or group of associated borrowers.

The final rule amends NCUA's regulations in 12 CFR §§701.20(c), 701.21(c)(4), (c)(5), (e), (f)(1), (g)(1), and 701.22(b)(1), to be effective April 24, 2019.

The final rule's amendments to the above sections of the NCUA's regulations are largely technical in nature and are explained below:

Section 701.20 Suretyship and guaranty. The final rule makes conforming amendments to paragraph (c)(2) by removing outdated citations to the loans to one borrower or group of associated borrowers limit in §§723.2 and 723.8 of the member business lending regulation and adding an updated citation to §723.4(c).

Section 701.21 Loans to members and lines of credit to members.

The final rule divides §701.21(c)(4) into paragraphs (c)(4)(i) and (c)(4)(ii). Paragraph (c)(4)(i) maintains the existing general rule that loans carry a 15-year maturity. Paragraph (c)(4)(ii) makes more explicit that there are exceptions to the general 15-year maturity limit in §701.21(e) through (g) for various types of federal credit union loans. The final rule also makes amendments to paragraph (c)(5) for loans to a single borrower or group of associated borrowers.

Paragraph (c)(4)(i) maintains all of current §701.21(c)(4) and restates the general 15-year maturity limit for federal credit union loans. However, the final rule also adds language to clarify that the maturity date for a lending action that qualifies as a new loan under GAAP is calculated from the new date of origination.

Paragraph (c)(4)(ii) states in subparagraphs (c)(4)(ii)(A), (B), and (C), respectively, that there are three exceptions to the general 15-year maturity limit and cites to §701.21(e) through (g) as follows:

Subparagraph (c)(4)(ii)(A) cites to the exception to the general 15-year maturity limit in §701.21(e) regarding covered loans secured, in full or in part, by the insurance or guarantee of, or with an advance commitment to purchase the loan, in full or in part, by the Federal Government, a State Government or any agency of either.

(2 pages)

Subparagraph (c)(4)(ii)(B) cites to the exception to the general 15-year maturity limit in §701.21(f) regarding covered home improvement, mobile home, and second mortgage loans.

Subparagraph (c)(4)(ii)(C) cites to the exception to the general 15-year maturity limit in §701.21(g) regarding covered 1–4 family real estate loans.

Paragraph (c)(5) maintains all of current paragraph (c)(5) regarding the 10% aggregate loan limit for a member, removes citations to member business loans defined in §723.1 and limitations set forth in §§723.8 and 723.9, and adds citations to the specific requirements on loans to a single borrower or group of associated borrowers in the loan participation rule in §§701.22(a) and 701.22(b)(5)(iv), and commercial loans in §723.2 and §723.4(c).

The final rule, while maintaining all of current §701.21(e), revises it to make more explicit that the general 15-year limit in paragraph (c)(4) does not apply to the maturity limits applicable to insured, guaranteed and advance commitment loans covered by paragraph (e).

The final rule retains almost all of current §701.21(f), but revises paragraph (f)(1) to make more explicit that the stated 20-year maturity limit applies to home improvement, mobile home, and second mortgage loans covered by §701.21(f) notwithstanding the general 15-year limit in paragraph (c)(4). The final rule also adds a citation to paragraph (c)(4).

The final rule retains almost all of §701.21(g), but revises paragraph (g)(1) to make more explicit that the stated 40-year maturity limit, or such longer period as may be permitted by the NCUA on a case-by-case basis, applies to 1–4 family real estate loans covered by §701.21(g) notwithstanding the general 15-year limit in paragraph (c)(4). The final rule also adds a citation to paragraph (c)(4).

Section 701.22 Loan participations. The final rule makes minor conforming amendments to §701.22(b) regarding loan participations by updating the citation in §701.22(b)(1), which provides that for a federally insured credit union to purchase a participation interest in a loan, the loan must comply with all regulatory requirements to the same extent as if the purchasing federally insured credit union had originated the loan. Specifically, the final rule changes the outdated citation in §701.22(b)(1) from §723.8 to § 723.4.

We advise readers not to rely exclusively on this memorandum but to read the regulatory amendments in the hyperlinked *Federal Register* (84 FR 10971, [click here](#)).

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