



Michigan Bankers Association

February 5, 2016

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

Dear Mr. Poliquin:

I am writing to express my concerns about the impact of a proposed rule that would further expand the credit union industry's field of membership. This proposal circumvents the original intent of Congress at the creation of credit unions, as well as existing legislation governing the industry. In addition, this proposal would also increase the cost of that industry's federal tax exemption, expected to already be more than \$25 billion over the next 10 years.

1. This proposal is contrary to Congressional intent to impose limits on community credit union charters and goes beyond any reasonable or real definition of "local."

When credit unions were created, it was with the intent to serve low- and moderate-income individuals who had "common bonds" through proximity, employment, or other "closely-knit" affiliations. Congress understood that if community credit unions were to fulfill their public mission, there needed to be a meaningful affinity and bond among members. Because of its unique mission as they defined it, Congress provided the credit union industry with advantages like the federal tax exemption. However, those advantages came with clearly-defined limitations, such as size of the institutions and scope of their activities. It seems obvious that these economic advantages afforded to the credit union industry were created in part or sum because of the purposefully-designed limits to both their services as well as their potential field of membership.

What is local? When Congress amended the Federal Credit Union Act in 1998, it intentionally inserted the term "local" as a means of limiting the geographic scope of community chartered credit unions. 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. However, under this new proposal, the field of membership would be dramatically expanded. In several instances, the proposal would even create a statewide field of membership. Obviously, an entire state doesn't seem to fit any real definition of local. In fact, with this and other expansions, the NCUA has essentially made the term "local" meaningless in any statutory sense.

2. Instead of reinforcing Congressional intent, this proposal also attempts to circumvent laws and regulations currently governing the size of credit unions.

When Congress amended the Federal Credit Union Act in 1998, it limited the maximum size for a group to be added to an existing multiple common bond credit union to 3,000, only permitting the NCUA Board to add a group with more than 3,000 members under certain conditions.

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This proposal attempts to dismantle provisions of current law by allowing a streamlined determination of groups with between 3,000 and 4,999 potential new members. In addition, the proposal expands the rural district population limit by *four times* the current threshold to *one million*.

Credit unions were originally created and designed to provide certain services to low-and moderate-income individuals who were united through proximity, common bond and demonstrated need. In exchange for serving this defined band of customers with a limited roster of services, the federal government awarded the credit union industry powerful financial advantages in order to promote its growth and, thereby, ensure assistance for potential customers.

However, under this proposal, the NCUA Board consistently seeks to not only erode statutory limits to an industry, but also bypass Congressional intent and make statutory terms like “local” or “field of membership” essentially meaningless. Credit unions would operate for all intents and purposes as banks.

It should also not be overlooked that such a broad expansion of authorities as proposed greatly undercuts Congressional-mandated limits on field of membership and will lead to a broad expansion of the credit union industry’s tax subsidy—valued at more than \$26 billion over the next 10 years¹. The overreach of regulatory authority and the proposal it has created poses vast implications for both marketplace dynamics and the potential increase of tax subsidies at a time when governments are working with large budget deficits. With the federal deficit already approximately \$18 trillion, this proposal seems questionable policy.

Because it circumvents the role of Congress, is contrary to the unique and legally-defined role of the credit union industry, and poses a significant negative fiscal impact on the financial services sector as well as the country, I urge you to reconsider this proposal.

Sincerely:

A handwritten signature in blue ink that reads "T. Rann Paynter". The signature is fluid and cursive, with the first name "T. Rann" and last name "Paynter" clearly legible.

T. Rann Paynter
President and CEO

1 Treasury’s Office of Tax Analysis:

<https://www.treasury.gov/resource-center/tax-policy/Documents/Tax-Expenditures-FY2017-11132015.pdf>