

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

Whilst we welcome the proposals under CP125 we would like to specifically comment on the following question:

Q 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?

A concentration limit of 2.5% of Regulatory Reserves does not facilitate the development of House Loans for small to medium Credit Unions. A more meaningful level would be 5% of Regulatory Reserves or 3% of Total Reserves, so as not to exclude this size of credit union from this loan service offering, for which there is a demand. This level is still in keeping with appropriate risk management.