Dakotaland
FEDERAL CREDIT UNION

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R4 - 00167

6/8/2016

National Credit Union Administration
1775 Duke Street
Alexandria VA 22314-3428

Attn: Gerard Poliquin

RE: Federal Credit Union Occupancy, Planning, and Disposal of Acquired and Abandoned Premises

We would like comment on the proposed rule. We urge the Board to allow for common sense waivers or exceptions to the 50% partial occupancy rule. Occasionally it makes sense to allow the credit union to maintain a minority interest in a facility. In fact sometimes it's Best for the Members, Best for the Credit Union, and Financially a very Safe and Sound decision.

We are a $290 Million Dollar Credit Union and have 9 Branches. Our smallest branch area – an Underserved Community has a population of about 2,300 residents in the entire county. In Rural South Dakota facilities can be very limited and we chose a practical low cost branch option. We initially put a branch in the only grocery store in the county leasing a corner of the grocery store. We invested $50,000 in leasehold improvements and had a nice modest branch available to serve the Members of that area. We grew the operation to about $10 Million in assets serving over 800 Members.

About 10 years into this arrangement the owner of the grocery store wanted to sell his business and the facility. He tried desperately to find a buyer to no avail. The only buyer was an Ag business that wanted to purchase the facility to convert into a warehouse to store Animal Feed and Fertilizer. At this point we had no choice but to purchase the facility for a mere $270,000. We wanted to protect our initial investment in the leased office and we couldn't justify our only other option – construction of a freestanding facility at a cost of $500,000 to $600,000. We wanted to protect our branch existence in this Underserved County. We had to make sure our employees had a decent working environment free from Ag chemicals and rodent infestations.

Shortly after we purchased the facility another grocery business negotiated a lease with us and reopened, however they were not interested in purchasing the facility.

The Good News of the Story:

- We saved our Branch from Closing in this Community
- Our Members will not have to drive 50 miles to the next closest branch
- In Comparison - We saved several hundred thousand dollars in Investment in fixed assets by purchasing the grocery store vs building a small branch
- We have control of our facility and will not have to share space with Ag Products
- We saved a vital Grocery Business in this Underserved Community

We occupy approximately 1/4 of the current space and realistically will struggle to occupy 50% of the floor space. However we only invested $270,000 in the purchase of the facility – a very insignificant part of our financial condition. This property has a positive cash flow covering the taxes, insurance, maintenance and utilities – in full. The positive cash flow helps us maintain a branch in a sparse underserved area. Our Fixed Asset to Asset ratio is only 2.78% and we own all 9 of our branches. Maybe waivers can be tied to significance to financial impact to a credit union on a case by case basis.

We urge the Board to have a waiver process to allow for exceptions to the 50% partial occupancy rule. As stated in Section 107 (4) of the FCU Act – Credit Unions are allowed to purchase, hold, and dispose of property necessary or incidental to its operation. Occasionally situations change and it would be unfortunate that common sense would not be allowed to prevail. Our mission communicated by Congress is to serve our Members and especially Members of modest means. This facility helps us fulfill this mission.

Thank You.

Daniel R Cumbee

Daniel R Cumbee – President/CEO