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June 27, 2016

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

Cooperative Credit Union Association, Inc. Comments on Federal Credit Union Occupancy, Planning, and Disposal of Acquired and Abandoned Premises; Incidental Powers Proposed Rule
RIN 3133- AE54

BY EMAIL ONLY

Dear Secretary Poliquin:

On behalf of the member credit unions of the Cooperative Credit Union Association, Inc. ("Association"), please accept this letter relative to the National Credit Union Administration's ("NCUA") request for comments on its proposed rule on Federal Credit Union Occupancy, Planning, and Disposal of Acquired and Abandoned Premises; Incidental Powers. The Association is the tri-state trade association representing credit unions located in the states of Massachusetts, New Hampshire and Rhode Island, serving approximately 170 credit unions which further serve approximately 2.6 million consumer members.

The Association begins by applauding the NCUA's recent commitment to regulatory relief. The agency has remained open to credit union suggestions on reducing the regulatory burden, providing flexibility to credit unions, and eliminating unfair or outdated regulations, all within the bounds of safety and soundness. The NCUA adopted many changes to this rule, formerly known as the fixed assets rule, in July of 2015. The issuance of this proposed rule is another step towards reducing the overall regulatory burden.

The Association largely supports the provisions of the proposed rule, and offers additional suggestions for improvements to this proposal that would further improve the regulatory environment for our credit unions.

I. Full and Partial Occupancy

The Association supports the provisions of the proposed rule that would eliminate the current rule's requirement that federal credit unions achieve full occupancy of premises. As noted in the proposal,

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the Federal Credit Union Act does not explicitly mention nor require full occupancy of federal credit union property.

The Association also supports the proposed rule's definition of "partial occupancy" to mean "the occupation and use, on a full-time basis, of at least fifty percent of each of the premises by the federal credit union, or the federal credit union and a credit union service organization in which the federal credit union has a controlling interest." This definition eliminates the requirement for a credit union to plan for full occupancy, maintain a usage plan, and the need to show that a credit union will fully occupy the premises. The Association requests that the NCUA consider expanding the rule to clarify how different areas of a building are to be measured regarding occupancy.

Credit unions that have growing space needs to house their employees will benefit from these changes. The logistics, costs, and operational disruption of planning for and executing the movement of employees from one space to another can be an insuperable obstacle to credit unions, particularly small credit unions. The ability of a credit union to be able to plan more for the future, and have more time to occupy a larger space is a considerable reduction of burden and concern for credit unions. The fifty percent partial occupancy definition allows credit unions the flexibility to own or lease space where they might not have the ability to occupy an entire space.

Additionally, the proposed changes allow credit unions to defray some of the high costs of moving employees by temporarily leasing some of the space the credit union occupies. This ability may mean the difference between moving to a larger, more efficient space, and not moving. Any excess funds from such a lease would be given back to the credit union's members and community.

The Association supports these provisions as well as the elimination of other provisions, such as the requirement of a board resolution in the case of a credit union that has not fully occupied a space within one year, that as a result of the changes to the full and partial occupancy definitions.

II. Six-Year Occupancy Requirement

The Association requests that the NCUA remove the six-year occupancy requirement for unimproved land. The NCUA should handle property speculation concerns for unused property through the supervision requirements with safety and soundness being the primary driving force for review. The boards of directors and management of well-capitalized and well-managed credit unions should have the flexibility to make their own determinations on managing growth to serve members. The Association is not of the position that the arbitrary use of a six-year time period serves any safety or soundness purpose. However, if a time requirement is determined to be necessary by the NCUA, the Association requests that the agency increase the limit to ten years, which would allow credit unions a longer period of time to meet partial occupancy requirements.

The Association notes that while we approve of the removal of the requirement from the incidental powers rule that excess capacity in federal credit union facilities must eventually be fully occupied, the NCUA could go further and apply a timed occupancy requirement to excess properties obtained through an acquisition or merger. If such a timeframe is envisioned, the Association suggests that the same ten-year timeframe requested for unimproved land be applied to excess property obtained through acquisition or merger. A credit union may benefit from holding such property for longer than six years to allow the market demand and value to increase on these properties, which are often undesirable due to location or condition.

III. Waiver Process

The Association notes it support of the waiver process, which allows for waivers for partial occupancy based on safety and soundness. The Association suggests that the agency expand this waiver process to the unimproved land and other excess property. A waiver for any of these provisions could be granted unless there are specific safety and soundness concerns. This allows well-managed credit unions, who are in the best position to determine risk, to continue to serve its mission of serving members through sound policies without being forced to comply with unnecessary regulation. We understand the agency is concerned that long term ownership of land and premises without use could lead to speculation, but we think there are compelling reasons to allow credit unions more leeway to own property as long as the credit unions are not speculating and there are no safety and soundness concerns.

IV. Conclusion

The Association thanks the NCUA for seeking stakeholder input into this proposed rule, and for providing meaningful regulatory relief by regularly addressing the burdens many of the former and current fixed assets rules place on credit unions.

Thank you for your consideration of these views. The Association appreciates the opportunity to provide input and I remain available to address any questions or concerns at 732.865.4641 that you or your staff may have at your convenience.

Sincerely,

Paul Gentile

Paul C. Gentile
President/CEO

PCG/mabc/kb