

# MAINE BANKERS

Association

February 8, 2016

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

## COMMENTS on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poliquin:

As the President of the Maine Bankers Association and on behalf of the 31 retail banks operating in Maine, I am expressing our industry's concern regarding 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 Maine's 50 federal credit unions the opportunity to increase membership drastically, resulting in a broad expansion of the credit union industry's tax subsidy.

In Maine, over 66% of our retail banks have a mutual structure and those 19 institutions represent 61% of assets held by Maine institutions. Until 1952, savings and loans, mutual savings banks, and cooperatives were federally tax-exempt and at that time, Congress repealed the tax exemption noting that they had evolved to the point where they were little different than the commercial banks that were subject to federal taxation. Between 1952 and 1986, a number of changes were made to the tax law that increased the tax liability while decreasing the level of offsets for mutual institutions. The result is that all insured depository institutions have had the same basic tax liability for over four decades. As credit unions have evolved much in the same manner as mutuals and other savings institutions, there is little factual support for differential tax treatment, especially for those larger credit unions operating in a bank-like fashion.

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.

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.

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The members of the Maine Bankers Association believe 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. It is clear that the NCUA Board has disregarded Congressional intent and is overstepping its regulatory reach.

We request the NCUA withdraw the proposal to amend the field of membership for federal credit unions.

Respectfully,

A handwritten signature in black ink that reads "Christopher W. Pinkham". The signature is written in a cursive style with a large initial "C".

Christopher W. Pinkham, President  
Maine Bankers Association

C.  
Senator Susan M. Collins  
Senator Angus S. King, Jr.  
Representative Chellie Pingree  
Representative Bruce Poliquin