From: John Klebba
To: _Regulatory Comments
Subject: John A. Klebba Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
Date: Friday, February 05, 2016 11:49:07 PM

Dear Mr. Poliquin:

I am the president of a small community bank serving central and east central Missouri. I am concerned about the ramifications of expanding the credit union industry's potential field of membership through the proposed rule on Chartering and Field of Membership. These provisions, when combined, would allow federal credit unions to dramatically increase their membership and result in further expansion of the credit union industry's tax subsidy. This would have a direct, adverse impact on our community bank, since we currently already have 10 credit unions operating out of the nearby town of Jefferson City, Missouri, which has a population of just over 43,000.

Credit unions have the incredible advantage of being able to price their deposits and loans without factoring in the payment of income and other taxes, all the while enjoying the benefits of the goverment services that are paid for by the taxes that are imposed upon others. This free ride has earned them the title "financial institutions on welfare". Throughout the rest of this letter please allow me to refer to them as such, in order to amplify the reality of what the rest of the financial industry is experiencing.

Unfair competition from the financial institutions on welfare industry impacts my business and service to my customers and our community. Banks are for-profit businesses that must balance the offering of products and services that best serve customers while growing the business to offer more lines of credit and other economic capital to communities. In order to survive, we must factor into our pricing the cost of taxes, which can exceed a marginal rate of 40% of our profits.

Congress has allowed financial institutions on welfare to retain historic advantages while imposing limitations that include the size of the institutions and scope of activities. A legitimate bond is necessary to ensure that community financial institutions on welfare remain local in order to carry out their public mission. The intent of Congress was clear to keep the community local and well-defined. This proposal expands those limits dramatically and allows, for example, a congressional district to serve as a "well-defined community". It also increases the rural district population limit by four times the current threshold to one million. In a state the size of Missouri, which is entirely rural outside of the St. Louis and Kansas City areas, this would allow a financial institution on welfare to expand into huge geographic areas of the state and compete with large numbers of community banks, many of which would no doubt be smaller than the tax exempt, financial inst
itutions
on welfare that might move in to attempt to take its best customers.

Congress deliberately instructed NCUA through the FCU Act to keep financial institutions on welfare 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 financial institution on welfare by allowing a streamlined determination for groups with between 3,000 and 4,999 potential new members. This has already happened on numerous occasions with several of the financial institutions on welfare operating out of Jefferson City, such as the currently named River Region Credit Union, which began as the Missouri National Guard Credit Union before deciding that the National Guard was not worthy of its undivided attention. This particular financial institution on welfare has now expanded to at least 6 counties and at l
east 29
different companies, plus "the health care industry and transportation industry". To maintain that there is a common bond among these diverse groups is simply untrue.

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 financial institution on welfare 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 would urge you to withdraw this proposed rule.

Sincerely,

John Klebba
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