

Open Board Meeting

April 21, 2016

**NCUA Board Chairman Debbie Matz
Statement on the Proposed Rule to Remove Full-Occupancy Requirement**

This proposal to remove the full-occupancy requirement is another excellent example of how NCUA listens and responds to stakeholders who are seeking regulatory relief.

Like the rules we finalized during the past year on member business lending, fixed assets, and associational common bonds, this proposal would:

- Remove outdated regulatory limits;
- Cut unnecessary paperwork; and
- Empower credit union boards to make their own business decisions.

I feel strongly that credit union officials should be able to manage their own real-estate purchases. As long as credit unions have a plan to occupy at least half of each property, they should decide how to use the “incidental” portion of each property without regulatory micro-management.

In my travels during my two terms on the NCUA Board, I have seen businesses operating successfully in mixed-use buildings, where street-level space is used for retail operations and an upper floor is used for commercial rentals or private residences. These types of mixed-use zoning are especially popular in urban areas. The facilities help businesses connect to residents in their neighborhoods.

However, if a federal credit union were to buy such a facility, NCUA’s current rule would require the credit union to evict all the renters and tenants in order to fully occupy the building. Clearly, the full-occupancy requirement is not fair to renters and tenants, and it makes no business sense for credit unions.

So as a result, very few federal credit unions are in position to buy mixed-use facilities that could help them connect to residents in their neighborhoods. Commenters pointed out this unintended consequence when we opened the fixed-assets rule for comments in 2014.

Unfortunately, those comments were outside the scope of our proposed rule at the time. So, in order to comply with the Federal Administrative Procedure Act, we first had to finalize the rule to eliminate the 5-percent limit on fixed assets—which we did in 2015—then re-propose the rule as we are doing today.

We heard commenters’ concerns on this issue, and we have responded as reasonably as we could under the law.



On a personal note, this is the 22nd regulatory relief provision NCUA has introduced since I announced our Regulatory Modernization Initiative four-and-a-half years ago. Now in my final action at an open Board meeting, I am pleased to have this opportunity to vote on a proposed solution to remove another regulatory burden for credit unions and consumers.