

Attached please find submission Castlecomer Credit Union Limited

**Removal of 5 and 10 Year Lending Maturity Limits:**

Q: Do you have any comments on the proposal to remove the 5 year and 10 year lending maturity limits contained in Regulation 14 of the 2016 Regulations (taking account of the other changes to the lending framework)?

A: Castlecomer Credit Union Limited support the proposal to remove the 5 year and 10 year lending maturity limits contained in Regulation 14 of the 2016 Regulations.

**Maximum Loan Maturity Limit for Unsecured Loans:**

Q. Do you have any comments on the proposal to introduce a maximum maturity limit of 10 years for unsecured loans?

A: Castlecomer Credit Union Limited agree that this limit is prudent however as per point below Castlecomer Credit Union Limited assume that the 10 year term does not apply to partially secure loans. In reality it might serve the industry better if an element of unsecured was allowed up to 15 years. This would be particularly important in the case of a loan that was partially secured, particularly if the security was greater than the amount being amortised in the first 5 years of the loan

Q: Do you have any comments on the proposed definition of a secured loan?

A: Castlecomer Credit Union Limited agree with the definitions of a secured loan however we would like to seek clarity that there are two types of loans 1. Secure Loan and Unsecure Loan. Castlecomer Credit Union Limited interprets that a secure loan can refer to a loan that it's fully or partially secured e.g. Loan 1 100% collateral, Loan 2 65% collateral linked to Castlecomer Credit Union Limited's credit risk appetite and underwing practises.

**Concentration Limits for House and Commercial Loans:**

Q. Do you have any comments on the proposal to require that all commercial loan exposures utilise the concentration limit for commercial lending?

A: No comments.

Q. Do you have any comments on the Central Bank's intention to introduce board reporting requirements for house loans?

A: Castlecomer Credit Union Limited agree with the proposal re board reporting requirements for house loans.

Q. Do you have any comments on the proposal to introduce a base combined concentration limit for house and commercial loans of 7.5% of Total Assets?

A: Castlecomer Credit Union Limited agree that the proposed limit is prudent.

Q. Do you have any comments on the proposal to limit the maximum amount of house or commercial lending which a credit union may undertake to 5% of Total Assets within the base combined concentration limit?

A: No comments on the proposed base limit.

Q. Do you have any comments on the proposal to permit an increased combined concentration limit for house and commercial loans for those credit unions who can demonstrate the necessary financial strength, skills, expertise, operations and risk management capability to undertake increased lending in these loan categories?

A: This is a reasonable proposal and supporting process.

Q. What skills, expertise, operational and risk management capabilities do you consider necessary to support increased lending in house and commercial loans?

A: Castlecomer Credit Union Limited believe experience is required at all levels of the organisation from the Top Down and Bottom up – from junior loan officers, to the management team and the Board.

All credit /lending staff are required to have the following:

- A minimum QFA qualification (or APA designation).
- A minimum of 2 years or more relevant lending experience, ideally in a personal lending or commercial lending environment

The Credit Manager is required to have the following:

- A minimum QFA qualification (or APA designation)
- A minimum of five years or more relevant lending experience, ideally in a personal lending or commercial lending environment
- A minimum of three years people management experience
- A track record of achievement in a similar role

Annual credit training is delivered to the Board. Additionally, credit risk is managed by the Credit Manager and overseen by the CEO and Board. Additionally, ongoing monitoring is completed by the Compliance Officer and Internal and External Audit. The RMO also documents any new credit/operational risk exposures.

Q. Do you have any comments on the proposed increased combined concentration limit for house and commercial lending of 15% of Total Assets?

A: No comments.

Q. Do you have any comments on the application process referred to above?

A: No comments.

#### **Definition of Commercial Loans:**

Q. Do you agree with the proposal to re-name the commercial loan lending category to small business loan?

A: Yes.

Q. Do you have any comments on the proposed definition for a small business loan?

A: No Castlecomer Credit Union Limited feel this is a more appropriate definition and in line with industry.

#### **Large Exposures:**

Q. Do you agree with a large exposure being prescribed as an exposure to a borrower or group of borrowers who are connected of 2.5% or greater of the regulatory reserves of the credit union?

A: Castlecomer Credit Union Limited do not agree with this definition for a "group". This is exceedingly difficult and is impossible to capture and monitor and we would assume present its own challenges with GDPR regulation. We would suggest that this definition is removed as in practise it cannot be applied.

#### **Transitional Arrangements**

Q. Do you have any comments on the proposed transitional arrangements?

A: No comments as legacy loans are not impacted.

#### **Liquidity and ALM Considerations**

Q. Do you have any comments on liquidity and broader ALM considerations for credit unions wishing to increase the proportion of their loan books held in house and commercial loans particularly where those loans have longer maturities

A: Castlecomer Credit Union Limited feel that the liquidity requirements are already sufficient but once Castlecomer Credit Union Limited moves toward a lending portfolio with a higher portion of longer term/more diverse lending we will reflect the KPI's accordingly.