Malahide Credit Union is a community credit union with over 7,500 members, total assets of €22m, savings of €19m and loans of €7.2m. Our Loans to Assets ratio has increased from 24% in 2016 to 33% today, primarily driven by loans with repayment terms of between 5 and 10 years. We are delighted that the Central Bank has issued this consultation paper and is open to making changes that recognise the improved economic environment and lending capability in credit unions.

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)?

We welcome the proposal to remove these limits. We feel that limits based on a percentage of an existing loan book are not appropriate for our business model and member demographic and as a result are unduly restrictive. A key element of our strategy is to focus on larger, longer-term home improvement / renovation loans with 7 to 10 year terms. In our opinion, credit unions can generate significant demand for this type of loan on a prudent basis, given that they already have the skills and systems to assess and manage such loans.

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

We are in agreement with this proposal.

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

We would like to see Second Charges (where there is sufficient equity available) included in the definition.

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

We agree with this proposal with the proviso that personal loans to self-employed members are not classed as commercial.

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

No particular comment, this would be a good governance practice.

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?

While such lending is not currently part of our business strategy, we believe that the 7.5% combined limit is too low as it will prohibit credit unions that wish to do so from getting involved in either of these areas in a meaningful way. Given the relatively small size of the Irish personal loan market (and the fact that credit unions already hold around one third of this market), we believe that credit unions will need to look beyond personal lending in the future. While house and commercial lending is a new departure for many credit unions, the advent of centralised support systems should help to mitigate the risks associated with these loans and thereby allow credit unions to prudently enter these markets and become significant players in them, thereby providing much needed competition.

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?

As stated above, we believe that the proposed combined limit is too low and the same rationale applies to this 5% limit, especially for house loans. In today's terms, 5% of Total Assets would give the credit union movement the capacity for only miniscule percentage of the home loan market.

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?

In general terms we have no issue with this proposal. However we feel that the indicative asset size of €100m is not appropriate as smaller credit unions would be quite capable of demonstrating the necessary financial strength, skills and capabilities to undertake additional home and / or commercial lending categories.

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

At Board level – strategic thinking, understanding of financial, operational, credit and environmental risks, understanding of ALM impact of longer-term lending.

At Management / staff level – appropriate assessment skills, ability to develop robust lending policies, detailed knowledge of the compliance requirements around house and commercial lending and in particular the requirements around mortgage arrears, in line with the credit union ethos.

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

We have no issue in principle but believe that the proposed limits are too low. Such lending will tend to be for higher value loans and any limit needs to recognise this.

11. Do you have any comments on the application process referred for an extension of the limits?

No, this process is well established at this stage.

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

Yes, this is a more appropriate description for the type of commercial lending that is appropriate for credit unions.

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

We need to be clear on the boundaries between personal loans to self-employed members and loans to that member for business purposes.

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 agree with this proposal.

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

No, they seem reasonable. We would expect that they would not create any delay for applications by credit unions for changes to limits under current arrangements.

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?

While the vast majority of savings in credit unions are withdrawable on demand, recent history has shown them to be almost akin to term savings, even where very low or zero dividends have been paid. Having said that, we believe that the movement must begin to prepare to introduce formal term-related savings (with deposits matched to loans or classes of loans), perhaps with centralised treasury-type assistance for managing such savings.