

VERMONT BANKERS ASSOCIATION, INC

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“With Vermont’s Banking Community, Vermont Prospers”

February 7, 2016

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

Mr. Poliquin,

Please accept these comments in response to the NCUA's proposed rule on Chartering and Field of Membership. It is our understanding the proposed rules address: redefining local community and rural district; provide additional methods of membership expansion for multiple common bond credit unions; and redefine members' proximity to multiple common bond credit unions.

The Vermont Bankers Association is a membership based organization representing all 20 banks doing business in the State of Vermont. Over the years we have certainly had our differences with the credit union industry, focused primarily on those institutions which have grown into entities that are no different from a bank.

It is worth remembering, the preamble of the Federal Credit Union Act, places emphasis on serving "people of modest means". Credit unions were intended to serve individuals with a common bond who struggled to find traditional financial services, often known as the unbankable. In Vermont, there are a small handful of credit unions that continue to meet the objectives of the preamble and in those cases we support such efforts. We cannot however, support rules that allow credit unions to stray further from Congressional intent without addressing the tax benefits they continue to receive.

The NCUA's proposals are contrary to enabling statutes and regulations, which impose limits on community credit union charters; they go beyond a reasonable definition of local. Certain tax and regulatory advantages were provided to credit unions, but they came with limitations such as the size of institutions and scope of activities. Congress understood if community credit unions were to fulfill their mission, there needed to be a meaningful affinity and bond among members. When amending the FCU Act of 1998, Congress intentionally included the term local as a means of limiting the geographic scope of community chartered credit unions.

The proposed rule would allow a combined statistical area and a Congressional District to become a well defined community. We have seen such a designation in Vermont, when our Department of Financial Regulation granted a statewide charter to a Vermont credit union.

Aside from living within the boundaries of Vermont, there is no common bond between someone who lives in the northeast corner of our state compared to someone who lives in the south. Employment opportunities, commuting patterns, religious considerations and cultural activities are quite different throughout the state. NCUA's approach disregards Congressional intent and abuses any reasonable definition of local.

Congress instructed the NCUA to keep credit unions small and focused on providing services to specific groups that lack other access to financial services. The FCU Act encourages 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 whenever practical. NCUA's proposed rules violate the intent of the Act and Congress.

If NCUA's proposals are allowed to go forward, we believe you are placing the industry's tax exempt status at risk. State budgets continue to be a challenge and in Vermont, legislative efforts are underway to require tax exempt entities demonstrate why the exemption should continue. Ultimately these proposed rules will undermine the industry's tax exemption and bring greater Congressional scrutiny.

Christopher D'Elia
President