Credit Union Ireland sector submission on

LENDING FRAMEWORK REVIEW 2024

Strictly Private and Confidential February 2024

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EXECUTIVE SUMMARY

The credit union bodies – CUDA, CUMA, ILCU and NSF – are submitting this Ireland credit union sector response on behalf of our respective memberships. We welcome the opportunity to provide input to the Central Bank of Ireland's work on the review of the lending framework regulations. This is a follow-up to our individual meetings with the team in the Registry of Credit Union in November 2023. We believe that with the changed financial services landscape, following 10 European Central Bank rate rises and recent proven mortgage and business lending growth across the Credit Union movement that now is an opportune time to make a number of targeted changes to the credit union lending framework. These 9 key recommendations and rationale for same are outlined below.

- There is a real opportunity for credit unions to prudently grow their lending portfolios while improving consumer protection and providing real competition;
- The new Credit Union legislation provides a platform for the public to access a wider range of products and services from more credit unions;
- The Irish Banking market has significantly contracted with the recent departures of KBC and Ulster Bank;
- Credit unions are ranked at the top of independent surveys on reputation and customer service, beating not just other financial institutions but all industry categories on the island of Ireland;
- Improved awareness of credit union products and the success of marketing by Credit Unions;
- The establishment of the new Mortgage Credit Union Service Organisation;
- Increased credit union participation in Government initiatives such as the Strategic Banking Corporation of Ireland;
- Strong prudent rollout of Agri-lending products through Cultivate initiative;
- Strong business models and pipeline of lending;
- Increased potential to lend in business and mortgage lending is in line with Government policy;
- Increases in limits would provide a boost to credit union planning and business models while having limited downside risk due to size and scale of credit union movement;

We note the extensive commentary that was contained in the CP125 feedback document[1] issued by the Central Bank of Ireland (CBI) in November 2019. In particular we note the statement that:

The Central Bank is supportive of credit unions increasing lending on a prudent basis, including engaging in new areas of lending and increasing exposure to longer term lending as part of a balanced loan portfolio. While some credit unions have called for increased capacity to engage in longer term lending, the Central Bank remains of the view that this is not the sole solution to the low loan to assets ratio and sustainability challenges facing the sector, such as high cost income metrics and the low interest rate environment. At the time of publication, there is a wide disparity across the sector in terms of individual credit union loan to assets ratios, confirming that commercial challenges are constraining credit unions from advancing their business model and meeting their members' lending needs.

In the year to September 2023, credit unions have grown their lending by 12% while arrears have fallen to 2.7%. The introduction of the enhancements following CP125 have made a meaningful contribution to credit union lending growth. Experience since the introduction of the enhanced lending framework provides insight to the lending provision bifurcation within the sector. This is a positive message for all stakeholders as it shows that credit unions have heeded the cautions set out in the CBI statements and credit unions being driven by their risk appetite as opposed to a regulatory permitted capacity. This also contributes to explaining why measuring the usage of permitted sector wide capacity is not a fair reflection on what is required for the future evolution of the sector and for providing fair competition and choice for consumers.

[1] https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp125/feedback-statement-on-cp125---consultation-on-potential-changes-to-the-lending-framework-for-credit-unions.pdf?sfvrsn=4

Our shared vision for improving the financial, social and environmental well-being of credit union members and their communities has motivated the recent enactment of the Credit Union (Amendment) Act 2023. This enables further opportunities for the provision of credit unions services to more people in Ireland – including their businesses and their communities. It is vital that the evolution of the regulatory framework also continues to allow for prudent development to achieve the situation where everyone in Ireland can have the opportunity to access all services available from the credit union system in Ireland. We are calling for targeted prudent changes to the lending framework to future proof the sustainability of the sector, allowing Credit Unions to grow and develop, thereby providing much needed credit and choice to consumers.

Following consultation with Credit Unions a summary of our 9 key recommendations and rationale for same are listed below;

1. *Decouple housing loans and commercial loans concentration limits*

   Rationale: These are two distinctly different lending categories, different risk profiles, differing length of loans, one is secured and one is not secured. Different skillsets are required to enter both markets and it is not in every Credit Unions risk appetite or strategy. Decoupling the two loan categories is a logical step to simplify and recue complexity in the regulations.

2. *Deemed consent to lend for house loans to 15% of assets for all credit unions*

   Rationale: This will increase the potential amount credit unions can lend out by approximately €400million; it will reduce the need for a Central Bank application process, simplifies and reduces complexity and removes the barriers to entry identified by Credit Unions below €50 million in assets.

3. *Introduce a Central Bank application process for Credit Unions who wish to lend out more than 15% of assets on house loans up to a maximum of 30% of assets.*

   Rationale: Gives Central Bank control over what Credit Unions can lend over 15% with regard to the Business model, risk and sophistication of Credit Unions while allowing those Credit Unions whom have proven that they can meet the demands of their members and are considering lending above 15% to demonstrate their evidence based case considering risk and asset liability management. This would increase the amount of credit that could be lent out to €3.6 billion.

4. *Remove the requirement for a business case for commercial and community loans above €25,000.*

   Rationale: This is an arbitrary limit that is putting Credit Unions at a disadvantage compared to other providers of finance and increases the cost of applying for a Credit Union commercial or community loans. By way of example a tradesperson cannot buy a commercial van for €25k. It is unreasonable to expect a self-employed plumber or electrician to produce a detailed business plan with cash flow projections and a marketing strategy just to get a loan to replace their van.

   We recommend the removal of this requirement and allow for credit unions to make a determination on the need for business plan as part of their credit policy.

5. *Exclude Strategic Banking Corporation of Ireland lending from the limiting limits*

   Rationale: A number of Credit Unions are now "on-lenders" for state guaranteed lending via the SBCI schemes. This exemption will allow those Credit Unions that have passed the stringent SBCI and European Investment Fund's due diligence onboarding process and have defined business plans for these loans to propose and will help the SBCI reach its target of lending thereby fulfilling Government policy. These schemes are guaranteed and have a lower risk profile for Credit Unions.

6. Increase the Commercial lending limit to 10% of assets for all Credit Unions

Rationale: Credit Unions have invested significant resourcing in business lending capabilities and have amended policies and procedures to ensure a robust framework exists. The success of the Cultivate initiative which identified a need for Agri-lending is a good example of this.

Credit Unions have strong controls in place for business lending, based on clear risk appetite metrics and rules outlined in their Policy & Procedures.

7. Liquidity - components of the short term liquidity calculation

Rationale: Liquidity levels are a key concern of Credit Unions and the Liquidity regulations, while explicitly part of the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019 were not reviewed at the time of the introduction of the Lending framework. As credit unions broaden their range of loan offerings to include more longer-term loans, we are cognisant of the inherent liquidity and interest rate risks that arise. We appreciate the need for resilience in this very sensitive matter We would ask for targeted changes to the Liquidity regulations specifically the components of the short term liquidity calculation pending a fuller review to take account of the change in the loan book of Credit Unions as loans maturities and value increases.

8. New category of lending

Rationale: Given the contraction in the Retail Banking market since the lending framework was introduced, it is timely to consider additional forms of lending currently not permitted such as deep retrofitting, holiday home loans in Ireland and Buy to let investments where the loan maturity would be over 10 years but less than 15 years.

9. Review of regulatory policies

Rationale: Section 55 of the Credit Union Act as now amended by Credit Union (Amendment) Act 2023 now requires Credit Union's Board of Directors to carry out a review of all plans and policies every three years. We believe that it follows that Central Bank regulatory policies relating to Liquidity, Reserves, Lending and Investments should be reviewed potentially to coincide with the one year anniversary of the enactment of the Credit Union (Amendment) Act 2023 to take account of updated circumstances.

Once again, thank you for the opportunity to input to your review of the lending regulatory framework and we are available to discuss the points raised at your convenience.

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CEO, CUDA	**CEO, CUMA**	**CEO, ILCU**	**Chairperson, NSF**

BACKGROUND

The following table, a high level chronology, sets out the evolution of the credit union lending framework:

S35 Credit Union Act 1997 [as amended]	*Limits on lending over 5 years and over 10 years as a percentage of a credit union's loan portfolio.*
Commission on Credit Unions 2012	*Recommends lending framework review and to be determined in regulation*
CUCORA 2012	*"Section 35" limits were moved to regulations (limits remained unchanged).*
CUAC[2] its report "Review of the Recommendations in the Commission on Credit Unions Report 2016"[3]	*Identified that review of lending framework had not occurred and was a missed opportunity*
CUAC Report Implementation Group Scoping Document November 2017	*Recommended basis for lending limits to be assets.*
CP125 – Consultation on Potential Changes to the Lending Framework for Credit Unions October 2018	*Proposed new lending categories and limits based on assets*
CP125 – Feedback Statement June 2019	*Removed the 5 year and 10 year lending maturity limits. Introduced new Lending categories and concentration limits, combined house and business loans with a cap of 7.5% of assets, 5% limit on business lending, and credit unions assets > €100m can apply for increase to 15%.*
Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations Dec 2019	*Commenced new framework 1st Jan 2020. Included liquidity limits (unchanged – see below).*

It also set out unchanged liquidity requirements. Any Credit Union that wishes to increase its lending over five years above 20 per cent of total gross loans outstanding must hold additional liquidity:

Lending Over Five Years As % of total loans	Minimum Liquidity Ratio
>20% and <25%	at least 25%
≥25% and <29%	over 25%
≥29%	at least 30%

In the CP125 feedback statement, the CBI expressed the view that a gradual stepped approach to providing additional capacity to credit unions for house and commercial lending is appropriate. Furthermore, the changes introduced could facilitate future changes where there is evidence that these are required and appropriate taking account of competence, capability and support structures available in the sector. The CBI committed to performing and publishing an analysis three years post commencement of the new Regulations, to assess and analyse the actual impact which these changes to the regulations have had. The review is aimed at demonstrating the appropriateness, or otherwise, of the concentration limits and inform any decisions on the need for change. This review is now underway, and once again, we welcome the opportunity to input to this review.

[2] The members of Credit Union Advisory Committee (CUAC) were Professor Donal McKillop, Ms Denise O'Connell and Mr Joe O'Toole.
[3] The CUAC report of June 2016 entitled https://www.finance.gov.ie/wp-content/uploads/2017/05/CUAC-Review-of-Implementation-of-the-Recommendations-in-the-Commission-on-Credit-Unions-Report.pdf

REVIEW CONSIDERATIONS- SECTORAL CAPACITY

The CBI has stated on several occasions that significant capacity exists within the existing limits for further house and business lending, with €2.1bn available should all large credit unions take advantage of the increased lending limits available to them. The largest 40 credit unions have only used 30% of their permitted capacity, with the top 10 using 35% of their capacity. There is also expressed disappointment at low level of request for higher limits (9 approved, 3 in the process of 66 who qualify to apply).

Gabriel Makhlouf, Governor of the CBI, addressing the ILCU conference in November '23 stated *"I have however heard it said, not just once or even occasionally, that the lending limits imposed by the Central Bank act as an impediment to credit union growth.*

I must be clear that I totally disagree with this assessment. Significant capacity exists within the existing limits for further house and business lending. At end of September 2023, there was total outstanding capacity of €2.1bn should all large credit unions take advantage of the increased lending limits available to them. Regretfully, there has not been a significant take up of these increased limits. Of the 67 larger credit unions, only 12 have applied for the increased lending limits, and of these 12, nine have already been approved and the remaining three are presently being considered.

As you all know, the credit union sector has significant funds to lend. You achieved strong growth in house loans for the financial year to September 2023. I urge you to utilise the capacity that exists within the existing house and business loan limits, and develop appropriate strategies to grow your loan books prudently. While you are achieving growth, the loan to asset ratio in the credit union sector at 30% remains close to historically low levels."

Limits apply to individual Credit Unions depending on asset size, business models and the figures the Governor quotes are aggregate. There is no facility for an individual Credit Union to transfer its individual limits to other Credit Unions. For example a Credit Union that does not want to or is not economically viable to issue mortgages cannot transfer its mortgage limit to a larger Credit Union.

There are a number of considerations we would ask that the CBI include in their review considerations. Credit Unions have not rushed into new lending products in an uninhibited manner. They have absorbed the contents of the CBI's long term guidance [4] which set out the CBI's expectations, in respect of assessing the risks inherent in this category of lending. Some Credit Unions having considered the principal risk considerations determined that such lending was not for them now or perhaps even into the future. There were several reasons for this, including where the business case did not produce a viable outcome, the limits permitted risked negative member reputational issues, or the nature of the business was not consistent with their risk appetite. The capacity of these credit unions should be separated, and not be included in analysis or public commentary regarding 'unused capacity".

To note we see these thresholds as limits not targets and a large number of Credit unions do not currently issue mortgages and do not write commercial loans.

It should be noted that for Credit Unions under €50 million in assets there is no ability to increase lending capacity and the 7.5% of assets is too low to allow entry into the market for house loans and commercial loans. This is due to the costs involved in procuring the required resources, software and training, marketing, and development of policies and procedures outweigh the potential income from a limited number of mortgages that could be issued for a Credit Union under €50 million in assets.

In addition, the Mortgage CUSO is now also working with credit unions to apply for the higher 15% limit where relevant.

[4] https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/credit-unions/applying-for-approvals/long-term-lending-guidance-for-credit-unions.pdf

Existing lending limits are not fit for purpose, are barriers to entry, and are restricting credit unions:

(a) Examples of credit unions already at the upper 15% limit:
We have identified Credit Unions who have successfully grown their House Loans and/or Commercial loans in recent years. From our contacts with these Credit Unions, several are already reaching the upper 15% lending limit and are having to pause House Loans and Commercial Loans.

> **Example 1:** Credit union in the west, pausing House Loans and Commercial Loans as they have reached the 15% limit. The credit union's Loans-To-Assets is only, 26.92%. They have a significant pipeline of lending which they are now turning away.
>
> **Example 2:** Credit union in the midlands, pausing House Loans and Commercial Loans, the credit union's Loans-To-Assets is only, 24.33%. Again, the credit union has a significant pipeline of lending which they are now turning away.
>
> **Example 3:** Credit union in the Dublin area, pausing House Loans since December 2023 as they reached the 15% limit. The credit union's Loans-To-Assets is only, 20.71%. Again, the credit union has a significant pipeline of lending which they are now turning away.

(b) Examples of how current lending limits mean only a very small % of credit union members can be provided with mortgages:

Table 1 – Headroom available to a sample of ILCU Credit Unions, and how many mortgages credit unions could issue to members. We used the average FTB mortgage size[5] for our calculations:

CU	Number of FTB mortgages they can issue before hitting 15% limit	Number of members	% of members the CU can provide mortgages to
CU Assets €134m	40	26,256	0.11%
CU Assets €168m	50	38,142	0.10%
CU Assets €206m	82	40,246	0.15%
CU Assets €134m	94	33,812	0.20%
CU Assets €213m	151	50,417	0.22%
CU Assets €235m	147	36,529	0.29%
CU Assets €156m	80	36,206	0.16%
CU Assets €381m	209	108,202	0.14%
CU Assets €268m	110	49,148	0.16%
CU Assets €309m	124	43,459	0.21%

Source: ILCU analysis of affiliated credit unions prudential returns Sept '23.

Table 2 below - Headroom available to sample of CUDA member credit unions, and how many mortgages credit unions could issue to members. We used the average FTB mortgage size (BPFI) and industry mortgage average (see Table 5 below) for our calculations:

[5] The average FTB mortgage figure used for the calculations is the average FTB mortgage quoted by the BPFI for 2022 (i.e. €284,000)

Asset size	Number of members	15% Limit	Number of average Mortgages before hitting 15% limit	% Members CU can provide mortgages to	Number of FTB Mortgages before hitting 15% limit	%Members CU can provide FTB mortgages to
CU Assets €390m	37,084	€58,430,939	213	0.57%	206	0.55%
CU Assets €382m	100,448	€57,250,032	209	0.21%	202	0.20%
CU Assets €325m	46,292	€48,716,967	178	0.38%	172	0.37%
CU Assets €298m	55,597	€44,659,973	163	0.29%	157	0.28%
CU Assets €269m	49,148	€40,279,475	147	0.30%	142	0.29%
CU Assets €268m	52,625	€40,160,952	147	0.28%	141	0.27%
CU Assets €213m	50,417	€32,015,677	117	0.23%	113	0.22%
CU Assets €167m	41,065	€25,089,454	92	0.22%	88	0.22%
CU Assets €156m	35,000	€23,548,594	86	0.25%	83	0.24%
CU Assets €153m	26,363	€23,006,899	84	0.32%	81	0.31%
CU Assets €111m	23,967	€16,677,080	61	0.25%	59	0.25%

Source: CUDA analysis of credit union prudential returns Sept '23.

It is evident from these examples, that the current lending limits are not fit for purpose, are restricting credit unions from issuing any significant level of mortgages and are also a clear barrier to entry. It demonstrates the difficulties for say a Credit Union with €200+ million assets being truly active in the mortgage market, having built up the expertise but can only service c 0.1% of their members?

In each of these cases above, the Credit Union will have to cease Mortgage lending after only providing a tiny proportion of their members with mortgages. This in turn can give rise to reputation risk.

(c) Statistics on Credit Unions with high levels of House and Commercial lending, outlining that there has been no downside to date from higher levels of House and Commercial lending:

(i) Table 3 Sample of 20 Credit Unions with high volumes of House Loans in their loan books, and compared their financials to the sector.

PEARLS Ratios	Average for Top House Loans CU	Average for Sector	
E1 Loans/Assets	32.41%	29.56%	Better than average
A1 Arrears	2.61%	2.65%	Better than average
E6c Capital	14.95%	15.83%	Close to average
R4 Return on Assets	0.76%	0.73%	Better than average

Source: ILCU analysis of affiliated credit unions prudential returns Sept '23.

It is clear that there has been no downside or negative impact to higher levels of House Lending, only upside.

(ii) Table 4 Sample of 20 Credit Unions with high volumes of Commercial Loans in their loan books, and compared their financials to the sector.

PEARLS Ratios	Average for Top Commercial Loans CU	Average for Sector	
E1 Loans/Assets	30.56%	29.56%	Better than average
A1 Arrears	2.70%	2.65%	Close to average
E6c Capital	15.22%	15.83%	Close to average
R4 Return on Assets	0.80%	0.73%	Better than average

Source: ILCU analysis of affiliated credit unions prudential returns Sept '23.

It is clear that there has been no downside or negative impact to higher levels of Commercial Lending, only upside.

OTHER RELEVANT DATA

Pipeline of mortgage lending for the Credit Union's sampled:

The Credit unions sampled report a pipeline of circa €70 million in new mortgages for the quarter to March 2024. That would represent a 37% increase in House Loans / Mortgages in one quarter.

Impact of increasing limit to 30% on the 15 credit unions sampled:

For the Credit Unions sampled, increasing the existing lending limit from 15% to 30%, would provide additional headroom of approximately €677 million.

FURTHER AREAS REQUIRING ATTENTION AND REVIEW

1. The impact of the removal of the 5 year and 10 year lending maturity limits and the introduction of a maximum loan term of 10 years for unsecured lending;
    - We believe that the change has had a positive impact and has contributed to stimulating increased lending in the 7 - 10 year bracket.
    - However, we are aware that some credit unions have been unable to support some members with specific life event needs. While it was suggested by CBI that other forms of security be taken for such occasions, this is not always possible or a relevant solution.
    - It is our recommendation that a new category of personal loan for special life events, e.g. home re-purposing and home retrofitting, that can run longer than 10yrs – we propose this new category would have a term limit of 15yrs.
    - Credit unions have demonstrated a prudent approach to building capability and risk appetite in home loan provision, see table below:

	17/18	21/22	22/23	23/24 YTD*	2022 Banking Sector[1]
Average Mortgage Amount	€108,834.69	€146,560.14	€185,474.05	€206,798.59	€274,062.46
Average Mortgage Term (Years)	18.23	20.7	22.9	22.5	26.7
Average APRC (%)[2]	5.55	4.57	3.72	3.95	2.60
Average LTV (%)	59.32	56.47	59.09	65.79	74.36
Average LTI	2.10	2.16	2.62	2.70	3.00
Average MSR (%)	22.03	22.63	23.59	24.45	22.58[3]
Average Property Value	€210,366.67	€286,628.88	€341,729.76	€361,160.36	€409,691.76
Average Household Income	€56,008.40	€52,444.25	€71,570.91	€76,828.58	€101,050.92
Average Borrower Age	39.70	42.20	40.62	41.24	38.12
Joint Borrowers as % of Total	54.67	45.94	65.24	69.17	74.42

*1st Oct '23 to 8th Jan'24

[1]Source: https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy/mortgage-measures/new-mortgage-lending-data
[2]For CUs – blended lifetime APRC, for banks initial nominal rate
[3]Calculated figure based on information from data set, using Deloitte Tax Calculator for Net Income

Source: CUDA analysis of credit union mortgage activity using the SAM loan origination platform

- We agree with the phased approach as stated by the CBI in the CP125 feedback. However, uncertainty on the evolution of tiered limits is inhibiting credit union ability to invest the resources.
- Consistent with the concept of 'earned flexibility' and the CP125 feedback statement, we recommend that CBI address the pressing need for an increase in limits based on competence, capability and support structures available in the sector (there are many supports in the sector and more in development).
- It is essential that this review is forward looking based on performance and capability building trends. As stated above we strongly believe that there should be two separate categories and increased limits applied accordingly. Sectoral capacity averages are misleading in this circumstance. It is also important to be cognisant of the timeline for many of these loans, in particular House Loans which can take many months from enquiry to approval to drawdown. To facilitate prudent pipeline management the updated limits are essential.

  This approach will also allow credit unions who have built specific competency in a particular market segment, e.g. agri lending, to continue to prudently grow and serve that niche sector.

2. Some credit unions report that the market segment of empty nesters is not being served fully by credit unions. These are mortgage free members who have the means and desire to invest in holiday homes in Ireland. We have also witnessed some credit unions losing quality property related business loans.
   - We recommend the reintroduction of the ability to lend for holiday homes within the State without reliance on rental income for repayment capacity.
   - Equity release on principal residences in order to fund the purchase of holiday homes (where first legal charge is in place);
   - We would like to see the reintroduction of the ability to lend for BTLs within the State with a defined LTV cap and where credit union has mortgage lending expertise.
   - Permission to provide Business Loans to purchase or enhance properties owned in the name of a 'holding company' where the 'operating company' is owned by the same shareholders / largely the same shareholders. Again, this would be within a defined LTV cap and where credit union has mortgage lending expertise.

RELATED LIQUIDITY REQUIREMENTS

As credit unions broaden their range of loan offerings to include more longer term loans, we are cognisant of the inherent liquidity and interest rate risks that arise. We appreciate the need for resilience in this very sensitive matter. For that reason it is more difficult to make recommendations without response to previous requests for information / clarification as to how the elements of current regulatory liquidity limits are determined.

We would call for regular reviews of all regulatory policies especially those related to liquidity, investment and reserve requirements. While we will welcome a full review of liquidity regulatory requirements, it is critically, as these are intertwined with the lending framework review, that the following proposals are implemented:

As part of this review we wish to explore the following with the CBI:

1. Following the increase in value and life span of motor vehicles, duration of car loans has expended 7 to 10 year. This impacts the acceleration of portfolio >5yrs;

2. In determining the liquidity bands to reflect funds committed to longer term lending, factor in the following:
   i. Use of a credit union tailored form of stable retail deposits, based on Basel III[6] (stable retail deposits are assigned a run-off rate of 3% over 30 days). This should be reflective of experienced volatility of savings by balance bands;
   ii. More specific correlation of the higher percentage of loan book on longer term with higher percentage of unattached shares;
   iii. Recognition that up to €100k per member is covered under the DGS;
   iv. The provision by many credit unions of the benefit known as 'Life Savings' which supports savings retention;
   v. Credit Union Act '97 [as amended], Section 32 (1) permits the Board of Directors to apply a notice period for withdrawals;

3. Qualifying Investments.
   i. The restrictions pertaining to UCITS could be reviewed to allow access to a wider range of funds. The credit union sector recommends a prudent approach, for example use of ESMA rating criteria or equivalent;
   ii. This could potentially open up liquidity funds / short duration bond funds and other appropriate asset categories;
   iii. Exposure limits ignore total holdings (value a credit union holds with the same counterparty in a bank/current accounts for operational reasons - EFT SEPA Clearing Accounts, Working Capital Accounts, Current Account Liquidity Account).

[6] Available https://www.bis.org/publ/bcbs238.pdf

CONCLUSION

Credit unions currently have a mortgage book of approximately €500 million out of a total outstanding €100 billion Private Dwelling house mortgage book[7]. We want Credit Unions to be able to plan, forecast and serve more members and provide competition in a highly concentrated mortgage market. We have considered and discussed how to improve our offering and have tried to balance ambition with conversative recommendations. Allowing more flexibility and higher limits will allow Credit unions continue to provide prudent, sustainable, mortgage and business lending.

Since the lending framework regulations were introduced significant changes have occurred in the macro environment, e.g. geopolitical volatility, withdrawal of banks from the Irish market, higher interest rates presenting funding challenges for non-bank competition, climate and wider ESG variations to name a few.

These present further opportunities for credit unions to meet the needs of members and their respective communities as they broaden their services by building on the foundation of stronger governance developed in recent years. There are also Political calls for credit unions to fill the competition void which brings with it significant risk. Legislative change to enable credit unions do more is one thing, credit unions carefully evolving to make Ireland a better place without risking their own sustainability is another – this is where is the credit union rep bodies are very determined to ensure the balance is attained.

It is our opinion that the changes effective from January 2020 have been successful, they have enabled loans to grow from €5.1bn to €6.1bn at Sept '23. This includes growth in personal loans, house loans and business loans. During this period assets grew to €20.9bn, reflecting loan to asset ratio increase from 27.9% to 30.6%.

We believe that everyone in Ireland should have the opportunity to access all services available from the credit union system in Ireland. We are delighted that the long overdue amendments to Credit Union Legislation are now being introduced that will bring us closer to achieving that vision. We have consistently advocated for this, and for it to be achieved in a phased manner to avoid the risk of 'bar belling' effect where there are only short and loan term loans. We continue to support legislation, regulations and solutions that help credit unions grow their loan books. It is about growing 'the cube', i.e. provide more loans, extend the average term, and grow the average loan amount.

It is vital that the evolution of the regulatory framework also continues to allow for prudent development to achieve the situation where everyone in Ireland can have the opportunity to access all services from the Credit Union system in Ireland. The key recommendations in this document are targeted prudent changes to the lending framework to future proof the sustainability of the sector allowing Credit Unions to grow and develop.

[7] Available at https://www.centralbank.ie/statistics/data-and-analysis/credit-and-banking-statistics/mortgage-arrears