

From: [Joseph Witt](#)
To: [Regulatory Comments](#)
Subject: Proposed Revisions to NCUA Chartering and Field of Membership Manual, Part 701
Date: Tuesday, January 26, 2016 12:26:59 PM

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

RE: Comments on Proposed Revisions to the NCUA Chartering and Field of Membership Manual, Part 701

Dear Mr. Poliquin:

I am writing to the National Credit Union Administration (NCUA) today to ask that you withdraw the proposal to revise the NCUA Chartering and Field of Membership Manual.

I represent the Minnesota Bankers Association, the largest banking trade group in Minnesota. The vast majority of our 338 member banks are community banks, which do a fine job of serving their customers and communities, while also paying their fair share of taxes to support federal, state and local government programs. The same cannot be said for the credit unions against which our banks compete every day. Credit unions enjoy significant tax exemptions as well as regulatory advantages.

In exchange for those advantages, credit unions are subject to some important limitations. The NCUA is the federal regulator in charge of making sure that credit unions comply with all applicable laws and regulations, including the limitations that define the credit union model. Too often the NCUA relaxes those important limitations, allowing credit unions to have the tax and regulatory advantages without worrying about the limitations that had once justified those advantages. This proposal would revise the NCUA Chartering and Field of Membership Manual in ways that are inappropriate, so the NCUA should withdraw the proposal.

Federal agencies are supposed to implement the laws as they have been written by Congress. In several important ways, this proposal ignores Congress's express language in the Federal Credit Union Act (FCU Act). For example, the FCU Act requires a multiple common bond federal credit union to have a service facility within reasonable proximity to any "additional group" that is added to its field of membership. Congress clearly intended that credit unions with multiple common bonds be able to serve their different membership groups with brick and mortar locations. In this proposal, the NCUA ignores that Congressional mandate by declaring that online internet channels meet the definition of a "service facility." That kind of major policy change should be made by Congress, not the NCUA.

Also, the FCU Act states, "in general, the Board shall encourage the formation of separately chartered credit unions instead of approving an application to include an additional group within the field of membership of an existing credit union." Congress added a limitation in the FCU Act to carry out that preference. An additional group of up to 3,000 people may generally be added to an existing credit union, but a credit union can only add a larger group if certain conditions are met. In this proposal the NCUA has ignored that Congressional limit by creating a simple, streamlined process for adding an additional group of up to 5,000 people. Once again, Congress, not the NCUA, should make that kind of policy change.

The proposed changes to the geographic field of membership rules are too broad. The FCU Act requires that a geographic field of membership must be a "well-defined, local community." In this proposal, the NCUA mandates that a single Congressional district is automatically a "well-defined, local community." That change defies logic in many cases. Minnesota has eight Congressional districts, and a couple of them are very large, geographically. Minnesota's 7th Congressional District covers 33,429 square miles.

It takes seven hours to drive from one end of the district to the other. There is no way that people living seven hours apart from each other would logically assume that they are part of the same "local" community. The situation is even more egregious in the seven states that have just one Congressional district covering the whole state. The state of Montana covers 145,000 square miles, yet this proposal would mandate that everyone living in this state is part of one huge "local" community. That aspect of the proposal clearly goes too far.

Credit unions have changed significantly in the past couple decades. Every credit union used to serve members that had a strict "common bond." All credit union members were part of a tightly-knit group of people working for the same employer, living in the same neighborhood or attending the same church. Credit union members knew each other, in the spirit of a true co-operative. The NCUA's "field of membership" rules have gradually relaxed over time, allowing credit unions to rapidly grow. A Minnesota credit union was originally formed to serve a single church congregation. After multiple expansions, the credit union now serves 17 Minnesota counties. Credit union members no longer know each other, and they have only very weak ties to one another. Losing the strict "common bond" as a defining characteristic is one of many reasons Congress should reconsider the credit unions' tax and regulatory advantages.

The NCUA has been criticized for being a "cheerleader" for the credit union industry rather than a regulator. This proposal is a good example of why the NCUA has earned that reputation. The NCUA has always encouraged credit union growth and expansion. However, the NCUA goes too far with this proposal, as it ignores the plain language of the FCU Act. I urge the NCUA to withdraw these proposed changes to the Field of Membership Manual.

Thank you very much for considering this comment letter.

Sincerely,

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