



Filed via regcomments@ncua.gov

June 27, 2016

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

Re: 12 CFR Parts 701 and 721: Federal Credit Union Occupancy, Planning and Disposal of Acquired and Abandoned Premises; Incidental Powers

Dear Mr. Poliquin:

The Illinois Credit Union League is the primary association for nearly 300 state and federally chartered credit unions throughout the State of Illinois, who in turn serve 3 million consumers. We thank you for the opportunity to comment on the proposed rule regarding federal credit union (“FCU”) occupancy, planning, and disposal of acquired and abandoned premises. We generally applaud efforts by the National Credit Union Administration (“NCUA”) to provide regulatory relief to credit unions, in order to foster credit unions’ ability to prosper in the extremely competitive financial services market.

In the current Notice of Proposed Rulemaking (“NPRM”), we support NCUA’s proposed elimination of the requirement that FCUs achieve or plan for full occupancy of FCU-owned premises. We urge NCUA to reconsider the proposed requirement that an FCU achieve or plan for partial occupancy at the NCUA defined level of more than fifty percent. We urge NCUA to instead opt for an approach that better allows a credit union to adapt to the myriad real property challenges in various locales, from rural to urban settings. We are also encouraged to see the proposed rule allow an FCU to lease or sell excess capacity in its facilities, without the requirement that an FCU plan to fully occupy that excess capacity in the future. As for the requirement that an FCU plan to fully utilize excess capacity in equipment or services, we encourage NCUA to continue to monitor this area to determine if greater flexibility is necessary.

In its NPRM, NCUA acknowledges that the Federal Credit Union Act does not contain any specific occupancy requirements, such as a time frame for achieving occupancy or a necessary percentage of occupancy for FCU-owned premises. The Federal Credit Union Act simply provides that an FCU may purchase, hold, and dispose of property “necessary or incidental” to its operations. 12 U.S.C. §1757(4). As NCUA states in the current NPRM, the elimination of the full occupancy requirement “is required to avoid unnecessarily imposing undue hardship on FCUs that may have difficulty realizing their growth potential and member service strategies under the current rule.” 81 F.R. 24740. We strongly agree with NCUA’s statement that the full occupancy requirement may: (1) hinder the FCU’s ability to obtain cost-



effective office space necessary to serve its members; (2) restrict the FCU's growth; or (3) place the FCU at a competitive disadvantage. *Id.*

The same rationale applies with equal force to eliminating a prescriptive partial occupancy requirement of over 50% of the premises. As the comment letters from the current and previous proposed amendments to this rule illustrate, there are circumstances where the most fiscally safe and sound option for the credit union and its members is one where the credit union occupies less than 50% of the premises owned by the credit union. This can happen for example in a rural area where premises and other potential property owners are scarce; it can happen in densely populated urban areas where the credit union's best option may be to maintain control over its own premises and lease out more than 50% of its space to tenants.

NCUA's stated concern, to prevent FCUs from investing in real estate for speculative purposes or to otherwise engage in real estate activities that do not generally support the FCUs purpose of providing financial services to its members, is already achieved in the FCU Act's requirement that an FCU's use of real property be "necessary or incidental to its operations." 12 U.S.C. §1757(4). Any attempt at such speculative or unrelated real estate activities is already prohibited, because those activities are neither "necessary" nor "incidental" to the FCU's statutory purpose. Certainly, such unauthorized activities would be addressed in the examination and supervision process of the FCU. There is no need for the creation of a prescriptive "50+%" formula, which can in reality limit a credit union's ability to best serve its membership and effectively place the FCU at a competitive disadvantage.

As the NCUA states in its NPRM, the elimination of the full occupancy requirement helps to "avoid unnecessarily imposing undue hardship on FCUs that may have difficulty realizing their growth potential and member service strategies under the current rule." 81 F.R. 24740. We encourage NCUA to reconsider the prescriptive 50+% partial occupancy requirement on the very same basis.

Again, we applaud NCUA's efforts to provide credit unions with the tools and flexibility to serve their members to the best of the credit union's ability. We encourage NCUA to take every opportunity to allow credit unions to adapt to their ever-changing needs and circumstances.

We thank you for your time and consideration.

Sincerely,

ILLINOIS CREDIT UNION LEAGUE

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