From: Daniel C Yates
To: _Regulatory Comments
Subject: Daniel C. Yates Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
Date: Friday, February 05, 2016 4:00:50 PM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

Daniel C. Yates Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Gerard Poliquin:

Dear Mr. Poliquin:

As a community banker, 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.

• My bank serves customers and the surrounding community, and unfair competition from the credit union industry impacts my business. Due, for example, to their tax exempt status, the credit unions with which we compete are able to undercut my bank on loan rates but not small amounts. While I recognize that the credit unions serve a population that might not otherwise have access to credit, they compete directly for business that does not fit into their foundational reason for being. Banks are not tax exempt, but are for-profit businesses attempting to balance offering products and services to best serve customers while growing the business to offer more lines of credit and other economic capital to communities.

• 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. So here in Vermont, and specifically southeaster Vermont, this proposal would allow a credit union based more than 150 miles away to compete against not only my banks and others, but the local credit unions as well. How can the entire State of Vermont be considered a "well-defined community?"

• 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. In 1953, the Burlington Postal Workers Credit Union was formed to meet the needs of a specific group of individuals. Sixty plus years later, this credit union now is larger than most community banks in Vermont, allows membership if you live or work in one of six counties, and has a return on assets (net income) that many of us would be thrilled to have. To now suppose they can expand even farther afield and could even do so without a physical presence seems to me to be simply a grab for even more business at the expense of the community banks, and state-chartered credit unions.

This letter demonstrates 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—already valued at $26.75 billion over the next 10 years. This abuse of regulatory authority has vast implications for both marketplace dynamics and the potential increase of tax subsidies at a time when governments are working with large budget deficits. It is clear that the NCUA Board has blatantly disregarded Congressional intent and is overstepping its regulatory reach.

I urge you to reconsider this proposal and keep in mind what the founding principles of credit unions were and return to those principles.

Sincerely,
Daniel C Yates
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