



SOUTH CAROLINA
FEDERAL
CREDIT UNION

October 7, 2014

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

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

Dear Mr. Poliquin,

On behalf of South Carolina Federal Credit Union and its 150,000 members, I appreciate the opportunity to offer comments on NCUA's proposed rule on Federal Credit Union Ownership of Fixed Assets. NCUA, by allowing comments from natural person credit unions on proposed rules, allows for the creation of new rules that provide effective risk mitigation for the NCUA and practical processes for credit unions.

We are appreciative of the NCUA revisiting the regulation on Fixed Asset Ownership. When the fixed asset rule was introduced in the 1970s, credit union investment in fixed assets was concentrated in branch buildings and furniture. As the financial marketplace has become more connected and our members require their financial institution to serve them anywhere/anytime, credit unions have had to invest heavily in technology hardware and software. These investments have been extremely important in credit unions remaining relevant in the fast changing financial marketplace.

We believe that due to the diversity of credit unions and their strategies, a "one size fits all" cap on fixed assets was not appropriate. We believe the proposed rule to allow investment in fixed assets over 5% with an appropriate fixed asset management (FAM) program and proper board oversight is reasonable. We believe the proposed rule will allow the NCUA to evaluate each credit union based on its balance sheet and strategic business plan in regard to fixed assets just as it would for other risk (e.g., Interest Rate Risk or Liquidity Risk). Therefore, we are supportive of the proposed FAM program in regard to the evaluation of the fixed asset investment on the financial statements and the role of board oversight.

As part of the FAM, the proposed rule highlights internal controls related to the investment in fixed assets. We agree that a set of strong internal controls is necessary in this area; however, the example of a physical inventory may not be the best example. For instance, most credit unions have the largest dollar amount and fewest items of fixed assets in land and buildings as well as technology. The large number of low dollar items related to furniture and equipment would represent both a low risk of loss and a high cost to track. We believe the NCUA should consider amending this to include only significant fixed assets.

Sincerely,

Steven McGinnis
VP of Finance

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