

Submission to Central Bank on Potential Changes to the Investment Framework for Credit Unions

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Date: 28.6.17

General Comments

It is our strong assertion that the attitude of the Central Bank towards the Credit Union has been less than encouraging towards diversification of the sector than could have been the case.

Positive Credit Union proposals on housing or the extension of services have been treated as problems rather than as opportunities by the Central Bank.

It is our hope that a change in this attitude will be brought about by this consultation particularly with regard to the very important proposals the Credit Union movement has made regarding their contribution to solving the housing crisis. We will elaborate on our views in some detail below.

The default assumption of the Central Bank that the Credit unions and their representative bodies are incapable of initiatives or successful management of new services is not borne out in our view. All sides require transparent, consistent and strong regulation.

As a general rule we would welcome additional flexibility for Credit Unions to invest in a wider range of investment classes. We are confident the Credit Union movement is best placed to ultimately determine the best mix of its investments within general rules set by the Central Bank.

The definition of liquid assets used by the Central Bank would appear overly restrictive and changes here could allow for a more positive outcome for the movement and its members without carrying any significant additional risk.

The additional investment classes of Supranational Bonds and Corporate Bonds will have only a nominal effect in diversifying the income base.

The tightening of investment rules in some areas requires additional scope to invest in other areas such as mortgages and SMEs through a centralised system.

Sinn Féin Proposal

Sinn Féin believes that there is a natural fit between Credit Union lending and Approved Housing Body social housing provision.

This should be facilitated by the creation of a specific fund from which Tier 3 AHBs can apply, on a rolling basis, for loan finance for the purchase, renovation and/or building of social housing.

Funding could be provided on either a 100% basis or a 70% basis with the Department of Housing providing the 30% through existing AHB funding mechanisms already established.

Loans would be repaid via a 30 year availability agreement between the AHB and the Local Authority/department of Housing that would cover the repayment of the loan and a small premium to cover management and maintenance costs.

Sinn Féin believes that the larger AHB's with appropriate finance should be in a position to deliver an additional 2000 to 4000 social housing units a year.

On this basis we support the proposal from the Irish League of Credit Unions to allow the provision of €347m annually into the AHB loan to incrementally build up to a funding position of €1.042bn over 6 years.

The composition of the fund in terms of governance, board membership etc should be decided following discussions between the Central Bank, Department of Housing, Credit Unions and AHB sector including the Irish Council of Social Housing