

June 23, 2016

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

Re: Comments on Notice of Proposed Rulemaking for Parts 701 and 721, FCU Occupancy, Planning, and Disposal of Acquired and Abandoned Premises; Incidental Powers

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), which serves school employees in Southern California. We have more than 700,000 Members and over \$12 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on your Notice of Proposed Rulemaking on Occupancy, Planning and Disposal of Acquired and Abandoned Premises and Incidental Powers.

SchoolsFirst FCU supports the NCUA's efforts to provide regulatory relief by amending the occupancy rule. However, we suggest several changes that would further facilitate credit union growth.

UNIMPROVED PROPERTY

As proposed, the rule would require partial occupancy within six years from the date of acquisition, regardless of whether the premises are improved or unimproved. Six years can be prohibitive when purchasing raw land, for example.

It can take several years to hire architects, have building plans drawn up, and work with city building departments to get plans approved and permits obtained before construction can even begin. This can be further extended if environmental issues must be addressed, such as environmental and use studies being required.

In addition, once construction begins, circumstances may dictate that the parking structure must be the first thing built in order to provide parking during construction of the rest of the facility. For example, if a credit union buys property adjacent to existing facilities, Members and employees must be able to park so that they can continue conducting transactions and working in the existing facilities. Parking structures are commonly the first structure built so as to ensure that parking needs can be met during the additional phases of constructions. However, completing the parking structure does not reflect an increase in occupancy. The increase in occupancy does not occur until the building and work spaces are built, which may exceed six years.

For these reasons, we recommend that the partial occupancy period for unimproved properties be extended to **ten years**.

FIFTY PERCENT OCCUPANCY

As proposed, the rule requires partial occupancy of fifty percent of the premises by the FCU or by the FCU and a CUSO in which the FCU has a controlling interest. We agree with the change from full occupancy to fifty percent occupancy. However, we have a concern about events that may occur after a credit union has achieved fifty percent occupancy.

There could be changes in circumstances that would cause the occupancy of a property to fall below fifty percent. For example, a credit union may go through a down-sizing episode. This could be caused by various factors. The first cause that comes to mind is an economic downturn. However, other changes could cause a reduction, such as improvements in efficiency, or a restructuring or shift of the business operations. Such a shift could occur when certain operations are moved to a different credit union-owned facility.

For these reasons, we recommend that **the fifty percent occupancy be “grandfathered” once achieved**. In other words, once the credit union has achieved fifty percent occupancy, a reduction in occupancy at that facility would not be a violation of the fifty percent occupancy requirement.

COMBINED OCCUPANCY

The proposed rule would allow the minimum fifty percent occupancy of a facility to be satisfied by a combination of the FCU and a CUSO in which the FCU has *controlling interest*. While we agree that this should satisfy the occupancy requirement, we would like to propose additional options.

We believe that the occupancy fulfillment should **not** be limited to a CUSO under the credit union’s control. Examples of other suitable entities include CUSOs in which the credit union may not have controlling interest but are part of the Credit Union movement. Credit union-owned industry “partners” such as CU Direct (CUDL) and CO-OP Financial Services, and other credit union service providers, would be viable candidates for fulfilling the fifty percent occupancy requirement.

We propose that the types of entities with which an FCU may meet **fifty percent occupancy be expanded to include entities such as those described above**.

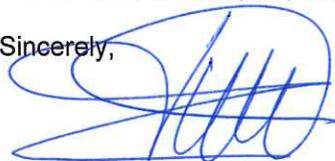
INCIDENTAL POWERS

The proposed rule amends the excess capacity provision in NCUA’s incidental powers rule to clarify that an FCU may lease or sell excess capacity in its facilities, *without* anticipating that the excess capacity will be fully occupied by the FCU in the future. However, the rule continues to limit the sale or lease of excess capacity in equipment or services to circumstances where the FCU reasonably anticipates that such excess capacity will be taken up by the future expansion of services to members.

We would appreciate clarification of NCUA’s position should the anticipation of future expansion prove to be inaccurate. Would NCUA consider the continued sale or lease of excess capacity in equipment or services to be permissible under this circumstance?

Thank you for the opportunity to comment on this proposed rule. We anticipate that our feedback and recommendations will allow the credit union movement to better serve our Members by giving credit unions more flexibility in planning for their facility needs.

Sincerely,



Francisco Nebot,
Chief Financial Officer

Cc: Credit Union National Association (CUNA)
California/Nevada Credit Union League (CCUL)