

John McKenzie

From: John McKenzie
Sent: Tuesday, April 28, 2015 1:24 PM
To: regcomments@ncua.gov
Subject: Indiana Credit Union League Comments on NCUA Proposed Rule- Federal Credit Union Ownership of Fixed Assets

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Indiana Credit Union League Comments on NCUA Proposed Rule- Federal Credit Union Ownership of Fixed Assets

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the National Credit Union Administration's Notice of Proposed Rulemaking on Federal Credit Union Ownership of Fixed Assets. The ICUL member credit unions represent 96% of assets and members of Indiana's credit unions, with those memberships totaling more than two million consumers.

We appreciate NCUA's efforts to reduce the regulatory burden on credit unions and the challenges often associated with requesting waivers to NCUA regulations. We appreciate that NCUA reviewed the comments received on the 2014 proposed rule addressing ownership of fixed assets and made substantive changes which are reflected in the current proposed rule.

Fixed Asset Management Program

ICUL supports the elimination of the 5% fixed assets limit and waiver request process for federal credit unions (FCUs) through establishing a Fixed Asset Management (FAM) program approach. This proposal allows FCUs more flexibility in managing fixed asset portfolios compared to the existing process, and would allow FCUs greater flexibility in responding to fixed asset needs without being delayed by the waiver request process.

In the proposed rule, NCUA references additional guidance being provided related to the FAM policy requirements and proposed rule. We believe that this guidance should be provided prior to any final rule in order for interested parties to determine the true flexibility this rule may provide. NCUA should solicit comments on any proposed guidance. Any guidance the NCUA provides could significantly dictate how the requirements in the proposal are applied. Therefore, we believe it is crucial to allow credit unions to express their opinions and for NCUA to take them into consideration.

ICUL supports including a formal appeals process for credit unions in the regulation. This appeals process should allow credit unions to appeal when NCUA contests a fixed asset investment, requires any divestiture of an asset, or when an examiner disapproves any portion of the credit union's FAM program. Credit unions should have the opportunity to defend their decision to invest in a particular fixed asset since every credit union has a different business plan.

Occupancy Requirements

While the ICUL does not see a need to modify the full occupancy requirement of premises at this time, we do appreciate that NCUA clarified that "a FCU already has the authority under the incidental powers rule to obtain short-term income by leasing excess capacity in its fixed assets to third parties." We do not take issue with the limits to that authority as discussed in the Leasing Authority portion of the Supplemental Information section of the proposed rule write up.

ICUL agrees with the proposal to increase the time requirement for partial occupancy on unimproved land or unimproved real property from the current three years to six years.

We commend NCUA for putting forth a proposal that would eliminate the 5% ownership threshold. We agree that NCUA should not set any fixed asset ratio limits since they are not required by the Federal Credit Union Act. We believe that it is

important for NCUA to be clear on the requirements of a FAM program and that credit unions have an opportunity to appeal any decisions made at the examination level challenging the FAM program or requiring divestiture of any fixed assets. Any guidance related to this area should be disseminated prior to any final rule being adopted, since the guidance effectively becomes the rule. We encourage NCUA to allow comments on any proposed guidance.

Thank you for the opportunity to comment on the proposal. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,

John McKenzie
President, Indiana Credit Union League