BLACK HILLS
FEDERAL CREDIT UNION
PO Box 1420, Rapid City, SD 57709-1420

A Member-Owned, Not-For-Profit Cooperative

April 27, 2015

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

Email: regcomments@ncua.gov

RE: Comments on Proposed Rule: Federal Credit Union Ownership of Fixed Assets

Dear Secretary Poliquin:

On behalf of the Board of Directors and Executive Management Team of Black Hills Federal Credit Union (BHFCU), I am writing in response to the NCUA's request for comment on the proposed rule regarding Federal Credit Union Ownership of Fixed Assets. Black Hills Federal Credit Union is a community chartered, low-income designated credit union serving members in the South Dakota counties of Pennington, Meade, Fall River, Custer, Lawrence, Haakon, Hughes, Stanley, and Butte. We also serve the Cheyenne River Indian Reservation in South Dakota, consisting of Dewey and Ziebach counties. BHFCU currently serves nearly 61,000 members and has assets of approximately $1.035 billion. BHFCU has a net worth ratio of 11.20% and our fixed assets are $23.08 million, or approximately 2.2% of assets.

The Board of Directors and Management of Black Hills FCU thanks the NCUA for examining the fixed asset rules and appreciates the additional flexibility that the current proposed rule offers. While this proposal is an improvement over the existing rule, we would still like to see the NCUA allow for some additional flexibility for well-capitalized credit unions.

In examining the Federal Credit Union Act, we cannot find a stipulation regulating the duration a property can be held prior to the credit union using the property. We recommend that the NCUA establish a de minimis exception for fixed assets that are financially immaterial to a credit union's operation. We suggest fixed assets that are less than 25 basis points of assets have no restrictions, either for occupancy or for length of time the property can be held prior to development or use by the credit union. Credit union boards are familiar with their institutions and the areas they operate in, and are uniquely qualified to make the decision on how to manage these immaterial assets.

Black Hills FCU has a property that is a prime example of such an asset. On December 16, 2005, BHFCU purchased a 1.42 acre parcel for the sum of $262,884 with the intent to hold the land until significant commercial and infrastructure development occurred. Attempts by developers to locate a Wal-Mart and other shopping developments near this location were met with challenges; this, along with the current economic environment, has limited additional attempts by other commercial developers in this area. To date, there is no infrastructure in place that would allow BHFCU to affordably develop the parcel. We have marketed this property for sale into a stagnant market and we wrote the property down to approximately $200,000 to show the NCUA that we are escalating efforts to liquidate this property due to pressure from our examiner. Development in the area is increasing, but it will take additional time to improve the marketability of our property.

Even though the book value of this property accounts for just .019% of BHFCU's total assets, we are currently required to petition the NCUA every year for a waiver to continue to hold this property until it sells. This is a prime example of the NCUA micromanaging an asset that does not have a material impact to the balance sheet. The revised fixed asset rule should allow additional flexibility for boards of directors of well-capitalized credit unions to manage their credit union in a manner that provides focus where it should be – serving the members who elected them.

Summary

The NCUA should give boards of directors of well-capitalized credit unions the ability to make their own determination as to what is in the best interest of the members and the credit union. We recommend that the NCUA establish a de minimis exception for fixed assets that are financially immaterial to a credit union's operation. We recommend that any fixed asset that is less than 25 basis points of assets have no restriction for occupancy or length of time the property can be held prior to development or use by the credit union.

Please continue to examine the rules and regulations. If it is not spelled out specifically in statue, please consider credit union operations and strive to reduce regulations to allow us to complete our mission of serving members.

Respectfully,

Roger R. Heacock
President & CEO

cc: Credit Union National Association (CUNA)
Credit Union Association of the Dakotas (CUAD)