SUBMISSION FROM

THE CREDIT UNION DEVELOPMENT ASSOCIATION

IN RESPONSE TO

The Central Bank of Ireland's Consultation on Prudential Changes to the Lending Framework for Credit Unions CP125

January 2019

Introduction

CUDA welcomes the opportunity to provide commentary in response to the Central Bank of Ireland's paper on the proposed changes to the Lending Framework for Credit Unions. We support a transparent and workable regulatory and supervisory framework for credit unions and welcome all consultation on consideration of the most appropriate mechanisms for achieving this goal.

Our observations are set out in two parts. We provide general commentary in Part 1 and elaborate on our findings from our communications with our owner member credit unions. Part 2 sets out our responses in the questions put forward by the Central Bank.

In our submission we highlight our concerns with the proposed regulatory changes. While the Central Bank of Ireland make numerous statements of their support of further developments of credit union business models, and on occasion will criticise the sector for its lack of proposals, it is extremely challenging for a sector to make meaningful progress when each time we focus on evolving an element of our business we are confronted with unexpected and unwarranted constraints to other parts of our business model. Despite the consolidations and strengthening of the sector over the last five years, which has seen improved standards in the running of credit unions and their financial resources. The consolidation has produced larger and more sophisticated credit unions which we believed, the Commission on Credit Unions appear to have believed and the CUAC Report would also suggest, would present them with additional opportunities. Unfortunately, this is not materialising. All credit unions face a similar basis in their sustainability challenge which hinges on permission and ability to generate income. We do acknowledge the challenges attaining this balance can present and that not all matters are confined to regulations, indeed there are legislative based enhancements required, while credit unions themselves can continue to accomplish higher standards of business.

Part 1: General Commentary

CUDA welcomes the new approach to the prudential requirements and in particular the removal of the maturity limits as set out in Regulation 14 of Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

Regulatory amendments to increase the scope for long term lending has been a focus of CUDA over the last number of years. Our responses to CP76 and CP88 demonstrate that through the limited volume and scale achievable for some credit unions, the introduction of new lending products and initiatives on that basis is not currently a viable option.

Developing lending products, such as house loans, is driven by the need to diversify loan portfolios while also serving a wider range of members and a wider range of member credit needs. Our analysis had shown that unless credit unions broaden loan terms, the reliance on short term loans is unsustainable. In responding to CP76[1], CUDA findings emphasised the impact current maturity limits pose to long term lending. The restrictions on the number of home loans that can be provided by a cross section of credit unions was emphasised in the following Chart:

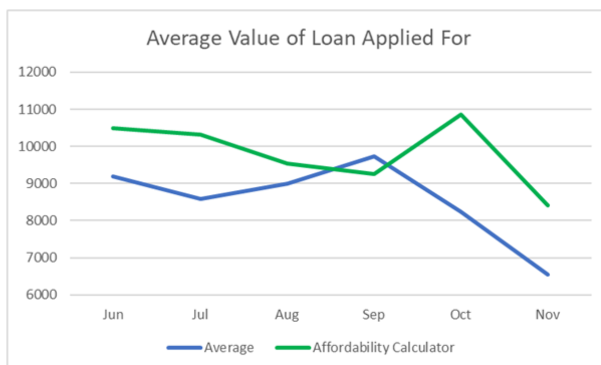
Chart 1

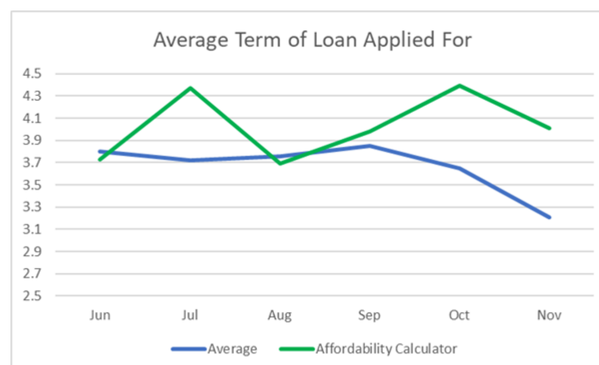
	Loan Book Size	15% > 10 years	Number of Loans 150k\ 200k	Build over 5 years	Avg margin @ 2% for first 5 yrs	Next 5 years
1	29,945,000	4,491,750	37	898,350	50,300	89,800
2	37,745,400	5,661,810	47	1,132,362	63,400	113,200
3	57,166,100	8,574,915	71	1,714,983	96,039	171,500
4	30,872,900	4,630,935	39	926,187	51,900	92,620
6	30,371,100	4,555,665	38	911,133	51,020	91,110
6	57,221.200	8,583,180	72	3,842,970	96,131	171,660
7	48,015,700	7,202,355	60	1,440,471	80,670	144,050

Loan size and term continues to grow. This is partially due to changing demands of members but also through the efforts of credit unions themselves to tackle the myth that they are only available for small loans. Long term lending and housing finance is a core offering of financial institutions and there is significant opportunity for financially strong credit unions to win its share of their local

[1] The Central Bank of Ireland's 2014 Consultation Paper on the Introduction of a Tiered Regulatory Approach for Credit Unions (CP76)

market. Through the Solution Centre Affordable Calculator[2] we can analyse and monitor the growth in loan size and term over the last 8 months. The trends show and increase in both loan size and loan term when the potential borrower can query on-line and be assisted via the calculator when researching for their credit solution. The graphs below show that when the credit union makesthe facility available to prospective borrowers, the 'calculator' average is 16% higher application values and 10% longer loan terms. Personal lending around November, in advance of Christmas purchases, sees a significant increase in the volume of smaller loans, thereby reducing averages.





We do not expect this trend to diminish.

CUDA's work with the Central Bank, the Department of Finance, and in particular, the Implementation Group has been predicated by our analysis over the last number of years and in meeting the needs of our members. CUDA is grateful for the close working relationship with its owner member credit unions who provide us with analysis and feedback in order to inform CUDA in its objectives on behalf of its members.

When compiling our responses to CP125, we have consulted with our owner member credit unions. We completed comparisons between the current lending regime and the proposed lending limits.

We are reassured to find that CP125 has met some of our requirements and objectives, and resulting in this our owner member credit unions may acquire further scope for lending under the proposed lending limits. However, if these proposals are to be implemented our findings also emphasised that some credit unions will be obliged to manage their members very different needs for house and commercial lending through an illogically interrelated rationing mechanism in order to remain within the proposed limits whilst meeting their ambitious strategic objectives and plans. The findings emphasised the need for the increase in the proposed concentration limits to 15%, especially for credit unions that want to concentrate on one category of long term lending e.g. house loans. Whilst our

[2] Part of the broader strategy by CUDA and the Solution Centre in respect of short term lending to increase the average loan size and increasing the average loan term. The Affordable Calculator in one of the tools developed by the Solution Centre for achieving this strategy and analysing the trends.

findings indicated that our owner member credit unions will have potential for additional scope for lending once the new regulations are introduced later in the year, the unspecified application process for approval to increase the concentration limit to 15% will be required in order to reach targets in meet SME strategic plans by 2022.

The Regulator has emphasised the need for growth in loan books to a minimum of 40%[3] in order to reach long term viability, recognising, as we have articulated for many years, that there is no one quantitative indicator as credit unions seek to achieve both their economic and social objectives. Indeed, the many risks which are supervised through the Central Bank of Ireland's PRISM give great insight to the wider range of indicators. CUDA has a number of initiatives which have the purpose of assisting its members increase and diversify their loan portfolio in a prudent and compliant manner. Through its Mortgage lending Framework, SAM, CUDA assists its members meet the complex regulatory requirements in mortgage lending and through the introduction for credit unions to FinTech solutions with the development of a Digital Transformation Programme, they are assisting owner member credit unions achieve their lending targets set out in their strategic plans. The CUDA Mortgage Lending Framework enables credit unions to compliantly provide these loans and we are already seeing a number of credit unions approaching their regulatory limits – at which point they will then have to cease providing this facility to their members irrespective of the quality of applications from credit union members or the financial strength of the credit union.

The Programme for a Partnership Government required the Government to carry out an investigation in to the "German Sparkassen model for the development of local public banks that operate within well-defined regions". The Report published in July 2018[4] found that the results of their investigation into local public banking indicated that, given the current demand for and supply of credit, there is not a compelling business case for the State to establish a new local public banking system based on either the Sparkassen or Kiwibank model by drawing on Exchequer funding. These findings are welcome and it has been well reported, including at various Oireachtas committee meetings[5] that CUDA believed the foundation for the solution is already in existence – the credit union sector. The revised concentration limits and removal of the 5yr / 10yr maturity limits will help credit unions specifically target and develop more aggressively other areas of

[3] This is reference to Registrar Anne Marie McKiernan's comment "figures in the range closer to 40% or 50% tend to be considered more viable on a long-term basis" during the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach debate Thursday, 23 Mar 2017.

[4] The Department of Rural and Community Development (formerly the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs) and the Department of Finance Joint Report, July 2018

[5] Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach debate 23rd Oct 2018, Joint Committee on Rural and Community Development debate 14th Nov 2018, Joint Committee on Business, Enterprise and Innovation debate 30th Jan 2018

lending including in the area of SME lending. The recently published CUAC Report also noted that the Department of Finance is due to commission an independent external evaluation of other possible ways in which the local public banking concept could possibly be promoted in Ireland. CUAC notes that one example of achieving this is "by means of an online platform, through leveraging the SBCI, through the credit union movement". CUDA is fully supportive of this approach and since 2017 has been developing online initiatives both to increase loan volumes within the sector but also to ease the process for members and to make obtaining loans, through their local credit union a seamless and attractive online process. As it is not possible to pilot regulations, we would welcome a review of the proposed concentration limits within one year of their inception to ensure the credit union sector has adequate scope to fully fill any void identified following the external evaluation, especially in the area of SME lending. We would also recommend that a full review of the lending framework regulations be committed to within three years from their commencement.

Whilst we welcome the removal of the maturity limits, we are conscious that CP125 did not address all of our concerns. We are disappointed to see a tiered regulatory framework is absent, while one set of the obstacles is being removed alternative obstacles are being introduced. Prohibitions and barriers to lending are now proposed through CP125 and this is a regressive step. CP125 introduces prohibitions to lending that do not currently exist. We have summarised below our key concerns with the proposals as set out in CP125. Our findings, which we discuss further, concurs with CP125 that loans for investment property and unsecured lending over 10 years are not prevalent, however, those with loans in these categories are performing well. Our Case Study in Appendix 1 demonstrates, unsecured lending over 10 years is low risk in comparison to other leading categories and it defies any business logic to restrict credit unions from continuing this service to their members.

The CUAC Report recommends a two-tier model of regulation. Whilst we appreciate that CP125 evidences a step towards tiering by permitting credit unions apply for an increase in the concentration limit to 15% of total assets, this is not the same as tiered regulation. This is based on the existing approach of applying for approval to extend limits. We respectfully request a situation where some credit unions are categorised under the specified, for illustrative purposes say 7.5% or 15%, concentration limits, for example credit unions that have already obtained approval to extend their lending limits should not be obliged to seek approval again.

For many years now CUDA has advocated a tiered approach to the regulation of credit unions. The Commission on Credit Unions Final Report, and more recently the CUAC Review Report, supports an approach with tiered regulation that recognises the sector is not homogenous, and therefore they support a mechanism to cater for the variety of desires and capabilities of the individual legal entities to evolve their credit union in a prudent manner and in accordance

with serving more members with more solutions. CUDA also recognises that this is not a simple task, and while there may not be precedents in other jurisdictions to simulate, the fact that credit unions remain the most successful people owned and controlled financial institutions deserves a solution that also allows them evolve individually and collectively. In the recent CUAC Report Implementation Group report it is recognised the feasibility that amendments to lending rules, and indeed refinements to engagement on additional services approvals will demonstrate that the way forward based on introducing elements of tiering within the regulations, rather than the implementation of a formal tiered regulation structure, is the right one. Regrettably, tiered supervision without published standards of business and increased limits through an unspecified process will not reassure credit unions they can confidently plan for future evolution.

CUDA continues to support the recommendation of CUAC and also wishes to achieve three overarching objectives:

1. **to allow for more flexibility for larger credit unions, as well as smaller capable credit unions, in the areas of lending and additional services, which are key to business model development;**
2. **that the clear compelling benefits of this potential increased flexibility, beyond the proposed 15% limit and without the constraining proposed on provision of credit to small and medium sized businesses, should lead to credit unions investing further in their governance, operations and business model development, and**
3. **to clarify and publish the standards of business that the Regulator uses when making decisions on application for approval of product and\or limits which unfortunately are absent in CP125.**

CUDA strongly believes that a well governed and financially strong credit union should be able to make strategic choices in relation to their own business model and operations without approval of the Central Bank within a considered regulatory environment. This, we believe, was the intent of the Commission on Credit Unions and the intent and spirit of the Credit Union Cooperation with Overseas Regulators Act 2012. It is very important to factor into these comments that nothing CUDA proposes will preclude the Central Bank from intervening, and making regulatory directions, if issues arise.

Part 2: Prudential Changes to the Lending Framework

CUDA shall now elaborate on our objections with regard to the proposed regulations. Our Responses are highlighted under each of the questions posed by the Central Bank of Ireland.

Our main objections can be summarised as follows:

1. Prohibitions on lending variance
   - Investment properties and Second Properties
   - Unsecured Lending over ten years

2. Introduction of a category that combines, with limits, long term secured home loans with redefined commercial loans of short-term unsecured nature.

3. Revised definitions
   - Commercial loans

4. No defined and transparent tiered regulation / transparent requirements to obtain 15% concentration limit

1. **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)?**

The proposals to remove the 5 year and 10 year lending maturity limits contained in Regulation 14 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 are welcomed. More detailed commentary on loan size growth is provided in Part 1 above.

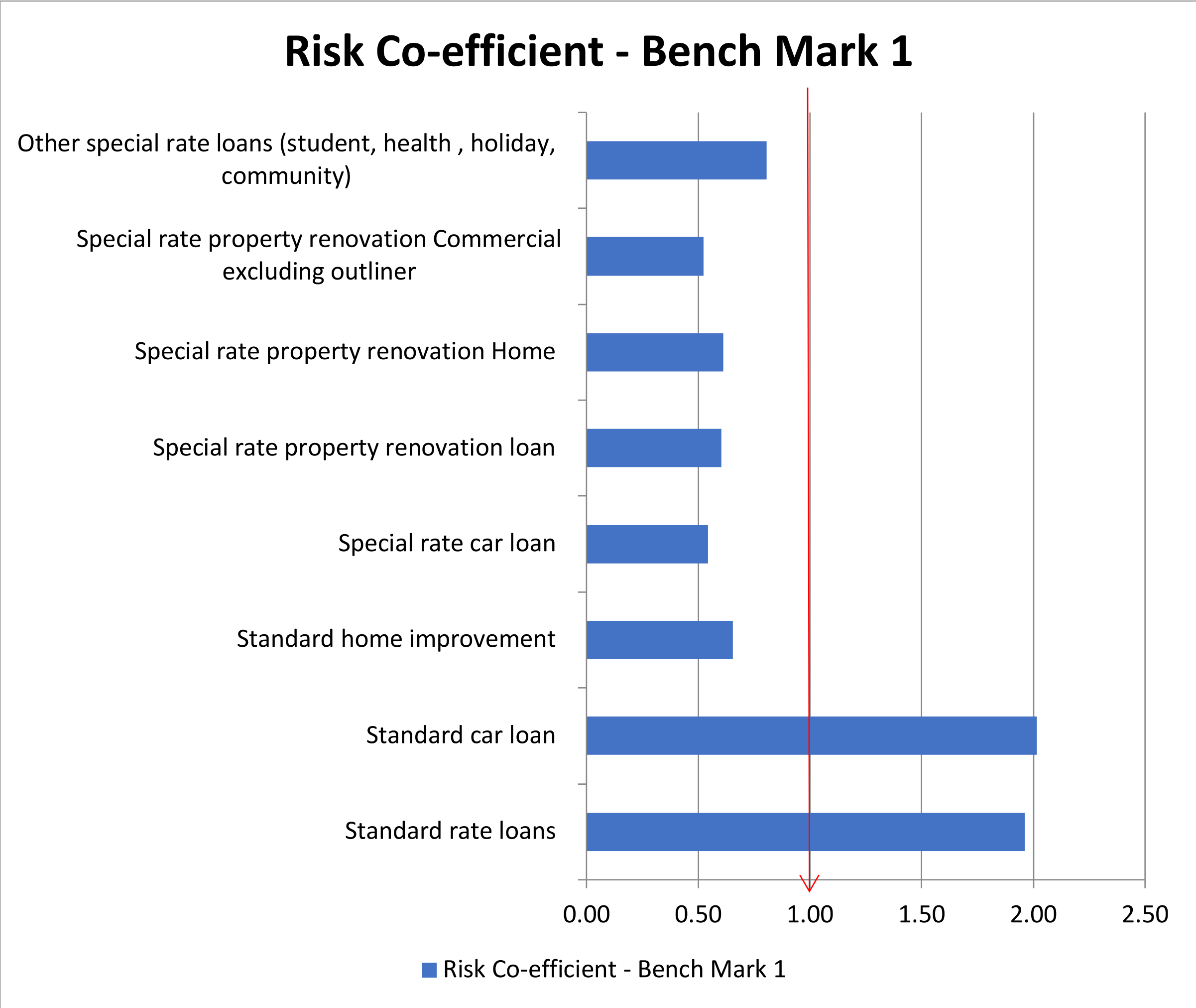
2. **Do you have any comments on the proposal to introduce a maximum maturity limit of 10 years for unsecured loans?**

Concern:	**Prohibition on unsecured lending over 10 years**
Recommendation:	**Remove the prohibition and permit lending within policy.** **Alternatively, increase the maximum maturity limit to 16 years**

We welcome the removal of 5 year and 10 year lending maturity limits contained in Regulation 14 of the 2016 Regulations. However, you will note from the Summary Table above, the introduction of the maximum maturity limit of 10 years for unsecured loans is a concern for CUDA and many of the owner member credit unions of which we represent. Innovation is key to growth in loan portfolios. One product that that credit unions are seeing successful growth in is the home renovation loan. A number of credit unions shared with us the volume and type of renovation loans they have issued. Depending on the degree of repairs and renovations, some credit unions reported expanding these loans out to 12 years. In all cases it is agreed underwriting should support the rationale for lending over 10 years.

The RIA did not demonstrate the risk associated with such lending and whilst we appreciate that there is a risk due to the scope for greater volumes of lending over 10 years going forward, in itself, does not justify turning off this source and potential opportunity of lending. In all cases, credit unions reported that such loans are performing. A case study compiled by one of our owner member credit unions demonstrated that this category of loan was not only performing but performing better than other categories. The findings and case study are appended hereto.

The findings further demonstrated that renovation loans are established as a niche product. The product is attracting a member with a different risk profile. These members tend to be lower risk.



CP125 figures show that only 53% of house loans are over 10 years – this would be consistent with our own analysis from SAM. What's more, our SAM analysis show that the average loan term for home loans is 16 years. We would argue in alleviating the concerns as set out in CP125 with regard to duration risk there is a clear spread of loan terms that would ordinarily fall within the over 10 year loan term category.

CUDA would be satisfied if the unsecured lending term was pushed out to meet this average of 16 years. From a credit risk perspective, it is often not possible or practical to secure such loans under the proposed definition of a secured loan, however, whilst we have not completed analysis on this, we would anticipate such loans are partially secured by shares in any event.

Evidence of falling arrears (from 13.5% in 2015 to 6.95% as at March 2018) can be predicated by the quality of lending in the sector and the considerable time and resources that have been given to loan underwriting.

3. Do you have any comments on the proposed definition of a secured loan?

The proposed definition of a secured loan includes one secured by shares. The Paper provides no analysis as to the percentage of security required. We would agree with this approach and are of the view that the percentage of security should depend on the perceived risk of the proposal and should be tailored accordingly.

It is not anticipated that 100% would be required in all circumstances. Loans secured by shares are inherently easier, guaranteed and less costly to realise in the event of default.

Finally, CP125 does not categorise any other forms of security that credit unions may have relied upon heretofore. Without CP125 providing information on such reliance, it is difficult for us to comment on the introduction of the proposed definition. In particular categories such as asset financing are a concern. Fixed and floating charges, other forms of pledges, debentures and unconditional undertakings all merit consideration.

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

There is no data on this and the RIA does not set out the impact of including combining all commercial lending within the concentration limits. The Central Bank of Ireland Longer Term Lending Questionnaire as referenced in CP125 did not specifically request details relating to the loans less than versus greater than €25,000.

The responses to the Questionnaire could be understated as the Questionnaire did not include this question. We would suggest that a Regulatory Impact Analysis is conducted in order to determine the impact prior to including all commercial loan exposures in the concentration limit for commercial lending.

We would expect to see wording as set out in Regulation 11(2) as far as it applies to Regulation 16(1) of the 2016 Regulations continuing to apply.

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

CUDA has no difficulty with this proposal. We would propose it is also used as a mechanism for monitoring investment properties and second properties.

6. **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?**

The initial base level of 7.5% concentration limits is greeted with an understandable assortment of views. All of our analysis indicates that our owner member credit unions will have some scope for growth of loan books, but the plans of some credit unions to achieve their objectives will be greatly restricted by this unexplained combining and alignment between house loans and commercial loans. They are significantly different lending categories requiring significantly different lending assessment skills. CUDA recommends that this combination be dropped and that the current category limit for commercial loans remains in situ, and that the base limit of 7.5% apply to home loans only.

7. **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?**

We would not be in agreement with this proposed concentration limit and we believe categories of lending should be a matter of policy to be determined by member elected Boards of Directors and complied with by the professional management of staff of the credit union. Furthermore, the split disadvantages one credit union over another. Many industrial credit unions, for example, do not have a demand for commercial lending. Their concentration limit is in effect 5%, not 7.5%. Our own statistics driven by SAM demonstrate a very pragmatic and conservative approach to home loans. The average age of borrower is 42 years with the average loan to value (LTV) being 53%. Additional figures are collated in the Chart below.

Chart 3

	As at 09/01/2019
Total Number of loans on SAM	424
Total Value of Loans processed on SAM	€44.25m
Average Loan Value	€110k
Average Loan to Value Ratio	53%
Average Loan to Income Ratio	3.2%
Average Term of Loan	16 years
Average Interest Rate	4.8%
Average Age of Applicant	42 years

Due to the introduction of the proposed reporting requirement, the PRISM supervision mechanism and the competency requirements under MCC we would argue that 7.5% concentration limit should be 10% apportioned as deemed appropriate by the Board of Directors of each credit union.

8. **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?**

As set out in Part 1 above, we have two fundamental issues with this particular proposal, the illogical grouping of such unrelated forms of credit and the absence of a meaningful interpretation of 'tiering' being applied. An unspecified application process, with unspecified standards under the various headings listed in the questions is not compatible with recommendations from CUDA, the Commission on Credit Unions, the CUAC Review and many other credit union Stakeholders. We would welcome an appropriate tiered approach to the proposed regulations.

The CUAC Review Report Implementation Group recognised that the environment has progressed since the original recommendations for a tiered regulatory structure were made, it agreed that new regulations should contain tiering at that level. This means that credit unions with assets of more than a pre-determined amount should be automatically allowed to develop their business models and get into longer term lending provided they do not have a higher risk profile arising from supervisory assessment under PRISM. This is a prudent measure of financial strength and governance capability, and, as mentioned earlier in this submission there is nothing precluding the Central Bank from intervening, and making regulatory directions, if issues arise.

In the CUDA submission to CP76[6], back in March 2014, we stated that 'CUDA proposes a 3 tiered approach built upon three distinct business models – this mechanism will not only suit the current business requirements but, will enable credit unions to meet member needs in the future and help ensure the sustainability of the sector. While no progress has been made on achieving this form of regulation, it is appropriate to reiterate them, namely a simple savings and loan model, an advanced savings and loan model and a broad range of personal and SME financial services as one might expect to receive from a 'community bank'. We believe all credit unions irrespective of asset size deserve the opportunity to survive and serve their membership. It is also our belief that

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[6] The Central Bank of Ireland's Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions

credit unions with assets of less than a pre-determined amount should be given the opportunity to adopt either a simple savings and loan model in return for regulatory requirements proportionate to the scale and complexity of their operations (as advocated for by the Commission on Credit Unions) or to apply to the Registrar for permission to engage in additional services and to be granted the additional exemptions automatically permitted for larger Credit Unions in a tiered regulatory approach. Such an approach should facilitate these credit unions in remaining independent should they so wish and apply regulatory requirements proportionate to their level of risk.

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

This is an unexpected question. At CUDA we believe each loan requires the same level of assessment and the skills, expertise, operational and risk management capability as is in place. The requirements for house loans are supported and informed by the Mortgage Lending Framework – see Appendix 2 for list of support materials available through the Mortgage Lending Framework.

Furthermore, we do not believe that the credit union commercial loans would naturally fit into their Home Loan policy as it requires knowledge of different criteria for assessment and indeed is governed by different regulations. We do not understand the logic for this combination and recommend it is not implemented.

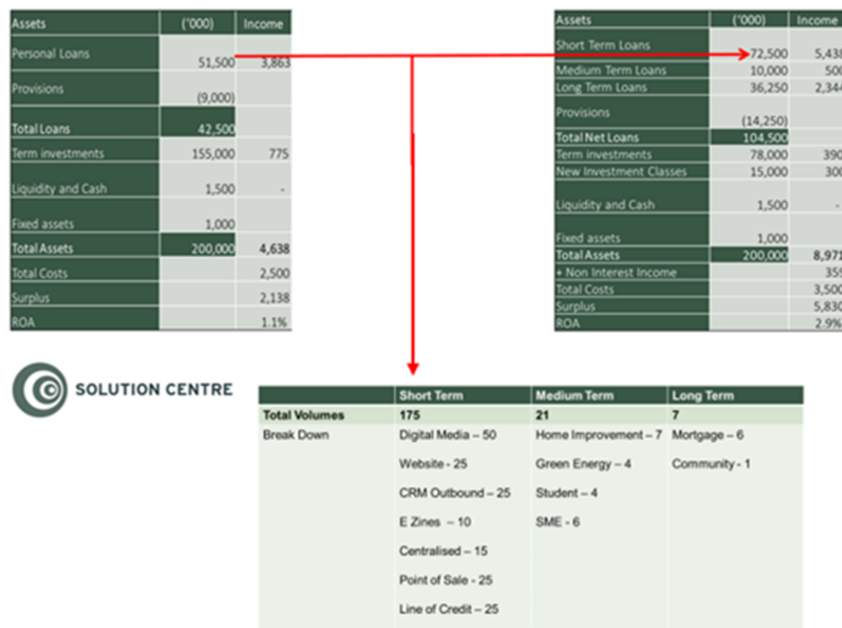
CUDA believes a credit union can meet standards of sound business and financial practices by ensuring it has developed and implemented credit policies, risk and performance measurement techniques, and risk management procedures comparable to those contained in the Credit Union Act 1997, as amended, CUCORA '12 and associated regulations. Should the Central Bank of Ireland believe that the skills, expertise, operational and risk management capabilities necessary to support increased lending in house and commercial loans are different from those currently determined in legislation and regulations that already apply to credit unions, then they should set these out in a series of required sound business standards for credit unions to adhere to.

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

Whilst not clearly set out in CP125, we thank the Registry of Credit Unions for the clarification provided that the proposed increase concentration limit of 15% of Total Assets can apply to house and / or commercial loans.

In 2017 CUDA conducted workshops with member credit unions to determine how they can prudently evolve their business. The overwhelming belief was that while the desire is to meet a wider range of economic and social needs of members, potential members and the communities where they live and / work, the focus is on becoming the most successful provider of credit in a fair and accessible manner.

We considered this in the context of the impact on credit unions balance sheets, and then drilled down to determine how a credit union could prudently attain a circa 60% loan to asset ratio.



Assets	('000)	Income
Personal Loans	51,500	3,863
Provisions	(9,000)	
Total Loans	42,500	
Term investments	155,000	775
Liquidity and Cash	1,500	-
Fixed assets	1,000	
Total Assets	200,000	4,638
Total Costs		2,500
Surplus		2,138
ROA		1.1%

Assets	('000)	Income
Short Term Loans	72,500	5,438
Medium Term Loans	10,000	500
Long Term Loans	36,250	2,344
Provisions	(14,250)	
Total Net Loans	104,500	
Term investments	78,000	390
New Investment Classes	15,000	300
Liquidity and Cash	1,500	-
Fixed assets	1,000	
Total Assets	200,000	8,971
+ Non Interest Income		359
Total Costs		3,500
Surplus		5,830
ROA		2.9%

	Short Term	Medium Term	Long Term
Total Volumes	175	21	7
Break Down	Digital Media – 50	Home Improvement – 7	Mortgage – 6
	Website - 25	Green Energy – 4	Community - 1
	CRM Outbound – 25	Student – 4	
	E Zines – 10	SME - 6	
	Centralised – 15		
	Point of Sale - 25		
	Line of Credit – 25		

**The target lending volumes set out above require both the introduction of both new delivery channels and new lending products.*

We identified that credit unions would have to increase their reach and their breadth of credit offerings. Improving the relevance of credit unions was addressed through a number of initiatives, in particular our Digital Transformation Programme, details of which were submitted to the RCU in June '18.

It was also determined as part of our detailed exercise that the level of long term lending would account for approximately 18% of the asset base of the credit union. We therefore recommend that the limit for home loans be set at 20% of assets and that this will be implemented over a three period in a phased manner [that will be determined by agreement between each credit union as the RCU to reflect the starting point of the credit union].

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

Concern: **Prohibition on unsecured lending over 10 years**

Recommendation: **Remove the prohibition and permit lending within policy.**
Alternatively, increase the maximum maturity limit to 15 years

We would propose the requirements for applying for the increased concentration limits are set out in a rule book so credit unions are aware of the criteria prior to applying. This would both save time and remove the subjective element of assessment. The CUAC Report discusses the requirements of an appeals mechanism; CUDA would be satisfied that a 'Standards of Business' rule book and a clear process for automatic approval, or approval process where required as part of the above described approach to tiered regulation should render an appeals mechanism defunct.

In 2017 the Central Bank introduced a revised Application Form for Increases in Longer Term Lending Limits. We communicated at that time (May 2017) with regard to some of the observations on the approval process. We indicated the need at that time for a clear transparent process, whether called a 'Standards of Business' rule book or not, that will ensure a credit union has a good sense as to what is expected in the application process, and should guide the credit union in determining if time would be best not spent in making the application.

A clear balance between objective criteria and subjectivity in the approval making process would make the approval process more transparent and thus be valuable input for credit unions as part of their strategic planning process and make more effective and efficient use of the credit unions and the regulators time by reducing futile applications. This saves time for both the regulator and the regulated.

Objective criteria based on inflexible and prescriptive criteria have shown to be unworkable (e.g. the now obsolete requirement to have arrears not greater than 5%) and we do not advocate going back to that approach. However, we would welcome sight for credit unions of the criteria used in the assessment of an application by the RCU as this will form the recommended criteria. For example, the Registry may already have a view that in general a credit union with assets less than X or with arrears greater than Y should not apply. As there may be exceptions to this rule (i.e. a credit union that does not meet the asset criteria but scores very well on all matters), this criteria should act as a persuasive indication as to the Registry's expectations. The approach adopted in the MPCAS approval

process is a good working example of this approach. Here, the Registry highlights that it would have concerns relating to resources and capability should a credit union with less than €75 million total assets apply to provide that service.

Although it is worth nothing we work with many very sound credit unions with assets of less than €75 million. They are progressive and ambitious while importantly prudent. It is important that any asset size benching making can be replaced with PRISM ratings and other supporting criteria. This does not dictate criteria that would prevent a credit union applying but will give a credit union a good bench mark before embarking on the time consuming process of making an application.

The MPCAS approval process sets out categories of recommending criteria and they become a good guide for a credit union in putting together the business case. In having a clear process to work to a credit union could better identify any weakness, identify areas where they may require improvement, and provide information on how these will be managed as part of their submission [it should be noted that the weakness may be entirely connected to the extended permission, e.g. number of underwriters, and therefore will not merit investment prior to knowing that the credit union can recoup the cost through the income generated from the extended permission.

We would also expect to see in the Regulations the ability of the Central Bank to impose conditions attached to each application. We appreciate that specific conditions, and the number thereof, could vary from application to application. However, there are also likely to be conditions that will be standardised across all credit unions. Whilst some of the conditions will be based on specific prudential requirements for any one particular credit union, we would nonetheless appreciate if there could, at the application stage, be more transparency for the credit union around the conditions that could be applied at a later stage in the process. This will facilitate the credit union in reaching a determination on making an application.

We have assisted many credit unions in their application process for the current Application Form for Increases in Longer Term Lending Limits. It is a concern the varied subjective element to the process and the types of responses from the supervisory teams.

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

Concern:	**New definition excludes lending to investment properties and second properties**
Recommendation:	**Allow a sub category of loan for investment properties and second properties**

We are surprised by CP125 that is states it has *“come to the attention of the Central Bank that in some instances loans are being granted for buy to let property purchases under the commercial loan lending category”*[7] .

The Central Bank of Ireland Handbook provides that:

> “Buy to let loans fall under the definition of commercial loans”[8].

CUDA has already communicated with the Registry of Credit Unions on the restrictive nature of the definitions under the 2016 Regulations as second properties, as a category of loan are excluded. CP125 purports to broaden this restriction - by incorporating buy to lets / investment properties rather than remedying the anomaly.

At that time, we saw credit unions being obliged to turn away low risk lending for second properties (such as a holiday home were the borrower had no mortgage on their family home) as specific loans did not fall within the definition of a commercial, house or personal loan.

Feedback from our owner member credit unions emphasised their concern with these prohibitions. One credit union remarked that in two of the historical BTLs on their loan book, the respective members have no mortgage on the family home. Another credit union noted that they would more aggressively pursue, and be permitted to pursue under legislation, a non-preforming BTL loan than a non-performing loan on the family home. All credit unions that responded to our communication confirmed that they monitor the performance of investment property loans separately in the context of them being secured by legal charge on immovable property via performance details available on CUFA analytics.

Our Case Study provides insights which emphasises the range of loan type that are typically officered to members. Chart 4 below demonstrates the variety of loans that would have to be removed from this Cart as they would not be permittable following the introduction of the prohibitions proposed by CP125 on lending for investment and second properties or unsecured lending over 10 years.

[7] Page 20, Part 4.3 Concentration Limit for House and Commercial Loans on a Tiered Basis
[8] Chapter on Lending part 4.3 House Loans

Chart 4

Loan Origination	Original Loan Amount	Term of Loan [months]	Loss Given Default Rate
Covered Loan	14,452	148	1.41%
Buy out of spouse following divorce	41,000	180	1.41%
Loan rescheduled following financial difficulty	11,000	157	1.41%
Health Loan	50,000	144	1.41%
To purchase family land	70,000	180	1.41%
To purchase 2nd residence as family live and work in different locations	83,032	179	1.41%
To purchase historical family home	133,000	180	3.02%

We would question what is the difference of providing a €40,000 loan for a car and the same amount for a parcel of land. Indeed, it would be argued that the latter is a stronger proposition as a legal charge could be taken and the property may increase in value. This cannot be said for most other forms of personal loan.

CP125 asserts a tiered approach to regulation. CUAC notes in its Report, that "any introduction of tiered regulation should permit a credit union do what they can currently do today". It is disappointing that CP125 does not reflect this position.

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

Concern: **Definition is too restrictive and not considering lending opportunities going forward**

Recommendation: **Revise the definition in its totality**

CUDA strongly objects to this proposal. It is unnecessary curtailment, and cuts off any potential development in scaled up commercial lending. CP125 has not demonstrated any valid reason for changing the definition to small business loan other than by asserting that the new category would "more accurately reflect the lending which credit unions undertake in this area".

CUDA has been on the record on numerous occasions[9] and has made their views well known to the Central Bank of Ireland that they are seeking legislative change to Section 6 of the Credit Union and Co-Operation with Overseas Regulators Act 2012 to permit a credit union, subject to approval by the Central Bank, extend its common bond to provide membership to and thus make a loan to Approved Housing Body (AHBs) and\or Local Authorities. On advancement of such legislative change the new Regulatory amendments would effectively block such initiatives.

The revised definition could curtail other initiatives and lending opportunities - especially with the very limited corporate structure requirements of "owner managed" businesses.

CUDA would be satisfied with:

- the reclassification of commercial loans to "business loans";
- the removal of the reference of corporate structure;
- the renaming of small business enterprise to "business enterprise; and,
- aligning the definition of a business enterprise to meet the criteria currently applicable to lending to micro, small and medium enterprises as currently contained in S.I. No. 585/2015 – Central bank (Supervisions and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium-Sized Enterprises) Regulations 2015.

We have no difficulty with the proposed aspect of the definition for a commercial or business loan being "*for the purpose of financing the working capital or capital investment needs"* of the business enterprise (subject to our comments set out in Question 12 above). This will clear up some confusion in relation to the existing definition.

The 2015 Regulations as referenced by CP125, does not make reference to corporate structure and as a result we would have a serious concern with the restriction of business loans being limited to *"owner managed"* business. Aside from the example provided above, this terminology included in the definition would exclude lending to small limited companies which due to the legal structure are not owner managed.

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[9] Most recently at Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach debate on Tuesday, 23 Oct 2018

14. 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?

We have no difficulty with the introduction of this regime.

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

We note the transitional arrangement apply to loans which were in compliance with the applicable lending framework at the time the loan was granted. CUDA would propose that the credit union would be open to apply the applicable lending framework at the time of the loan was granted in the event of a restructuring or loan rescheduling.

16. 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?

As credit unions evolve their business offerings for members, they are effectively looking at who they serve, what they serve them, and in doing so altering their balance sheet to reflect a slightly more complex mix of assets and liabilities.

The credit union business model is very simple savings and loans one. Savings are in the form of shares [about 98%] and deposits, therefore in theory their funding is on demand, and the loans are predominantly personal consumer unsecured loans [92%] and some longer term loans, mainly home loans, with an effectively loan book turnover of about 27 months. They are currently about 27% lent, circa 3% in fixed assets and the remaining 70% in investments [Government bonds, banks bonds and bank deposits]. As the income on the latter has collapsed, sustainability challenge has emerged and the business must evolve. We depict this in simple terms, by using the typical current balance sheet [based on key sector data] and showing what an appropriate balance might look like [based on workshops with member credit unions to prudently achieve the desired levels in key ratios]:

Assets	('000)	Income	Liabilities	
Personal Loans	51,500	3,863	Shares	162,000
Provisions	(9,000)		Accruals	1,750
Total Loans	42,500		Total Liabilities	163,750
Term investments	155,000	775	Reserves	
Liquidity and Cash	1,500	-	Regulatory Reserves	25,000
Fixed assets	1,000		General Reserves	11,250
Total Assets	200,000	4,638	Net Worth	200,000
Total Costs		2,500		
Surplus		2,138		
ROA		1.1%		

Assets	('000)	Income	Liabilities	
Short Term Loans	72,500	5,438	Shares	107,000
Medium Term Loans	10,000	500	Accruals	1,750
Long Term Loans	36,250	2,344	Budget Accounts	5,000
Provisions	(14,250)		Fixed Term & Preference Shares	50,000
Total Net Loans	104,500		Total Liabilities	163,750
Term investments	78,000	390		
New Investment Classes	15,000	300	Reserves	
Liquidity and Cash	1,500	-	Regulatory Reserves	25,000
Fixed assets	1,000		General Reserves	11,250
Total Assets	200,000	8,971	Net Worth	200,000
+ Non Interest Income		359		
Total Costs		3,500		
Surplus		5,830		
ROA		2.9%		

At CUDA we have focused on supporting credit unions with growing the loan book in all three current loan term bands, i.e. short term [up to 5 years], the mid-term [5 – 10 years] and more longer term [>10 year]. We have also been cognisant of current regulatory limits applying to these and based on our understanding of some credit unions strategic objectives, their members' needs, and the credit unions capabilities, it is why we have consistently advocated for these limits and bands to be changed.

To address the conundrum of complying with these restrictive limits yet demonstrating capability where the cost of building full service capability in each credit union, especially at a time when income and margin management are challenged is difficult for many to justify, CUDA, via the Solution Centre[10], designed and now delivers the range and level of service and specialised supports to a network of credit unions in a cost effective manner that would be unfeasible and uneconomic for many single credit unions to deliver.

Long term lending and housing finance is a core offering of financial institutions and there is significant opportunity for financially strong credit unions to win its share of their local market. Our Mortgage Support Framework enables them to compliantly provide these loans and we are already seeing a number of credit unions approaching their regulatory limits – at which point they will then have to cease providing this facility to their members.

This long term lending brings with it term mismatches between on demand liabilities and long term assets, and, therefore, interest rate risk – which may become more important as the ECB starts to consider normalising interest rates.

CUDA also supports credit unions develop appropriate Asset and Liability Management (ALM) policies and credit unions then implement their procedures to monitor and manage the related inherent risks.

Asset Liability Management (ALM) can be defined as a mechanism to address the risk faced by a credit union due to a mismatch between assets and liabilities either due to liquidity or changes in interest rates. A comprehensive ALM policy framework focuses on credit union ability to generate surplus and long-term viability by targeting the net interest margin (NIM) ratio. Sustained surplus whilst maintaining credit quality builds Capital/Reserves and supports dividend payments. Thus, the central theme of credit union ALM is the coordinated management of the credit union's entire balance sheet with reporting capability to analyse the credit union cashflow and maturity analysis balance sheet and report on both interest rate risk and a range of liquidity metrics. We believe the major benefit of developing interest rate risk measurement capability is that credit

[10] A CUDA initiative to promote and facilitate collaboration in business development and innovation, the Solution Centre is helping a growing number of credit unions [currently 48 with assets of over €6bn] to co-operate and succeed.

unions will be able to offer a wider range of fixed rate products on both sides of their balance sheet and hedge those risks in a manner that will protect the underlying profitability of the transactions.

We also believe that the level of risks associated with any type of longer term lending will necessitate financial and human competences to manage them. Traditionally the benchmark for this has been asset size, e.g. savings limits[11] and MPCAS[12]. While this is likely to be appropriate to adhere to requirements in the medium term, an asset threshold alone will not be sufficient to manage the potential inherent risks in this business.

So what should the limits be?
In terms of Liquidity, we believe there are there are four main pillars of liquidity that are needed to support a thriving and growing credit union that has a diversified loan book including long term mortgage lending. These are as follows:

1. Net Stable Funding from ‘sticky’ retail/member deposits

- Credit unions are 100% funded from a combination of member savings and reserves / Capital;
- In Liquidity Management stable retail deposits are assumed to be the stickiest and therefore are of high value compared to less sticky wholesale funding;
- In terms of Liquidity reporting under Basle III, stable retail deposits are assigned a run off rate of 3% over 30 days;
- Credit unions must hold additional liquidity to cover this run off rate;
- An internal detailed analysis of the ‘life of a share’ has been completed. This is an extremely detailed exercise that tracks savings activities over a sixteen year period, which, in terms of the domestic economy fortuitously covers five years of boom, five years of bust and six years of recovery. This has provided genuine insight to the stickiness of the credit union savings, indeed many factors were specifically identified to ensure they did not introduce anomalies or bias, these include the impact of Transfer of Engagement data split and SSIA data split. There were no other major events, and given the term of the data analysis, 16 years, Member Behaviour between each year gives a consistent pattern. It is not a short term analysis where it would be more difficult to justify and it commences with the introduction of the Euro in Ireland.

  From the Member perspective it includes the loan activity over the years also and therefore identifies whether the shares were secured on the loan - for each year and the influences that would have on the withdrawals pattern over each year. Also age, account opening data and personal data from the

[11] Credit Unions with assets >€100M only may apply to have individual member savings over €100k
[12] This is a new product, Member Personal Current Account Service [to facilitate accounts with cards \ overdrafts, etc]

database provides further analysis and all are built into the model for data analytics and reporting purposes.

This analysis demonstrates categorically the extensive 'stickiness' of the credit union savings which significantly exceed the measures contained with the Net Stable Funding definitions.

- Being fully retail funded is a key strength for the credit union sector but the lack of flexibility of sourcing other sources needs to be addressed. We believe that credit unions should be permitted to raise capital through other means and this is likely to require legislative amendment and is a matter outside of this current consultation.

2. Long term liabilities

- CUDA has advocated for an increase in the term of loans, therefore longer term liabilities will be a key manner in which credit unions can mitigate term asset/liability mismatch;
- Retail deposits with a residual maturity of greater than 30 days are assumed under Basle III to have no run off rate – which immediately improves liquidity.
- Credit unions can offer Fixed rate deposits for terms of 1,3 and 5 years on a rolling or quarterly/semi-annual basis, this has the potential to materially lengthen the maturity or duration of the liability base of credit unions.

3. Liquidity Coverage Ratio – the holding of unencumbered liquid assets

- This is the holding of liquid assets to meet any cash outflows over a 30 day period
- This is currently covered under the Regulatory requirement to hold a minimum Liquidity Ratio of 20%
- Per current regulations, any credit union that wishes to increase its lending over five years above 20 per cent of total gross loans outstanding must hold additional liquidity.
- As these are Regulatory requirements, until further notice credit unions will just have to ensure that they adhere to the Liquidity Coverage Ratio.

4. Inter Credit Union lending facility

- As credit unions cannot access wholesale markets an inter credit union lending facility will allow participating credit unions to meet short term liquidity flows in an efficient and cost effective manner;
- CUDA proposes that the borrowing capacity for credit union be reviewed to 10% of assets.

We look forward to any additional queries the Central Bank may have in relation to our recommendations set out above. We are happy to provide any additional information that the Central Bank may require.

Again, thank you for the opportunity to respond to the Consultation on Prudential Changes to the Lending Framework for Credit Unions.

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Appendix 1: Case Study

Property Renovation Loans

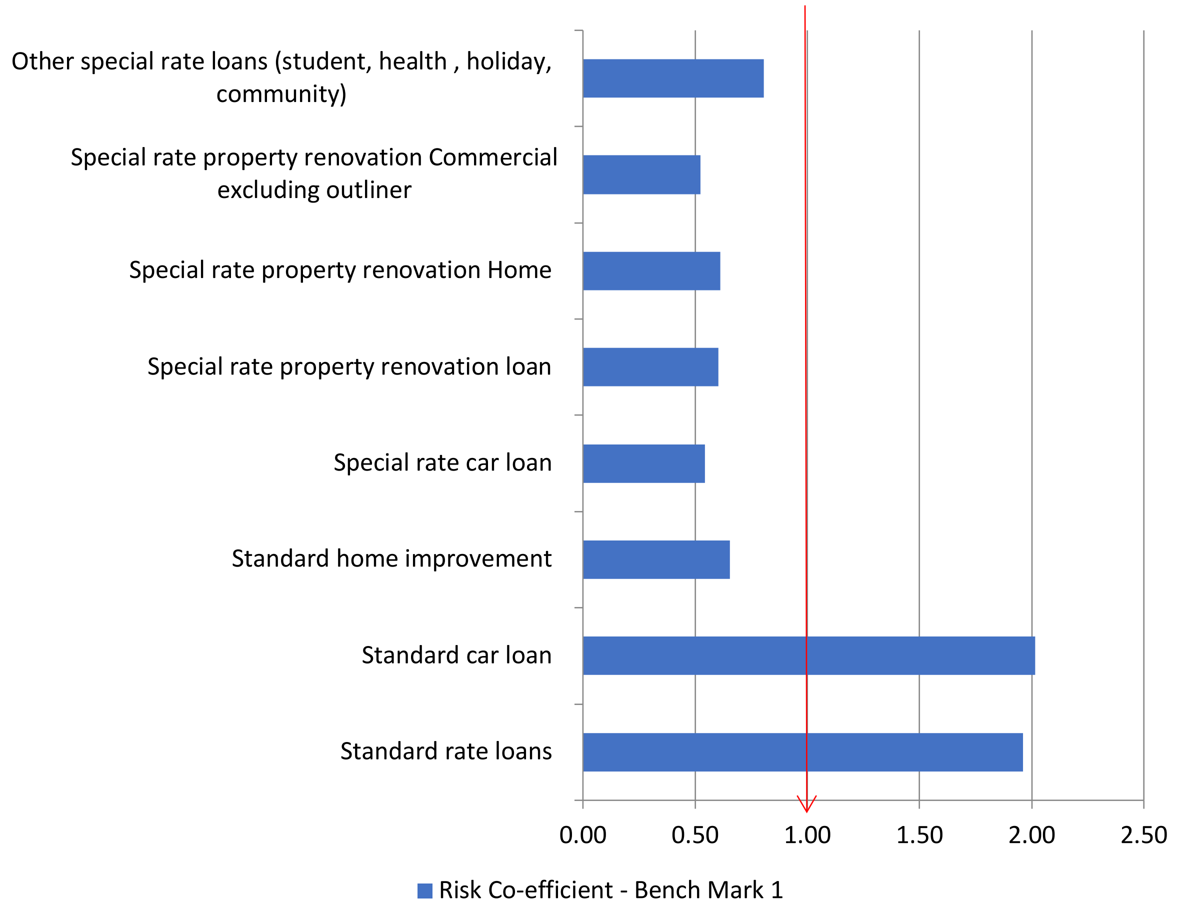
Background

This loan was modelled on the Special Rate Car Loan which historically had significantly lower arrears than that of the standard rate loan. Beyond standard underwriting conditions this loan required that payment was made to the vendor. A similar condition was included in the Property Renovation Loan and in other Special Rate loans introduced since then.

The credit risk trend of loan types is examined below using risk co-efficient. Risk co-efficient is the ratio of the Percentage of Credit Risk and the Percentage of Total Portfolio for a group of loans. This is calculated using CUFA Lending Analytics which is an objective, statistically rigorous tool for calculating, analysing and reporting the credit risk embedded in consumer loan portfolios. It performs a mathematical analysis of how each unique portfolio has actually performed over time. The analytical engine used by CUFA employs a cascade of sophisticated algorithms which analyse migration (roll) rates, completion rates, recovery rates and other parameters across the entire loan book.

The graph below shows that the risk experience of all Special Rate Loans is significantly less than that for standard rate loans. It is notable that Special Rate Loans for Property, Cars, Education, Health and Holidays are different in terms of maturity profile and purpose, and the only common denominator is the payment condition. This suggests that it is member behaviour that is the driver. It would seem that the risk is reduced as the members who are prepared to accept the payment conditions are financially literate and as such accept the inconvenience of the condition to avail of the reduced interest rate.

The only exception to this trend is home improvement loans which have a risk co efficient lower than the standard loans. It is our belief that the marketing for the Property Renovation Loans is attracting a member with a different risk profile. These members may not require the higher loan amounts of the Property Renovation Loan but they are attracted by the flexibility offered by the credit union. They also tend to be lower risk.


Risk Co-efficient - Bench Mark 1
Other special rate loans (student, health , holiday, community)
Special rate property renovation Commercial excluding outliner
Special rate property renovation Home
Special rate property renovation loan
Special rate car loan
Standard home improvement
Standard car loan
Standard rate loans
0.00
0.50
1.00
1.50
2.00
2.50
Risk Co-efficient - Bench Mark 1

Loan Book as at 31/12/18	Risk Co-efficient	No. of Loans	% of Total Portfolio	% of Total Credit Risk
Standard rate loans	1.96	4,196	23.17%	45.43%
Standard car loan	2.02	683	5.29%	10.67%
Standard home improvement	0.65	2,006	19.50%	12.77%
Special rate car loan	0.54	2,623	29.35%	15.98%
Special rate property renovation loan Personal	0.60	331	13.62%	8.22%
Special rate property renovation Home	0.61	13	0.49%	0.30%
Special rate property renovation Commercial (excluding 1 outliner loan with arrears attributable to specific family circumstances)	0.52	21	1.01%	0.53%
Other special rate loans (student, health , holiday, community)	0.81	1,188	7.57%	6.11%
Total of Loans Analysed	1.00	11,061	100.00% 100.00%	100.00%

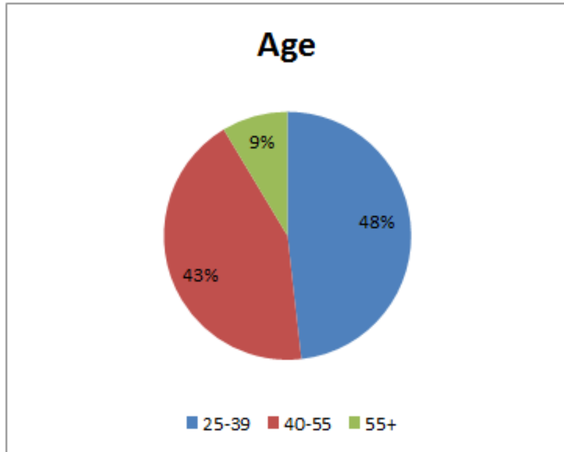
Underwriting

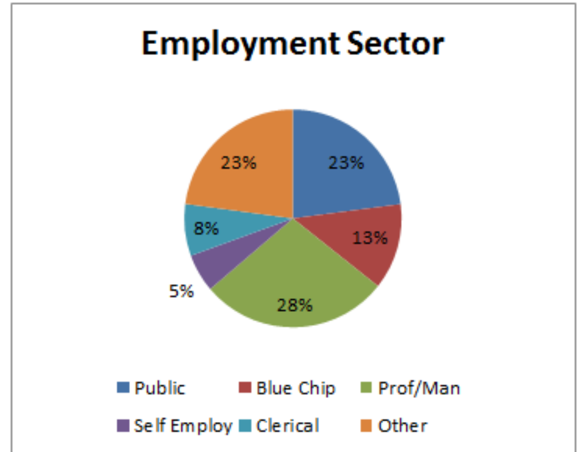
When considering the appropriate term for a Property Renovation Loan the loan policy sets out the standard term as 10 years and the maximum term as 25 years. In practice the term offered will depend on the longevity of the work being carried out. The rule of thumb used is:-

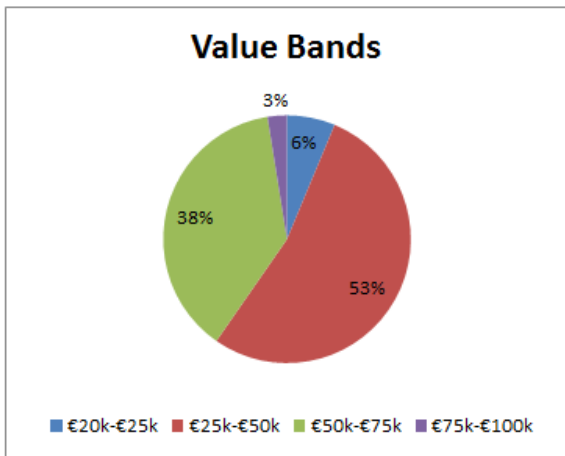
- 180 months for major refurbs or extensions to property
- No longer than 120 months for bathroom or kitchen. Based on feedback from members at counter they will only change the kitchen/bathroom in the family home twice in their lifetime
- 60 months for minor refurbishment e.g. painting, carpets, curtains, furniture, etc.

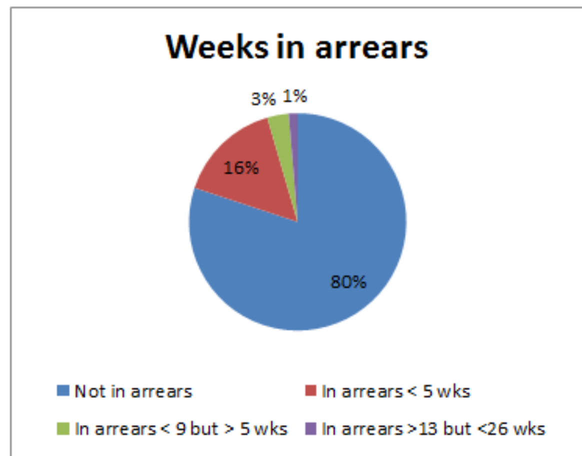
Profile

Since November 2015 a total of 83 Property Renovation Loans to the final loan value of €3.7m have been issued for a period greater than 120 months. The graph below shows the profile of those loans based on that value. The typical loan is performing, was for an amount of €25,000 to €50,000 and was issued to a member under the age of 55 working as a Professional/Manager or in the Public Service. This analysis supports the anecdotal evidence of staff at the front counter who have noticed an increase in loan applications for Special Rate Loans from members of the ABC Socio Economic Group. The timescale correlates with a change in marketing strategy and reflects the population of the common bond which includes in its environs a university and a hospital.









At 30/11/18 the balance on these loans was:

No of loans	Gross Loan €	Attached Savings €	Net Loan At Risk €	Expected Loss €	CECL Rate
83	3,407,713	614,003	2,793,704	40,903	1.46%

Note: Current Expected Credit Loss (CECL) Rate for loans not in arrears is 1.41%.

Other Considerations

An analysis of the 34 other loans with term greater than 120 months can be summarised as follows:

	Original Loan Amount	Number of Loans	Outstanding Balance	Attached Shares	Net Outstanding Balance	Expected Loss	CECL Rate
Standard Rate Loans	211,688	12	139,012	58,526	80,487	36,382	45.20%
Home Improvements	467,189	14	402,640	118,052	284,590	4,024	1.41%
House Loan	327,032	4	194,506	33,596	160,910	2,860	1.78%
Special Rate Loans (Car, Health & Student)	75,452	3	62,037	17,016	45,021	636	1.41%
Business (legacy Loan)	22,115	1	8,099	4,076	4,023	3,692	91.77%
	1,103,476	34	806,294	231,266	575,031	47,594	8.28%

The trend in these loans is in line with that seen in the overall loan book i.e.

- Standard rate loans for business & personal use are higher risk as seen in high Current Expected Credit Loss rate. However a term longer than 10 years is sometimes used to manage the repayment for these members. In the context of the Central Credit Registry this option is now more critical as the maintenance of a clean credit history is a significant incentive for members to continue paying.

- Home Improvement Loans are lower risk, the Loss Given Default of 1.41% equates to that for loans without arrears or just issued based on the overall historic performance of the loan book

A detailed examination of the 4 House Loans and 3 Special Rate Loans included in the table above reflects the niche business available to the credit unions which has proved to be low risk:

	Loan Origination	Original Loan Amount	Term of Loan	LGD Rate
1	Covered Loan	14,452	148	1.41%
2	Buy-out of spouse following divorce	41,000	180	1.41%
3	Loan rescheduled following financial difficulty	11,000	157	1.41%
4	Health Loan	50,000	144	1.41%
5	To purchase family land	70,000	180	1.41%
6	To purchase 2nd residence as family and work in different locations	83,032	179	1.41%
7	To purchase historical family home	133,000	180	3.02%

To restrict the loan term for unsecured lending to 10 years would remove good business opportunities from the Credit Union. Other examples of such opportunities include:

- Property Renovation for those in niche situations such as
    - No mortgage, high saving and/or low Loan To Value Ratio and reluctant to take on mortgage again
    - Adapting house for
        - Change in personal needs arising from conditions related to
            - Old age
            - Disability
            - Accident or serious illness

        - Multi-generational use
            - In response to the difficulties posed by the housing crisis in Galway many families are adapting the family home to cater for multi-generations. Anecdotally the front counter have had a number of such enquires and we understand that by 2023 1 in 4 homes will be multi-generational.
        - To generate income, opportunities previously identified by members

- To avail of the rent a room scheme for students. Air BnB. While we recognise that this may not be a long term option in its current form given government policy, tourism is an integral part of economy and will always provide opportunities to earn income from property.
- Professional use such as consulting rooms

- Purchase of property in non-traditional circumstances where a legal charge may or may not be an option for example:
    - Buying out a co-owner following divorce/separation
    - Inheriting a property but have to pay CAT or renovation costs
    - Inheriting a share in family property and have to buy out other beneficiaries
    - 2nd residence to be used as holiday home, or where family member s bi locate e.g. working/studying away from home

We recognise that we cannot compete head on with banks; therefore our market will not be traditional mortgages such as first time buyers or rate sensitive switchers. We must be a niche player offering good value, not necessarily best price, for non-traditional circumstances such as those detailed above. Members have advised that the attraction of the Credit Union over the bank offering relates to:

- Flexibility including early pay back and option to top up subject to ability to repay
- Free life cover

To leverage these strengths we must be flexible in our approach to lending while recognising and managing the inherent risk of the profile of the loan and of the member. This is critical to our long term sustainability based on our experience of the Property Renovation Loan. Expanding our long term lending effectively will

- Secure an increase in income in the short and long term
- Diversity our loan profile
- Diversify our member profile
- Open opportunities for cross selling of other financial services

Appendix 2 – Mortgage Lending Framework

Mortgage lending Framework – Documents		Completed
Supplementary	1. "How to Use" Guide to the framework of documentations and process	
Guidance Documents	2. Guide to Advertising and Marketing 3. Guide for Borrowers 4. Guidance on Tax Relief at Source (TRS) and First Time Buyer's Help to Buy Tax Relief 5. Guidance on Mortgage Notice of Interest Letters	
Application Process	6. Application Form 7. Declarations, authorisations & consents 8. Salary Certificate 9. Confirmation of Gift Letter 10. SEPA Mandate 11. Sample Terms & Conditions	
Checklists	12. Application Checklist re what is required to the CU from Borrower before it goes to Independent assessor	
	13. IA Checklist re what goes to Independent Assessor	
Templates	14. Valuation template	
	15. Letter of Offer Template 16. ESIS	
Checklists	17. CU Solr Checklist re what to send to CU Solr	
	18. Drawdown Checklist re requirements prior to release of funds	
Supplementary	19. Solr Confirmation re Solr Undertaking, Cert of title	
Supplementary (CCMA)	20. Website Info re Borrower Information re CCMA Process / Borrower Information re MARP 21. Standard Financial Statement 22. Guiding Principles 23. Appeals Log 24. Procedural Document for Accounts in Arrears or Pre-Arrears	
Policies	25. Mortgage Policy 26. Credit Policy 27. Assets and Liability Policy 28. Liquidity Policy 29. Credit Control Policy	
3rd Party Contracts	30. Draft SLA with Law Agent	