Corning Credit Union

Gary A. Grinnell, President and Chief Executive Officer

October 9, 2014

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

Re: Comments on Proposed Rule: Federal Credit Union Ownership of Fixed Assets 12 CFR Part 701

Dear Mr. Poliquin:

On behalf of the Board and management of Corning Federal Credit Union, I would like to take this opportunity to comment on the NCUA's Proposed Amendments to the Federal Credit Union Ownership of Fixed Assets rules (12 CFR Part 701). As explained below, we are in general support of the proposed regulation, but also have some suggestions on ways the proposed rule may be improved.

As a $1.084 billion asset institution, serving over 88,000 members, Corning FCU certainly understands the business constraints the current fixed asset rule places on credit unions. As such we would like this opportunity to commend the NCUA for recognizing the clear need for revision and for proposing changes to the existing fixed asset ownership rule. In particular, we agree with the proposed changes that would remove the waiver requirement for federal credit unions (FCUs) to exceed the five percent aggregate limit on investments in fixed assets. For a decade under the RegFlex program, well-capitalized FCUs with strong CAMEL ratings had the flexibility to exceed this limit without applying for a waiver. We are encouraged that the NCUA appears to be reconsidering its current "one-size-fits-all" approach to regulation and appears to be moving once again toward allowing strong FCUs to take ownership of their own strategic business decisions without the interference of onerous regulation.

We also support the prudent stop-gap measures that the NCUA is recommending in the proposal. It is important for a FCU to have the ability to manage their fixed asset position appropriately and according to their specific situation. To that end, requiring a Fixed Asset Management (FAM) Plan, implemented and approved by the credit union's Board of Directors, is a sensible and manageable approach toward ensuring the continued safety and soundness of the institution. In addition, giving the NCUA examination team the authority to review the FAM and the ability to monitor performance under that plan seems reasonable.

While we are in general agreement with the proposed changes, we do think the proposed rule can be improved and would like to offer the following suggestions. One area for improvement in our view would be to eliminate the requirement in both the current and proposed rules, to have a fixed time limit on both full and partial usage of acquired fixed assets. Although the proposal does introduce some simplicity to the current rule by establishing a single time period of five years from date of acquisition for partial occupancy of any premises acquired for future expansion, regardless of whether the premises are improved or unimproved property and also seeks to eliminate the 30-month requirement for partial occupancy waiver requests, the proposed rule maintains the existing requirement that a credit union must achieve full occupation within a "reasonable time and consistent with its plan for the premises."

While the above incremental improvements are indeed a welcomed step in the right direction, we feel that there is room for the NCUA to eliminate the five year time limit requirement from the rule completely. There are many outside factors that can impact a credit union's plan for growth and expansion, including economic downturns, increasing costs of construction and materials, changes in market demographics, and short- or long-term changes in the strategic direction and focus of the credit union. Any and all of these factors can play into the timeline for construction and development of a new facility, and under the current and proposed rules any change in strategic direction may force a credit union to divest itself of the asset at a less than opportune time. Such regulatory-forced actions may result in unintended and avoidable impacts on the safety and soundness of the credit union and ultimately its membership.

One solution that we propose would be to grant the NCUA examination team the authority to monitor the credit union's plans for use of the asset on an ongoing basis. Based upon the credit union's strategic plans for growth and expansion and other factors including the strength and soundness of the institution, the examination team would have the authority to waive or extend the five year time limit if appropriate under the specific circumstances.

In summary, we strongly support several aspects of the proposed rule, particularly the recommendation to allow FCUs to exceed the current five percent fixed asset limit without applying for a waiver. That said, we do believe that some common-sense suggestions for further improvement, specifically regarding increased flexibility of the time limits on partial and full occupancy of the premises acquired for future expansion are warranted and hope they will be considered by the Board.

We thank you for the opportunity to comment on this important proposal.

Very truly yours,

Gary Grinnell
President and Chief Executive Officer

cc: The Honorable Deborah Matz, Chairman
The Honorable Rick T. Metsger, Vice Chairman
The Honorable J. Mark McWatters, Board Member