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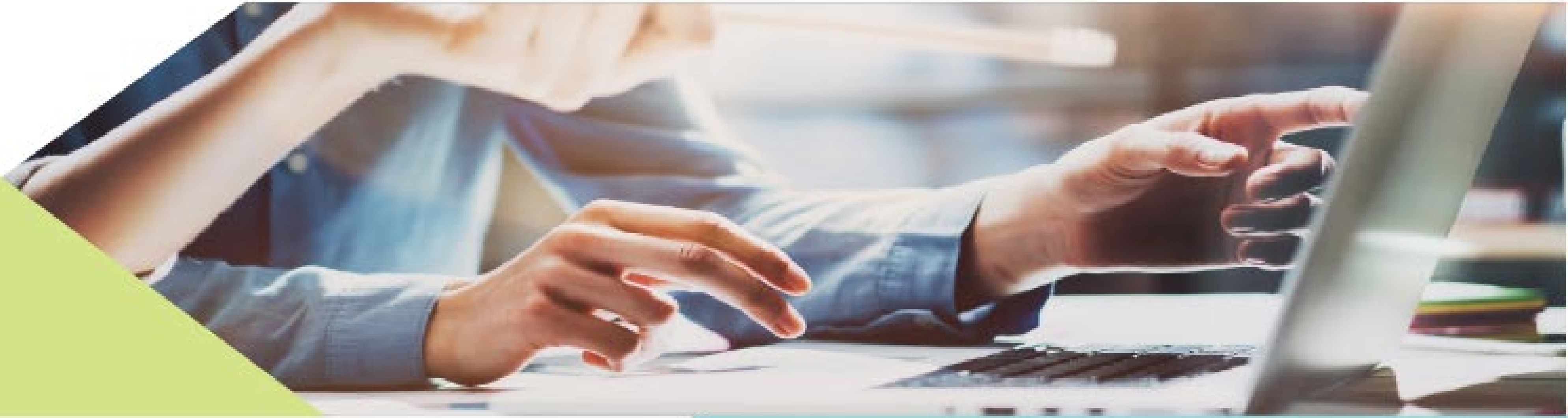

# Policy Snapshot – Member Personal Current Accounts (MPCAS)

*John Meagher*

# Member Personal Current Account Services (MPCAS)

- Represents broadening of credit union service offering – current framework encompasses "**core services"**, "**exempt services**" and "**additional services**".
- MPCAS is an "additional service" defined in 2016.
- As at September 2022, 77 credit unions approved, with a number in the pipeline.
- RCU initially communicated that applicant credit unions should have asset size at least €75m and membership of 15,000 or more.
- A number of credit unions below the above threshold have applied for and been approved for MPCAS.
- Regardless of size, imperative to undertake thorough and robust risk assessment prior to submitting an application for approval for MPCAS.
- More information available at the "Applying for Approvals for Credit Unions" section of "Credit Unions" area of the Central Bank's website. Other relevant resources also available e.g. MPCAS Application Process guidelines and Business Model Strategy guidance.

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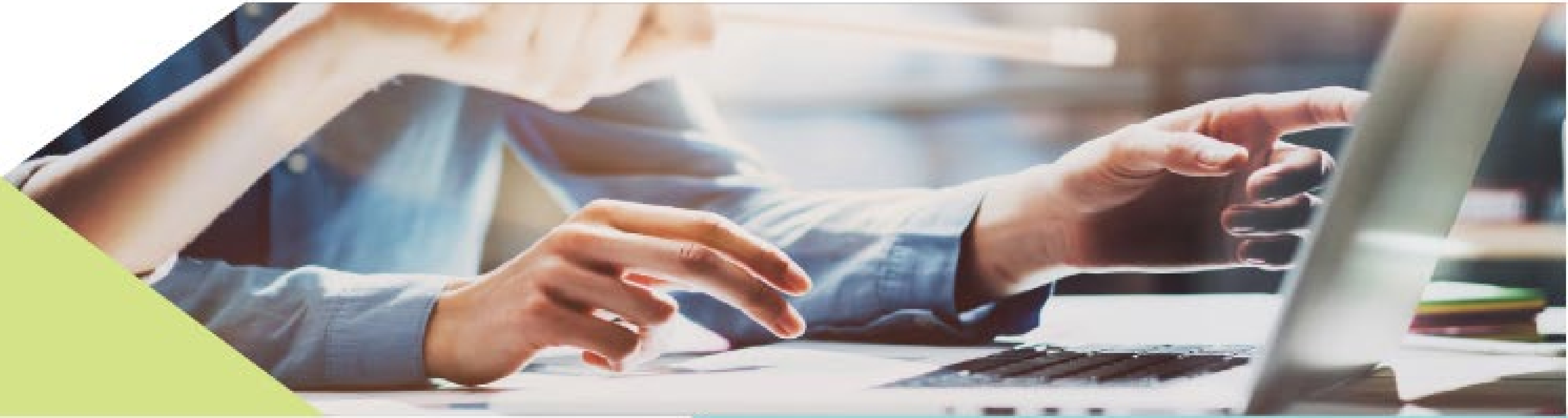

# Policy Snapshot – Lending Overview

*John Meagher*

# Credit Union Lending Overview

- Credit union lending remains predominantly personal.

- Loans outstanding growth back to pre-Covid levels – YOY to June 2022 c.6.7% - significant variations across sector.

- Trend towards:
  - Longer maturity, in particular 5-10 years;
  - Larger value loans, in particular > 5 year categories (including house loans);
  - Fewer number of loans overall, despite increasing membership.

- Decline in reported arrears in the average arrears >9 weeks bucket.

- Uncertain financial conditions (cost of living, interest rate increases) has potential to impact loan demand and credit quality.

# Business Lending

- Business loans overall form small proportion of credit union sector lending (c. 2.4% at September 2021).
- In past five years, net number of business loans outstanding in sector increased by c.2k. Over same period, over 14k new business loans advanced.
- Business loans typically shorter term and / or repaid early e.g. stocking / working capital.
- Value growth in gross loans outstanding (GLO) for business loans in five years to June 2022 = c.€70m.
- Average new business loan amount has increased significantly, from c.€13k in 2017, to c.€25k in 2022.
- Business lending predominantly undertaken by "community" (and non-Dublin based) credit unions– 40 credit unions account for c. ¾ of all business lending. Agriculture-related lending appears to dominate.

# House Lending

- As at June 2022, c.€300m of house loans which equates to c.6% of total credit union loans, up from 4% of total (€151m) in June 2017.
- Average new house loan advanced is €105k, compared to €65k in 2017/18.
- 30 credit unions (c.14% of number in sector) account for >80% of all house loans outstanding.
- >100 credit unions (c.50% of number in sector) have no house loans, reflecting specialist nature of house lending activity and the necessary framework and skills required.

# House and Business Lending - Concentration Limits

- Introduced January 2020 – replaced previous longer term lending limits based on outstanding loan book.
  - **Base combined limit of 7.5%** for combined house and business lending, with larger (by asset size) entitled to avail of **10% combined limit** (by notification) or **15% combined limit** (by application).

- Business lending capacity – at June 2022, business lending stands at c.0.7% of Total Assets.

- House lending capacity – at June 2022, house lending stands at c.1.5% of Total Assets:
  - Over 90% of credit unions have *significant* headroom before coming close to base limit;
  - Capacity continually generated through asset growth and loan amortisation.

- Seven credit unions have applied for and been approved for the increased 15% combined limit.

- There are five active notifications to the Central Bank to avail of the 10% combined limit - one with assets between €50m and €100m, while the remainder have assets >€100m.

- As part of CP125, RCU committed to carrying out a review of credit union sector lending three years post-commencement of the 2020 amendments to the lending framework, in order to assess and analyse the actual impact that these changes have had on lending in the sector.