



RESPONSE TO CP 125
SLANE CREDIT UNION LTD

Slane Credit Union response to Consultation Paper on potential changes to the Lending Framework for Credit Unions (CP 125)

Slane Credit Union welcomes the opportunity to respond to this consultation on potential changes to the Lending Framework for Credit Unions

Slane Credit Unions views on specific questions put by CBI.

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?

Slane Credit Union welcomes the removal of these maturity limits, and new ones should be framed that will reflect our business needs. This will be manifested by answers we give to the other questions raised by Central Bank.

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

Slane Credit Union is not in favour of this change and would propose a maximum maturity limit of 20 years. As some of our loans are over €50,000 this will take pressure off and help grow the business.

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

We believe that any required shares to be pledged should be pegged at a minimum level, and the borrower's ability to repay be deemed as the main criteria.

We also believe that where it is possible to raise a second legal charge or lien on an asset should be deemed a secure loan.

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

Slane Credit Union would recommend that the provision contained in the 2016 Regulation whereby loans of less than €25,000 are not included in the concentration limit be retained.

5. Do you have any comments on the CBIs intention to introduce Board reporting requirements for house loans?

Slane Credit Union agrees with this change in reporting.

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?

Slane Credit Union is strongly of the view that neither the base concentration limit nor the increased concentration limit should be combined under the proposed Lending Framework. Rather, a separate base concentration limit should be introduced for each sector – 10% for Commercial Loans and 10% for House Loans.

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

Slane Credit Union is of the view that a 10% limit of total assets will give us scope to grow our business in that area. As a rural community it gives us the opportunity to support our community.

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?

Slane Credit Union is supportive of a mechanism which would enable certain CUs avail of an increased concentration limit, it is not in favour of combining the concentration limit for house and commercial loans.

We strongly favour having separate concentration limits for these two very distinct sectors.

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

It is critically important that CUs embrace the sentiment and the criteria set out in the CBI document 'Longer Term Lending – Guidance for Credit Unions' (December 2017)

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

Slane Credit Union does not support a combined concentration limit.

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

Slane Credit Union agrees in principle to the process. However we do need clarification.

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

Slane Credit Union supports the amendment.

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

We believe that owner managed is reasonable should be excluded. Capital and Capital needs should be controlled or managed by a member.

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

There is no change to the maximum large exposure limit of 10% of regulatory reserves. However, reporting is now required at a lower level of 2.5% of regulatory reserves. Slane Credit Union supports this amendment. The definition of connected borrowers remains the same.

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

Slane Credit Union agrees with the transitional arrangements proposed.

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.

We agree that longer term lending will indicate the flow back will be slower.

Conclusion:

Our Policies and Strategic Plan will reflect Central Banks guidelines. However we would like to see a business model that allows us secure our viability by an increase in long term (secure) home loans and a robust system that allows lending to SMEs

This can be manifested by the initiation of a two stream system.