

September 24, 2014

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

***Re: Proposed Rule – Federal Credit Union Ownership of Fixed Assets***

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), which serves school employees in Southern California. We have more than 600,000 Members and over \$10 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on your Notice of Proposed Rulemaking on Federal Credit Union Ownership of Fixed Assets.

**Fixed Asset Management Program**

SchoolsFirst FCU supports allowing credit unions to exceed the five percent (5%) fixed assets limit through a Fixed Asset Management Program. We prefer this self-directed approach to the waiver application process. However, we believe an appeals process should be added to the regulation in the event the NCUA contests a fixed asset investment under the Fixed Asset Management Program. Credit unions should have full opportunity to defend their decisions and the business plans that support such purchases.

**Partial Occupancy**

We agree with the proposal of extending the partial occupancy deadline on improved premises from three years to five years. However, we do **not** agree that the partial occupancy deadline for partial occupancy on unimproved land or real property should be reduced from six years to five years. The additional year allows greater flexibility to take advantage of the availability of a property and the improvement process. Reducing the existing time period is counter to the NCUAs stated intent to reduce regulatory burden on credit unions.

**Full Occupancy**

We recommend that the NCUA should provide a definition of "full occupancy" which allows leasing or subleasing of property to other businesses when there is reasonable justification to do so. For example, a property in a location that is ideally situated to serve a credit union's Membership may include a zoning ordinance or city entitlement that requires a small portion of the property to be dedicated to retail business. The credit union could occupy the majority of the property, with a small sublease to create the retail presence. We feel this falls within the authority in the Federal Credit Union Act that allows FCUs to "purchase, hold, and dispose of property necessary or incidental to its operations".

There are other instances where it would make sense to allow credit unions to lease or sublease property. For example, a merger where two credit unions combine and restructure operations may leave an existing building with space available. We feel the credit union should be able to lease that property until the growth of the combined operations "catches up" to fill that empty space. This would allow the credit union to realize short-term income from the lease while retaining a property that fits into the credit union's long-term plans for Member Service.

In addition, we would support a limitation on this leasing or subleasing to a de minimus amount, such as 25% of the property. We understand that credit unions should not purchase properties for the purpose of speculation; however, we feel the ability to lease properties when appropriate would only strengthen the credit Union's financial position and allow for future growth.

Thank you for the opportunity to comment on this proposed rule. We feel that our feedback and recommendations will allow our industry to better serve our Members by giving credit unions more flexibility to establish and maintain their community presence.

Sincerely,



Bill Cheney,  
President/CEO  
SchoolsFirst Federal Credit Union

Cc: Credit Union National Association (CUNA)  
California/Nevada Credit Union League (CCUL)