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February 5, 2016

Gerarad S. Poloquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-428

RE: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poloquin:

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. Since Credit Unions do not pay taxes, they are able to pay 35% to 40% higher rates on their deposit products and charge 35% to 40% lower rates on their loans than a commercial bank that is taxable. How is this a level playing field? Credit unions in our market are currently offering auto loans at fixed rates of below 2.00%. For our bank to compete with this we would have to price that same loan at over 3.00% to cover the taxes we would have to pay on the income received. We are also seeing credit unions in our market making large commercial loans to our customers at much lower rates without the expertise to underwrite these loan appropriately for risk. This is a recipe for disaster that will ultimately hurt the credit union, the customer and the community. 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. Recently Keesler Federal Credit Union based on the

Mississippi Gulf Coast, a \$2 billion plus credit union, entered the Hattiesburg, Mississippi market which is more than 60 miles inland. Hattiesburg already has over sixteen commercial banks currently serving that market. Upon entering the market they began advertising that anyone could become a member if they “work at one of their **300 plus** select employee groups; have a family member who’s a KFCU member; live, work, worship or attend school in Forrest, Pearl River, Harrison or Hancock Counties or select census tracts in Jackson County, Mississippi”. Keesler Federal Credit Union was originally formed to serve military personnel and their families, however they are now serving everyone in this entire area. Where is the "common bond" that exist in this membership? In addition to this, we are seeing them accept members from Lamar County, which is outside of their defined membership area!

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

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.

Sincerely,



Robert J. Barnes  
President & CEO