

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: July 21, 2014

FROM: Office of General Counsel and
Office of Examination and Insurance

SUBJ: Proposed Rule – FCU
Ownership of Fixed Assets, §701.36

ACTION REQUESTED: Board approval to issue the attached proposed rule regarding federal credit union ownership of fixed assets.

DATE ACTION REQUESTED: July 31, 2014.

OTHER OFFICES CONSULTED: N/A.

VIEWS OF OTHER OFFICES CONSULTED: N/A.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: D. Scott Neat, Director, Division of Supervision; Jacob McCall, Program Officer, Office of Examination and Insurance; Pamela Yu, Staff Attorney; and Justin Anderson, Staff Attorney, Office of General Counsel.

SUMMARY: The proposed rule amends the fixed assets regulation to provide regulatory relief and to help FCUs better manage their fixed assets. It provides greater flexibility to FCUs by removing the waiver requirement for FCUs to exceed the five percent aggregate limit on investments in fixed assets. An FCU that chooses to exceed the five percent aggregate limit may do so without prior NCUA approval, provided it implements a fixed assets management (FAM) program that demonstrates appropriate pre-acquisition analysis to ensure the FCU can afford any impact on earnings and net worth levels. An FCU's FAM program is subject to supervisory scrutiny and must provide for close ongoing oversight of fixed assets levels and their effect on the financial performance of the FCU. It must also include a written policy that sets an FCU board-established limit on the aggregate amount of the FCU's fixed assets. In addition, the proposal simplifies the partial occupancy requirement for premises acquired for future expansion.

RECOMMENDED ACTION: Board approval of the attached proposed rule.

ATTACHMENT: Proposed rule.