

Open Board Meeting

July 23, 2015

**NCUA Chairman Debbie Matz  
Statement on Final Rule to Eliminate 5% Fixed Assets Cap**

This final rule is another significant milestone in our Year of Regulatory Relief at NCUA.

Like the rule we proposed last month on member business lending, the final rule on fixed assets will:

- Remove outdated regulatory limits;
- Cut out unnecessary paperwork; and
- Provide credit unions with well-deserved freedom to make their own decisions.

Also, like our MBL proposal, this final rule reflects my belief that spending hours putting together waiver applications for routine business is not a valuable use of time for credit union officials. Waiver processing is also not a productive use of time for NCUA staff. So, we are working to get out of the waiver business altogether.

I feel strongly that credit union officials can manage their own fixed-asset purchases. As soon as this final rule takes effect, federal credit union boards of directors will have the freedom to prudently make their own decisions about the appropriate level of fixed assets to hold. Then decisions to upgrade facilities, update technology, and purchase other fixed assets will be made by credit union management—without regulatory micro-management.

This final rule represents real regulatory relief for 3,800 federal credit unions. It's not just my opinion; it represents a broad consensus from the majority of commenters.

For example, commenters noted that this rule “represents significant reform” that “will allow credit unions to accomplish their growth strategies and to thrive.” Commenters also recognized that this rule “provides credit unions with more flexibility in finding the greatest value for their members.”

I'd like to thank Vice Chairman Metsger for initiating this regulatory relief effort. At his first open NCUA Board meeting in September 2013, Mr. Metsger asked staff to go beyond the technical changes that had been made and consider more substantive changes.

The changes we've made go far beyond the first two fixed-assets proposals.

Now some critics may say these changes still don't go far enough. And I do have a couple of questions for staff about commenters' ideas for further relief.

But, our first priority is to address any safety and soundness concern. It's important to remind stakeholders that an over-concentration of fixed assets can be dangerous. High levels of fixed assets have had a negative impact on some credit unions' safety and soundness. In fact, since 2009, high levels of fixed assets have been a primary or contributing factor in 16 percent of federal credit union failures.

During the supervisory process, examiners will be looking to ensure that credit unions with significant fixed assets can afford the negative impact on earnings and net worth.

Commenters asked for guidance on this issue. In time for the final rule's effective date in September, I plan to send a Letter to Federal Credit Unions. The letter will provide detailed guidance to further describe federal credit unions' responsibilities and examiners' expectations.

We understand that in the credit union business, certain expenses can't be avoided. From time to time, credit unions need new hardware and software, new facilities or renovations.

With this final rule, the bottom line is, credit unions will be able to run their business without needless red tape.