

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: October 2015 **LETTER NO.:** 15-CU-06

TO: Federally Insured Credit Unions

SUBJ: Fixed Assets Limit Removed

ENCL: Supervisory Letter (No. 15-03) - Fixed Asset Management

Dear Board of Directors and Chief Executive Officer:

Effective October 2, federal credit unions no longer have to comply with a 5 percent limit on fixed assets.

The NCUA Board's revised rule¹ removes the 5 percent limit on fixed assets and removes the need for federal credit unions to apply for waivers if they plan to exceed the former limit.

Decisions to upgrade facilities, update technology, and purchase other fixed assets can now be made by each federal credit union's management team, under policies set by the board of directors.

NCUA examiners will no longer focus on fixed assets, unless any of the following conditions occur in a federally insured credit union:

- The credit union has an unresolved Document of Resolution item, enforcement action, or outstanding waiver concerning fixed assets;
- The credit union has weak earnings or other structural earnings weaknesses (such as high operating expenses);
- Fixed assets exceed 5 percent of assets; or
- The credit union has made a major acquisition of premises since the last exam or approved a plan to make a major acquisition of premises.

¹ The NCUA Board finalized changes to §701.36 of NCUA rules and regulations, [Federal Credit Union Occupancy, Planning, and Disposal of Acquired and Abandoned Premises](#) (formerly *Federal Credit Union Ownership of Fixed Assets*).

In these exceptional cases, NCUA examiners will focus on whether the credit union can afford the level of fixed assets in which it has invested.

The attached Supervisory Letter provides updated guidance to NCUA examiners on evaluating credit union investments in fixed assets. The guidance establishes a consistent framework for the examination and supervision process NCUA uses to review the risks associated with fixed assets.

In addition, the guidance provides information that will help credit unions prudently manage potential risks associated with fixed assets.

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 NCUA's new rule and guidance, credit union officials will be able to run their business without needless red tape.

Federal credit unions may contact their NCUA regional office with any questions about this regulatory relief initiative. State-chartered credit unions should consult with their state supervisory authority concerning any state limitations on fixed assets.

Sincerely,

/s/

Debbie Matz
Chairman

Enclosure