MEMBERS 1st
FEDERAL CREDIT UNION

Robert L. Marquette
President/CEO
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September 10, 2014

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

RE: Comments on Proposed Rule Part 701, FCU Ownership of Fixed Assets

Dear Mr. Poliquin:

Members 1st FCU welcomes the idea of allowing FCU's to exceed the 5% fixed asset limit without prior NCUA approval as presented in part (1) of the proposed rule. We are also in agreement with the proposed guidelines for creating a Fixed Asset Management policy and program. This indeed will provide FCU's with greater flexibility to manage our fixed asset portfolios. Management fully accepts the responsibility for establishing and monitoring a safe and sound program.

We would define "minor acquisitions" as anything under .005% of shares and retained earnings, i.e. the denominator of the current calculation. This would provide reasonable flexibility to management and the board and be dependent on the size of the credit union. In our case the current limit would be $135,000 based on shares and retained earnings totaling $2.7 billion. Individual investments over that amount should be included on a line by line basis with the annual budget. A credit union board could set the limit lower if they chose, but not higher. Unbudgeted items during the year would follow the same restrictions before needing specific approval by the credit union board.

With regard to part (2) of the proposed rule, we believe NCUA fell short of "simplifying the partial occupancy requirement for premises acquired for future expansion". We believe the same flexibility to manage our fixed asset portfolios should be extended to the premises acquired for future expansion with NO time limit for occupancy (partial or full) or disposition if occupancy is later determined to not be in the best interest of the FCU. Credit unions strategically plan geographic expansion and generally purchase land and/or buildings in advance of their actual use when opportunity strikes. There are many factors that come into play that could delay or

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completely change that plan. For example, a significant downturn in the economy as we had in 2007/8; significantly higher construction costs; development changes in the area surrounding the location; a change in the direction (geographic or philosophical) the credit union is heading; etc. all could delay or reverse the decision to build on or occupy land or buildings. The requirement to divest that asset within a reasonable (what is the definition of reasonable?) time period could then be forced at a time when it isn't economically advantageous. We therefore believe there should not be a time limit on occupancy and no need to request a time waiver.

Allowing credit union boards and management the flexibility to develop their own plan for occupancy or disposition in conjunction with the overall FAM program makes sense when you consider regulatory relief and flexibility are NCUA's stated goals of the proposed changes to the Fixed Asset rule.

Sincerely,

Robert L. Marquette
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Mechanicsburg, PA