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DIVISION OF CREDIT UNIONS
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Interpretive Bulletin

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Replacing Interpretive Bulletin dated August 16, 1993

To: All Iowa State Chartered Credit Unions

From: JoAnn M. Johnson
Superintendent of Credit Unions

Subject: **Fixed Asset Management**

The Iowa Division of Credit Unions (IDCU) considers safety and soundness when reviewing a credit union's fixed asset and non-earning asset ratios. Safety and soundness has been defined as an action, or lack of action, which is contrary to generally accepted standards of prudent operations which creates or would result in an abnormal risk or loss to the credit union, to its members, or to the National Credit Union Share Insurance Fund. (NCUSIF).

NCUA Rules and Regulations §701.36 applies to federal credit unions. The safety and soundness guidance of National Credit Union Administration (NCUA) Supervisory Letter SL No. 15-03 applies to all Iowa state chartered credit unions.

IDCU supervision of a credit union's fixed assets remains unchanged and is to assess management's planning and analyses with respect to the risk associated with fixed assets and major acquisitions. See, e.g. §533.301(10).

To that end, IDCU will continue to request state chartered credit unions to inform the Division, well in advance, of any significant investment in fixed assets; in particular if that investment will cause the credit union's fixed assets to total assets ratio to exceed five percent.

As used in the above paragraph, “well in advance” means prior to the commitment of any credit union funds (unless there is the ability for the termination of the agreement or commitment without liability or penalty), and with sufficient lead time (not less than 45 days) to provide for regulatory review and concurrence/non-concurrence by the Division of the proposed increase in fixed assets.

The objective for establishing these standards, and the corresponding reporting requirements, is to maintain healthy credit unions in Iowa. Failure to observe these standards may cause a credit union to be considered as operating in an unsafe/unsound manner, and may be grounds for administrative or enforcement action affecting the credit union and its officials.