

From: [Ronald L Magoon](#)
To: [Regulatory Comments](#)
Subject: Ronald L Magoon Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
Date: Thursday, January 14, 2016 4:33:20 PM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

Ronald L Magoon Comments on Notice of Proposed Rulemaking Regarding Associational
Common Bond

Dear Gerard Poliquin:

Dear Mr. Poliquin:

I am writing to you having served the State of New Hampshire as a community banker for 30 years. During that time I have seen the credit union industry grow and expand to levels I never thought possible. Let me provide you one example of what I mean: we have a credit union that is based in New Hampshire that has over \$2.5 billion in total assets. On the surface when you read their "credit union story" it seems simple enough:

"What sets us apart? Quite simply, {name redacted} is owned by its members. Combining savings to create a pool of funds from which other members can borrow, the income earned on loans and investments is returned to members in the form of higher savings rates, lower loan rates and additional products and services.

Focused on the credo that we are a cooperative existing solely for the purpose of providing financial services for our members, our mission is to consistently exceed our members service and convenience expectations."

However the reality of their business model is materially different. This credit union while espousing member to member services, is "buying" multi-million dollar commercial loan deals by undercutting the competition both in rate and term. And although they are committing millions of dollars to commercial lending activities, their 2014 annual report doesn't even mention this as a business line activity. This one example of what is happening in the commercial lending space in New Hampshire is being repeated throughout the country each and every day.

With this said, I am concerned about the impact of further expanding the credit union industry's potential field of membership through the proposed rule on Chartering and Field of Membership. The provisions of this proposal, when implemented all together, would provide federal credit unions with the opportunity to increase membership drastically, resulting in a broad expansion of the credit union industry's tax subsidy. I believe finalizing this proposal will place the credit union industry's tax exempt status in jeopardy.

My bank, Franklin Savings Bank, has been in business since 1869. We remain in business today because we have successfully met the needs of the consumers and businesses in our

communities. I have no issue competing against other financial institutions when we are competing on a level playing field. However in the past two years we have seen two new credit unions enter our market. Given their tax-exempt status, we are competing with them and they have a 32% financial advantage out of the gate. Picture for a moment having to compete in a 100-yard dash and your competitor is allowed to start a third of the way down the track. This is why I have serious concerns with the potential for a growing credit union industry.

Congress has kept in place advantages for the credit union industry, but those advantages come with limitations, including the size of the institutions and scope of activities. Congress understood that if community credit unions were to fulfill their public mission, there needed to be a legitimate shared bond among members, even amending the FCU Act in 1998, to include the term “local.” Combined with the terms “well-defined,” it is clear Congress intended to impose finite and narrow limits on the area that a community credit union may serve. This proposal goes beyond any reasonable definition of local and well-defined. The proposed rule intends to treat a Combined Statistical Area and a Congressional District as a well-defined local community. In addition, the proposal expands the rural district population limit by four times the current threshold to one million. Here in New Hampshire we have credit unions that anyone in the state can join – there is no geographic barrier.

Congress deliberately instructed NCUA through the FCU Act to keep credit unions small and focused on providing services to specific groups that lack other access to financial services. The proposal would disregard this Congressional directive by modifying NCUA’s process for assessing stand-alone feasibility of groups that seek to be added to the field of membership of an existing multiple common bond credit union by allowing a streamlined determination for groups with between 3,000 and 4,999 potential new members.

It is clear that the NCUA Board has blatantly disregarded Congressional intent and is overstepping its regulatory reach. The industry is growing and leveraging its tax-exempt status in ways never intended by Congress. I ask that you take the appropriate steps to rein in the credit unions and keep them focused on what Congress intended them to do in exchange for their tax exemption.

Thank you.

Sincerely,
Ronald L Magoon
387 Central St
Franklin, NH 03235