

**Introduction to Tiered Regulatory Approach for Credit Unions
Submission – Fermoy Credit Union Limited**

Having reviewed and discussed the consultation paper the Board of Directors of Fermoy Credit Union will like to submit the following in response:-

Lending: The Board are concerned at the restriction to lending contained within the consultation paper. The reduction of the loan term to 15 years is a retrograde step. The consultation paper also states that *“the new lending framework will also include details on the lending policies and practices that credit unions will need to put in place”* but does not go into detail of the specifics. Clarification is sought on the detail of such framework and its applications to credit unions. Will this proposed framework define maximum loan limits per member or connected member, loan to share ratios etc? It is intended to replace the existing lending restrictions? Will this framework restrict the ability of credit union to meet its members borrowing needs even further?

The Board objects strongly to the proposed Restricted Persons Limits for members of the board and management team and their families.

Investments: The Board are concerned at the impact of the proposed changes with regard to investments particularly for category 1 credit unions where it is proposed to introduce a maximum terms of 5 years with 50% of the portfolio maturing after 3 years. Bank bonds are also excluded for this category of credit union. This will impact on investment income in a time where a large proportion of the credit unions assets are contained in its investment portfolio due to decreased loan demand and restrictions on lending. The proposed change in respect of investments may impact on the very viability of some credit unions.

Additional services: The Board are also concerned at the restrictions to category 1 credit unions with regard to additional services, the proposal does not allow for the development of services such as debit cards.