



# New Ross Credit Union Ltd.

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**Re-“Consultation on Potential Changes to the Lending Framework for  
Credit Unions (CP125)”**

**Please find attached the views and submission to the Proposed changes to the  
lending framework for Credit Unions (CP125) from New Ross Credit Union  
Limited**

**Yours Sincerely**

**Kathleen Rothwell  
Secretary**

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

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)?

New Ross Credit Union Ltd (NRCU) is in agreement with the proposal to remove the 5 year and 10 year lending maturity limits contained in Regulation 14 of the 2016 Regulations (taking into account the other proposed changes to the lending framework). NRCU however is seeking some clarification and has views which will be addressed, through the questions/answers hereunder

## Maximum Loan Maturity Limit for Unsecured Loans:

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

NRCU considers that while the maximum maturity limit of 10 years for unsecured loans is prudent, NRCU would have concerns of the impact such a restriction would have on the long term viability of the Credit Union. NRCU would suggest the introduction of a percentage of loans, say 10% that would be allowable to be granted as unsecured and for a period, of over 10 years subject to a maximum of €50,000.00.

3. Do you have any comments on the proposed definition of a secured loan? NRCU requires Clarification of the proposed definition of a secured loan where a secured loan is defined in the Consultation Document as

i. a first legal charge on property;

ii. a pledge of shares; or

iii. an assignment of a deposit.

1. NRCU understanding, is that a first legal charge on property makes the loan "secured by a 1<sup>st</sup> Legal Charge". And under the 2016 Regulations loans made by Credit Unions and secured by a first charge are classified as home loan mortgages. If the property tendered as security is say land with no buildings whatever thereon then the regulations seem to be contradictory.
2. A pledge of shares – must a loan be 100% covered by shares when issued to be deemed "secured"? If 100% is not required then what level is deemed acceptable?
3. An assignment of a deposit is clear, but the same question arises around amount as in pledging shares.
4. NRCU would be of the view that a secured loan could/should be secured by other valuable securities (easily pledged, easily valued easily realised, etc.) such as assignment of life policies that have a surrender value, assignment of single premium policies etc.

## Concentration Limits for House and Commercial Loans:

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

Agree

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

Agree

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?

Agree

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?

Agree

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?

No Comments

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

Lenders will require upskilling in underwriting and credit assessment skills, operational review of improved policies and procedures for Business lending, and the skills to risk appraise any new lending activities and business.

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

Agree

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

Agree

## **Definition of Commercial Loans:**

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

The proposed definition for a small business loan is '*a loan made for the purpose of financing the working capital or capital investment needs of owner managed small business enterprise*' By this definition does it cover all self-employed persons? NRCU would welcome clarification of this, together with the position of lending to small Limited Companies.

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

None apart from clarification sought in Q12

## **Large Exposures:**

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?

No disagreement in principle

## **Transitional Arrangements**

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

No Comments

## **Liquidity and ALM Considerations**

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?

No Comments

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