

## **Consultation on the Potential Changes to the Lending Framework for Credit Unions (CP125)**

The following are the comments/views of the Board of Directors of Lifford Credit Union to the findings of the Questionnaire issued by the Central Bank of Ireland in April 2018.

### Removal of 5-year and 10-year Lending Maturity Limits;

The Board welcome the proposal to removal of the lending Maturity Limits.

### Maximum Loan Maturity for Unsecured Loans

The Board feel that the maximum loan maturity for unsecured loans should be reflective of the value of the loan.

The Board feel that Guarantors should be included in the proposed definition using shares that they may hold.

### Concentration Limits for House and Commercial Loans

The Board have only one concern in relation to this proposal and it is that there is a clear definition of a commercial loan with samples provided.

The board have no issues with the proposal to introduce board reporting requirements.

The Board have no comment on the proposal to introduce a base combined concentration limit for house and commercial loans of 7.5% of Total Assets.

The Board have no issue with 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 and furthermore the Board have no issue with Credit Unions having an increased combined concentration limit where the necessary financial strength, skill, expertise, operations and risk management capability to undertake lending in those loan categories is evident.

The Board feel that competent and professional staff with the expertise in the areas mentioned should be able to assess the loans in the commercial and housing categories.

The Board feel that the increased combined concentration for house and commercial lending of 15% of Total Assets is adequate but should be reviewed dependant on demand in these categories going forward.

The board have no comment or views on the application process as yet and we are still the subject of a loan restriction.

### Definition of Commercial Loans;

The Board feel that the definition of Commercial Loans needs more clarity. A number of working samples would be welcomed.

As with the case of Commercial Lending, the definition of small business loans needs more clarity with working samples.

### Large Exposures

The Board agree that 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.

### Transitional Arrangements

The board have no comment on the Transitional arrangements.

### Liquidity and ALM Considerations

The Board feel that liquidity and broader ALM considerations for credit unions wishing to increase the proportion of their loan books held in house and commercial loans with longer maturities must

be proportionate to the maturities that they hold. As these loans approach maturity, the liquidity and ALM considerations should be relaxed proportionally.