



October 10, 2014

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

Sent via E-mail to: regcomments@ncua.gov

Re: Cornerstone Credit Union League – Comments on Notice of Proposed Rulemaking
for Part 701, FCU Ownership of Fixed Assets

Dear Mr. Poliquin:

This letter represents the views of the Cornerstone Credit Union League ["Cornerstone"] regarding the National Credit Union Administration's ["NCUA"] proposed changes to the Ownership of Fixed Assets rules. Cornerstone is the official trade association serving 555 federal and state credit unions in Arkansas, Oklahoma, and Texas combined, and more than 9.65 million credit union members. Cornerstone appreciates the opportunity to comment on this very important issue.

Cornerstone commends NCUA for taking steps to ease regulatory burdens. We support proposed changes to the fixed asset rules that will permit credit unions to better manage their fixed assets with less regulatory burdens. At the same time, we have some suggested changes to the proposal.

Eliminating the 5% Cap

Cornerstone supports eliminating the 5% cap for fixed assets. The ability to obtain fixed assets can be essential to a credit union's growth strategy, and the limitations in place under the current rule can hamper legitimate expansion. The current 5% cap is arbitrary and is not required by the Federal Credit Union Act. No evidence has been produced to show any material safety and soundness risk presented by credit unions operating over the 5% after seeking a waiver under the current system. Furthermore, banks are not subject to such constraints, and we see no reason credit unions should be treated more harshly.

Fixed Assets Management Program ["FAM"]

The proposal would remove the waiver requirement, and this is a step in the right direction for streamlining the process. However, as proposed, the rule would still require a FAM and enhanced scrutiny of credit unions operating with fixed assets above 5%. We have some concerns with this aspect of the proposal.

Under the proposed rule, when NCUA examines an FCU with fixed assets in excess of five percent of its shares and retained earnings, NCUA will evaluate if the FCU's fixed assets management ["FAM"] program is sound. The analysis would be similar to the current waiver process, but be part of the routine examination of the FCU. This FAM program would monitor, determine, and manage fixed assets if the FCU wishes to exceed the five percent cap on fixed assets. The proposed rule does not set a cap on fixed assets, but gives NCUA discretion to limit fixed assets if it determines that a higher level poses a risk to an FCU's ability to establish or maintain sound net worth levels. NCUA may require an FCU to either cease acquiring new fixed assets or reduce fixed assets if the credit union does not meet the rule's requirements, or there are deficiencies in the FAM program.

The additional requirements that the proposal would impose after assets are acquired would increase federal credit unions' compliance responsibilities and costs, mitigating any additional flexibility gained from the proposal. Due to the fact that fixed assets do not present a material risk to safety and soundness, we urge a simpler approach which would permit credit unions to determine an appropriate limit for fixed assets without having to adopt the specific FAM as proposed. Rather than imposing regulatory limits, the examination process can be used to review any adverse impacts related to the credit union's plan.

Partial Occupancy

In general, we support simplifying the fixed asset requirements. However, just as we support allowing credit unions to set their own numerical limits on fixed assets, we urge NCUA to amend the rule to provide credit unions the ability to determine how much time they need to reach full or partial occupancy of property. The regulatory time limitations on when credit unions must achieve partial occupancy should be removed altogether, and the regulation should simply provide that credit union boards will determine the appropriate, reasonable timetable for full occupancy.

If NCUA determines it cannot provide that flexibility, then we support allowing federal credit unions up to ten years before partial occupancy must be reached.

Small Credit Union Exemption

We urge NCUA to raise the exemption for small credit unions to \$50 million dollars in assets. The thresholds for compliance should be tied to the official definition of small credit unions.

Summary

Cornerstone supports NCUA's efforts to provide regulatory relief regarding fixed assets. We feel that it is important to remove hurdles to legitimate credit union expansion, and hope that NCUA will focus on efforts that help credit unions better determine their own needs.

Thank you for considering our comments. Please feel free to contact me at (512) 853-8516 or syashewski@cornerstoneleague.coop with any questions you may have.

Sincerely,



Suzanne Yashewski

SVP Regulatory Compliance Counsel

Cornerstone Credit Union League