

October 10, 2014

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

RE: Comment Letter on NCUA Fixed Assets Proposal; RIN 3133-AE39

Dear Gerald Poliquin,

I am writing on behalf of the League of Southeastern Credit Unions & Affiliates (LSCU), which serves state and federal credit unions throughout Alabama and Florida. Approximately 285 affiliate credit unions that make up our membership currently provide financial products and services to more than 6 million members. LSCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the fixed asset rules.

LSCU does not support the proposal as presented and urges the agency to adopt a less complex approach that would remove the five percent limit from the rule altogether and allow federal credit union boards to set their own reasonable limits. More and more credit unions are being encouraged to manage their activities based on their particular models which include their fixed assets so with that in mind, they should be permitted to establish appropriate limits, overseen by their boards and management. These activities are certainly subject to examiners review as a key part of the overall credit union examination cycle.

It goes without saying that a credit union that fails to successfully monitor or manage its fixed assets would be expected to rectify its situation in a positive manner. We believe the examination process is the best vehicle through which this should be accomplished.

After the proposal is adopted, if the five percent threshold remains, we recommend the agency provide a process through which credit unions can appeal NCUA staff decisions that conflict with management decisions regarding investments should they result in a threshold that exceeds five percent. Currently, exceeding the five percent threshold should not be seen as a threat since permission is required before acquiring fixed assets exceeding the threshold. An appeals process is a reasonable addition to the proposal in that it ensures credit unions have an avenue available to present and defend decisions made in the best interest of their institution.

LSCU views the management of its fixed assets as a part of a credit union obligation and a key part of their management responsibility. As such it should not fall under a regulatory requirement to maintain a specific management plan or program, such as the FAM. The requirements proposed by the NCUA serve to create unnecessary clutter and would complicate acquisitions of fixed assets over the five percent threshold. This could serve as a deterrent to credit unions considering such acquisitions. A far

more reasonable approach would be for credit union boards to project overall size limits on total fixed assets that are appropriate for their credit union.

Additionally, we do not support an annual review of the program. This unnecessary step creates yet another requirement that is not present under the current waiver process and its usefulness to credit unions in managing fixed assets is questionable.

Small credit union exemptions are important to our membership. The fixed assets rule currently does not apply to credit unions with less than \$1 million in assets. NCUA leadership has not taken steps to update the exemption amount in many years. It has been documented that the NCUA has revised its definition of small credit unions many times over the years to reflect the growth of credit unions. Based on those actions, we recommend the Board revise the fixed asset exemption to \$50 million and that the thresholds for compliance be tied to the definition of small credit union to reflect future revisions of the definition of small credit unions.

With regard to past waivers, we support carrying forward NCUA's previously approved waivers, without requiring any of the new requirements necessary to exceed the five percent limitation to apply to those credit unions that have already been granted a waiver.

A great deal of conversation has been occurring lately regarding credit unions and the examination process. Believing that transparency is helpful to institution and agency alike, we urge NCUA to provide guidance to credit unions about the criteria to be used by examiners to evaluate the management of fixed assets. It can only be helpful to credit unions and beneficial to NCUA examiners.

Specifically, given that examiners will apply increased attention to properties that have been identified as having "limited marketability" without the benefit of thorough explanation as to what is meant by the use of this term or addressing the latitude that examiners would have in evaluating marketability of a fixed asset and on what basis. It would be helpful to both parties for NCUA to provide clear and concise guidance to credit unions on the review of fixed assets on the basis of marketability.

In conclusion, we commend the NCUA's efforts to identify regulatory flexibility to credit unions and we fully support the purpose of this proposal. We find a number of offerings in this proposal that we believe will not hinder the safety and soundness of credit unions but will aid the agency in obtaining some measure of regulatory relief for our affiliates while at the same time providing reasonable pathways to managing their fixed assets.

Thank you for the opportunity to express our views. If you have any questions about our comments, please do not hesitate to contact me.

Sincerely,

Scott Morris
Compliance Director
League of Southeastern Credit Unions

cc: CUNA, CCUL