

April 26, 1994

Joy Cousminer  
Treasurer/Manager  
Bethex Federal Credit Union  
20 East 179 Street / Basement  
Bronx, NY 10453

Re: Refinanced Loans (Your April 7, 1994, Letter)

Dear Ms. Cousminer:

You have asked whether loans to refinance a note may carry a maturity limit of 12 years without violating NCUA Regulations. Such subsequent loans may have a maturity of 12 years as long as the series of loan transactions reflect no intent to circumvent the FCU Act and NCUA's Regulations concerning loan maturity limitations.

You have described your credit union as low income designated with a large portion of the loan volume being refinances. The loans are not refinanced if the borrower is delinquent and are only made after a new credit report and debt ratio are performed to determine that the member still qualifies. You relate that the same borrowers often apply for refinances time after time. We have previously issued opinions stating that loans may be refinanced with a twelve year maturity as long as there is no intention to circumvent the twelve year maturity restriction in the FCU Act and NCUA's Regulations. (See 12 U.S.C. 1757(5) and 12 C.F.R. 701.21(c)(4)).

The NCUA examiner has advised you that these refinances are impermissible under NCUA Rules and Regulations. If the examiner's interpretation is based on an intent to circumvent the 12 year limitation, this would be a factual dispute and we would not render a legal opinion on that issue.

I hope that we have been of assistance.

Sincerely,

James J. Engel  
Deputy General Counsel

GC/MFR:bhs  
SSIC 3501  
94-0412