



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# 15% Combined Concentration Limit for House and Business Loans

## Application Form

August 2021

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## Part 1: Notes on Completion

### Terms used in this Application Form

<b>Applicant</b>	The credit union making an application to the Central Bank seeking approval for the 15% Limit.
<b>Application Form</b>	This application form, i.e. the “15% Combined Concentration Limit for House and Business Loans Application Form”.
<b>Approval</b>	Approval for the 15% Limit under Regulation 12A(2) of the 2016 Regulations.
<b>Central Bank</b>	Central Bank of Ireland.
<b>Guidance Note</b>	Guidance Note on the Application Process and Application Form for the 15% Combined Concentration Limit for House and Business Loans.
<b>Portal</b>	Central Bank of Ireland Portal.
<b>Request Change</b>	Facility whereby authorised entities can notify the Central Bank of changes to information relating to the entity via the Portal.
<b>15% Limit</b>	The 15% combined concentration limit for house and business loans referred to in Regulation 12A(1) of the 2016 Regulations.
<b>2016 Regulations</b>	Credit Union Act 1997 (Regulatory Requirements) Regulations 2016, as amended.

## Introduction

On 1 January 2020, the [Credit Union Act 1997 \(Regulatory Requirements\) \(Amendment\) Regulations 2019](#) came into effect. These regulations amended the [Credit Union Act 1997 \(Regulatory Requirements\) Regulations 2016](#) (2016 Regulations) issued by the Central Bank of Ireland (Central Bank) under Section 182A of the Credit Union Act, 1997<sup>1</sup>.

Under the 2016 Regulations, a credit union meeting a specified size criterion for two or more preceding consecutive quarters, may apply to the Central Bank for an increased combined concentration limit of 15% of the credit union's total assets for house and business loans (15% Limit). Under Regulation 12A(2)(b), in order to grant an approval for the 15% Limit (Approval), the Central Bank must be satisfied that the credit union has demonstrated that the approval would be:

- Consistent with the adequate protection of the savings of the members of that credit union; and
- Effective and proportionate, having regard to the nature, scale and complexity of the credit union.

The information submitted by a credit union through this application form and supporting application documentation will be considered by the Central Bank in its assessment of the matters specified in Regulation 12A(2)(b) of the 2016 Regulations.

Under Regulation 12A(4) of the 2016 Regulations, the Central Bank may, at the time of granting approval, or at any other time, make the approval subject to conditions with which the credit union must comply.

This Application Form contains a number of sections, as follows:

- Part 1 – Notes on Completion
- Part 2 – Applicant Details
- Part 3 – Business Case
- Part 4 – Board Approval
- Part 5 – Document Checklist

## Notes on Completion

- Prior to submitting an application to the Central Bank, a credit union making an application to the Central Bank seeking approval for the 15% Limit (Applicant) should have read and be familiar with:
  - The Central Bank's [Guidance Note on the Application Process and Application Form for the 15% Combined Concentration Limit for House and Business Loans](#) (Guidance Note);
  - The Central Bank's [Long Term Lending - Guidance for Credit Unions](#);
  - The Lending Chapter of the [Credit Union Handbook](#);

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<sup>1</sup> The 2016 Regulations were previously amended by the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2018 and subsequently amended by the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2020. A consolidated version of the 2016 Regulations is available on the Central Bank's website – see [here](#).

- The Outsourcing Chapter of the [Credit Union Handbook](#) and the [Chair Letter](#) issued to credit unions on 7 October 2019 on Investment and Participation in Credit Union Owned Outsourced Service Providers; and
- The [Implementation of the Credit Union Act 1997 \(Regulatory Requirements\) \(Amendment\) Regulations 2019 FAQ](#).
- The Applicant must answer all questions set out in this Application Form. If the Applicant cannot complete a question or provide the information or documentation requested, the Applicant should engage directly with their supervisor in the Registry of Credit Unions and clearly outline the reason for this. The supervisor will provide any specific guidance necessary.
- An Application Form must be submitted in typed format.
- Space is provided for the Applicant to type responses to questions directly into the Application Form. Additional rows may be added by the Applicant, if required. The structure and content of the Application Form must not be deleted or amended in any other manner. The Applicant should submit the information requested in the Appendices with their application. The Central Bank has made Microsoft Excel versions of the relevant templates available on its website (see [here](#)).
- The Board Approval in Part 4 of the Application Form must be reviewed and approved by the board of directors of the credit union and signed by the chair on behalf of the board of directors.
- The Applicant is obliged to inform the Central Bank of any material changes to the information provided in the Application Form submitted during the application process in a timely manner (e.g. a change in the credit union's strategic objectives or a material change to the financial information submitted). Any material amendments made to information in the Application Form submitted by the Applicant during the application process will require an updated board approval to be submitted.
- An electronic copy of the completed Application Form together with all supporting application documents must be submitted to the Central Bank via the "15% Combined Concentration Limit for House and Business Loans" Request Change facility on the [Central Bank of Ireland Portal](#) (the Portal).
- All information provided in the Application Form must be accurate and complete.
- The Central Bank will only progress an application to the assessment phase of the application process when a fully completed Application Form has been received via the Portal.

- Where an incomplete Application Form is submitted, the Central Bank will inform the Applicant of this and identify the specific areas where the information has not been provided or is insufficient via the relevant Request Change on the Portal.
- For the purpose of assessing and reaching a determination in respect of the application, the Central Bank may seek further information or clarification in respect of the information provided by the Applicant in their application via the relevant Request Change on the Portal.
- The Central Bank may process personal data provided by the Applicant in order to fulfil its statutory functions or to facilitate its business operations. Any personal data will be processed in accordance with the requirements of data protection legislation. Any queries concerning the processing of personal data by the Central Bank may be directed to [dataprotection@centralbank.ie](mailto:dataprotection@centralbank.ie). A copy of the Central Bank's Data Protection Notice is available at [www.centralbank.ie/fns/privacy-statement](http://www.centralbank.ie/fns/privacy-statement).

**If an Applicant has any queries when completing this application form, these should be raised with their supervisor in the Registry of Credit Unions.**

## Part 2: Applicant Information

1.	<b>Credit union name</b>
	[Type answer]

2.	<b>Registration number of the credit union</b>
	[Type answer]

## Part 3: Business Case

### Proposed Lending Activities & Business Strategy

Please refer to the Guidance Note for details on the Central Bank's expectations on the information to be provided in the section below.

3.	<b>Overview of the credit union – Please provide an overview of the credit union's strategic objectives, common bond and membership. Please include a copy of the board approved strategic plan.</b>
	[Type answer and submit document with this Application Form]

4.	<b>Organisational structure – Please provide details of the credit union's organisational structure and branch network (if relevant).</b>
	[Type answer]

5.	<b>Recent lending information – Please provide an overview of recent lending trends (last 3 years from most recent quarter).</b>
	[Type answer]

6.	<b>Applicant's business case for the 15% Limit – Please outline the overall business case for the credit union in seeking approval for the 15% Limit, having regard to the credit union's strategic plan and risk profile, as well as its nature, scale, complexity and capability.</b>
	[Please submit the credit union's business case in a separate document together with a copy of the credit union's board approved Credit Risk Appetite Statement]

7.	<b>Underwriting and lending practices – Please provide details of the Applicant’s underwriting and lending practices. Please include a copy of relevant board approved lending policies, i.e. Credit Policy, Credit Control Policy and Provisioning Policy.</b>
	[Type answer and submit documents with this Application Form]
8.	<b>Outsourcing – Please provide details of any existing or planned outsourcing activities (including shared services and service level agreements) related to the provision of house and / or business loans.</b>
	[Type answer]
9.	<b>Management information systems – Please provide details of the Applicant’s management information systems as they relate to house and / or business lending.</b>
	[Type answer]
10.	<b>Risk management function – Please provide an overview of processes, systems and controls in place to manage risk.</b>
	[Type answer]
11.	<b>Risk identification and mitigation – Please identify all relevant risks associated with the proposed house / business lending lines and actions to mitigate these.</b>
	[Type answer. Please submit with this Application Form, in a separate document, a copy of the credit union’s board approved Asset and Liability Management Policy]



## Part 4: Board Approval

This section must be reviewed and approved by the board of directors of the credit union and signed by the chair on behalf of the board of directors.

\_\_\_\_\_ Credit Union/ Comhar Creidmheasa \_\_\_\_\_ confirms that;

- i. The business case and financial projections provided as part of this application are prepared on the basis of reasonable and realistic assumptions and aligned to the strategy set out in the credit union's strategic plan;
- ii. The annual arrears and annual liquidity information provided as part of this application accurately reflects the annual arrears and annual liquidity position of the credit union; and
- iii. The board of directors is of the view that the credit union satisfies the matters specified in Regulation 12A(2)(b) of the 2016 Regulations.

If the credit union is successful in its application for approval for the 15% Limit:

- i. The credit union will use all reasonable endeavours to ensure that it will remain in compliance on an ongoing basis with any conditions on the basis of which the Central Bank has granted approval and any further conditions subsequently imposed on the credit union in respect of an approval granted; and
- ii. Should circumstances arise where, for two consecutive quarters, the credit union no longer complies with the minimum total assets criterion required to apply for the 15% Limit, or the credit union ceases to meet one or more of the conditions on the basis of which the Central Bank has granted approval, or any further conditions subsequently imposed on the credit union in respect of the approval granted, the credit union will:
  - notify the Central Bank in writing without delay; and
  - not make further new house loans or new business loans, except in accordance with Regulations 12A (6) and (7) of the 2016 Regulations.
- iii. The credit union has and will use all reasonable endeavours to maintain on an ongoing basis, taking account of the level and maturity of lending outstanding:
  - An asset and liability management (ALM) policy to ensure appropriate asset and liability management and to support the scale and complexity of the credit union's lending that:
    - takes account of the strategic plan of the credit union;
    - takes account of the funding strategy proposed to support the projected balance sheet structure; and
    - includes a process for measuring and monitoring risks arising from asset and liability mismatches and ensuring the credit union maintains prudent levels of liquidity appropriate to the maturity profile of lending and investments in the credit union.

- iv. The credit union has appropriate information systems and management information policies in place to ensure the maintenance of proper accounting records for the credit union's business taking account of the scale and complexity of the credit union's proposed lending.

**Chair's Signature:** \_\_\_\_\_

**Print name in capital letters:** \_\_\_\_\_

*(on behalf of the board of directors)*

**Date:** \_\_\_\_\_

## Part 5: Document Checklist

Confirm that the documents listed in the table below have been completed in the format specified (where relevant) and submitted with the Application Form via the “15% Combined Concentration Limit for House and Business Loans” Request Change facility on the Portal:

Document		Yes / No
1.	Application Form, including Board Approval	[Yes / No]
2.	Business case for the 15% Limit (in response to Question 6)	[Yes / No]
3.	A copy of the board approved strategic plan	[Yes / No]
4.	A copy of the board approved Credit Risk Appetite Statement	[Yes / No]
5.	A copy of the board approved lending policies	[Yes / No]
6.	A copy of the board approved Asset and Liability Management Policy	[Yes / No]
7.	Financial Projections, specifically, Income and Expenditure and Balance Sheet projections in the form set out in Appendix 1	[Yes / No]
8.	Annual Arrears Information in the form set out in Appendix 2	[Yes / No]
9.	Annual Liquidity Information in the form set out in Appendix 3	[Yes / No]

## Appendix 1: Financial Projections Templates

The following templates are provided for illustration only. At a minimum, each of the line items outlined in the templates below must be included in the credit union's financial projections. The financial projections may include additional line items or information which the credit union considers relevant to support its business case.

The financial projections should be provided in Microsoft Excel format and, together with all other supporting application documents, submitted to the Central Bank via the Request Change facility on the Portal. The Central Bank has made available on its website a Microsoft Excel version of the templates (see [here](#)).

For the purpose of the templates below:

- T1= the credit union's financial position as set out in its last audited year end accounts;
- T2= the credit union's projected financial position in 1 year (from T1);
- T3= the credit union's projected financial position in 2 years (from T1);
- T4= the credit union's projected financial position in 3 years (from T1);
- T5= the credit union's projected financial position in 4 years (from T1);
- T6= the credit union's projected financial position in 5 years (from T1).

## Template Income and Expenditure Projections

	T 1 €	T 2 €	T 3 €	T 4 €	T 5 €	T 6 €
(A) Total Loan Interest Income						
(A1) Amount of (A) which is represented by House Loan Interest Income						
(A2) Amount of (A) which is represented by Business Loan Interest Income						
(B) Investment Income						
(C) Other Income and Gains						
<b>Total Income (A+B+C)</b>						
Operating Expenses						
Deposit Interest Expense						
Provision for Bad Debts						
Bad Debts Written Off						
Bad Debts Recovered						
Other Losses						
<b>Total Expenses</b>						
<b>Surplus / Deficit for the Year</b>						
<b>Dividend</b>						
<b>Loan Interest Rebate</b>						
<b>Surplus / Deficit for the Year post Dividend and Loan Interest Rebate</b>						

## Template Balance Sheet Projections

	T1 €	T2 €	T3 €	T4 €	T5 €	T6 €
Cash and Current Accounts						
Fixed Assets						
<b>(A) Gross Total Loans by Maturity Profile:</b>						
≤ 1 year						
> 1 year and ≤ 3 years						
> 3 years and ≤ 5 years						
> 5 years and ≤ 10 years						
> 10 years						
Total Gross Loans:						
Provisions for Bad Debts						
<b>(A1) Gross House Loans by Maturity Profile:</b>						
≤ 5 years						
> 5 years and ≤ 10 years						
> 10 years and ≤ 15 years						
> 15 years and ≤ 20 years						
> 20 years and ≤ 25 years						
> 25 years and ≤ 30 years						
> 30 years						
Total Gross House Loans						
Provisions for Bad Debts (House Loans)						
<b>(A2) Gross Business Loans by Maturity Profile:</b>						
≤ 3 years						
> 3 years and ≤ 5 years						
> 5 years and ≤ 10 years						
> 10 years						
Total Gross Business Loans:						
Provisions for Bad Debts (Business Loans)						

	T1 €	T2 €	T3 €	T4 €	T5 €	T6 €
<b>Investments by maturity profile:</b>						
≤ 3 months						
> 3 months and ≤ 1 year						
> 1 year and ≤ 3 years						
> 3 years and ≤ 5 years						
> 5 years and ≤ 10 years						
> 10 years						
Total Investments:						
Other Assets						
<b>Total Assets</b>						
<b>Total Member Savings by Maturity Profile:</b>						
≤ 3 months						
> 3 months and ≤ 1 year						
> 1 year and ≤ 3 years						
> 3 years and ≤ 5 years						
> 5 years and ≤ 10 years						
> 10 years						
Total Member Savings						
<b>Other Liabilities</b>						
<b>Total Liabilities</b>						
Regulatory Reserve						
Operational Risk Reserve						
Other Realised Reserves						
<b>Total Realised Reserves</b>						
Unrealised Reserves						
<b>Total Reserves</b>						
<b>Total Reserves post Dividend and Loan Interest Rebate</b>						

## Appendix 2: Annual Arrears Information

Please complete the table below for **the last 5 full financial years at a minimum** where **year 5 is the most recent year**. If it wishes, the credit union may add columns to provide information for additional periods. The Central Bank has made available on its website a Microsoft Excel version of the template (see [here](#)).

	Year 1	Year 2	Year 3	Year 4	Year 5
A. Gross loans issued in:					
B. Gross loans in arrears greater than 9 weeks issued in:					
C. Gross loans written off issued in:					
Annual Arrears % (B + C / A) in:					



## Appendix 3: Annual Liquidity Information

Please complete the table below for **the last 5 full financial years** at a minimum where year 5 is the most recent year. If it wishes, the credit union may add columns to provide information for additional periods. The Central Bank has made available on its website a Microsoft Excel version of the template (see [here](#)).

	Year 1	Year 2	Year 3	Year 4	Year 5
A. Liquidity Ratio					
B. Short Term Liquidity Ratio					