

From: [Jerry Hoel](#)
To: [Regulatory Comments](#)
Subject: Proposed Revisions
Date: Monday, January 25, 2016 2:55:27 PM

1/25/16

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

RE: Comments on Proposed Revisions to the NCUA Chartering and Field of Membership Manual,
Part 701

Dear Mr. Poliquin:

I am writing to the National Credit Union Administration (NCUA) today to urge you to withdraw the proposal to revise the NCUA Chartering and Field of Membership Manual.

We are a small community bank located in Northern Minnesota and find it very difficult to compete with the credit unions in our area. Legislation such as this is harmful not only to us but to our financial industry as a whole. We are all trying to help the consumer, but not at the risk of harming the banking system as we know it today.

Federal agencies are supposed to implement the laws as they are written by Congress. In several important ways, this proposal ignores Congress's express language in the Federal Credit Union Act (FCU Act). For example, the FCU Act states, "in general, the Board shall encourage the formation of separately chartered credit unions instead of approving an application to include an additional group within the field of membership of an existing credit union." Congress included a limitation in the FCU Act to support that preference. An additional group of up to 3,000 people may generally be added to an existing credit union, but a credit union can only add a larger group if certain conditions are met. In this proposal the NCUA has ignored that Congressional limit by creating a simple, streamlined process for adding an additional group of up to 5,000 people. Congress, not the NCUA, should make that kind of policy change.

The changes proposed for the geographic field of membership rules are far too broad. The FCU Act requires that a geographic field of membership must be a "well-defined, local community." In this proposal, the NCUA mandates that a single Congressional district is automatically a "well-defined, local community." That change defies logic in many cases. Minnesota has eight Congressional districts, and a couple of them are very large, geographically. Minnesota's 7th Congressional District covers 33,429 square miles, and it takes seven hours to drive from one end of the district to the other. There is no way that people living seven hours apart from each other would believe that they are part of the same "local" community. And in seven states, it is even worse because there is just one Congressional district covering the whole state. It is very difficult to see how an entire state can

be considered a “local” community. That aspect of the proposal clearly goes too far.

The proposal states that a single Congressional District is automatically a “well-defined, local community.” The NCUA believes that the fact that the district shares the same member of the United States House of Representatives means that the district is a “local” community. Using that logic, one can only assume that the NCUA’s next proposed change to the Field of Membership Manual will be declaring every state to be a “local” community because the state shares the same United States Senators. After that, perhaps the NCUA will approve the entire United States to be one “local” community because we all share the same President of the United States. The term “local” is supposed to have meaning separate from the term “well-defined.” This part of the proposal ignores Congress’s intent and the plain language of the FCU Act.

Credit unions receive extremely generous tax and regulatory advantages. In exchange for those advantages, credit unions have some limitations. The credit union industry does not like those limits, so it continually challenges them. They have asked Congress to give them more commercial lending authority. When Congress fails to give the credit unions this additional authority, the credit unions ask that the NCUA give them the additional authority. The NCUA then finds different ways to give the credit unions what they want, even though Congress has never authorized it. The credit unions want more expansive fields of membership. Congress has never given them this expanded authority. The NCUA then proposes this rule, which is inconsistent with the plain language of the National Credit Union Act. These types of significant policy changes should come from Congress, not the NCUA.

Some credit unions have remained true to the original credit union model. They continue to have a tight common bond, and they continue to focus on serving the credit needs of individuals, and especially people of modest means. Other credit unions have become massive institutions serving huge geographic territories. By requiring that a geographic credit union serve a “well-defined, local community,” Congress clearly intended that the word “local” should serve as a limitation on credit unions. With this proposal, the NCUA is ignoring the plain language in the National Credit Union Act. A federal regulatory agency should know better.

The NCUA has been criticized for being a “cheerleader” for the credit union industry rather than a regulator. Actions like this proposal show why the NCUA has earned that reputation. This proposal is clearly about giving the credit unions what they want so that they can continue their rapid growth, rather than ensuring that the NCUA upholds the requirements of the FCU Act. I urge the NCUA to withdraw the proposed changes to the Field of Membership Manual.

Thank you for taking the time today to consider the issues I have raised. I sincerely hope you do what is right here which is to uphold the original purpose of credit unions in a scope in which they were originally purposed.

Sincerely yours.

Girard J. Hoel

President

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