

## **CANA Credit Unions submission on CP88**

CANA Credit Union (CANACU) is an Industrial Credit Union based in Dublin. Our membership is primarily made up of Revenue staff employed in Revenue Offices throughout the country, their families and also retired Revenue staff.

We are a Medium Low Impact Credit Union under PRISM

### **Section 5.4 Reserves**

CANACU does not have a difficulty with the concept of Credit Unions having to maintain an Operational Risk Reserve however we feel more detail is required as to how the Central Bank intends to ascertain what level of additional reserves are required. Further consultation is required in this area.

### **Section 6.4 Liquidity**

CANACU does not have a difficulty with the proposed short term liquidity requirement of 10% of unattached shares where short term liquidity is defined as cash and investments with maturity of less than 8 days.

### **Section 7.4 Lending**

#### **Personal lending**

CP88 Defines Personal Loans as *"for personal, family, or household use, once that use is for purposes unrelated to the person's trade"*

#### **House Loans**

CP88 Defines House Loans as *"a loan made to a member secured by property for the purpose of enabling the member to;*

- a) Have a house constructed on the property....*
- b) Improve or renovate a house on the property....*
- c) Buy a house.....*
- d) Refinance a loan previously provided for one of the purposes specified in (a),(b) or (c)*

CANACU has a huge difficulty with the inclusion of Home Improvement loans in the House Loan category. Home Improvement Loans should be included in the Personal Loan Category and the requirement for a 1<sup>st</sup> charge dispensed with unless the net exposure on the account exceeds a certain level.

25% of the funds lent by CANACU in the last financial year was for the purpose of Home Improvements. These members would not have been in a position to give us a 1<sup>st</sup> charge on their home as the vast majority would have mortgages. The requirement to obtain a 1<sup>st</sup> charge for all Home Improvements loans is excessive and unworkable. Most of our members have some level of mortgage debt so if this requirement for a 1<sup>st</sup> charge is introduced it would mean that approx. 25% of funds advanced by us each year would be lost to the Banks who provide their mortgages.

In CANACU we look for 1<sup>st</sup> charge over property when the net exposure exceeds €40k. This works very well for us and it means we can facilitate most of our member's requirements in respect of home improvement loans.

We don't have a difficulty with the Large Exposure Limits or Related Party lending requirements.

#### **Section 8.4 Investments**

We welcome the changes proposed in particular the fact that maturity limits will apply to our full investment portfolio rather than individual types of investments as was previously the case.

#### **Section 9.4 Savings**

CANACU does not have a difficulty with the proposed maximum member savings (shares and deposits) of €100k. We have operated with a maximum member's savings limit of €70k for years.