



SOUTHEAST
National Bank

3535 Avenue of the Cities,
Moline, IL 61265

February 8, 2016

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

Dear Mr. Poliquin:

As a banker who is relatively new to the Quad Cities metropolitan Illinois/Iowa market, 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.

- Southeast National Bank ("SENB") serves customers in the Metropolitan Quad Cities Illinois/Iowa area, and, as evidenced by research conducted during our recent strategic planning process, SENB is facing unfair competition from the credit union industry, which adversely affects our business. We recently offered a proposal on the refinance of a commercial real estate property. We offered a competitive interest rate of 3.625% fixed for 5 years, and we were underbid by a credit union that offered a below normal market rate of 2.6%. In addition, the credit union also offered relaxed loan covenants. SENB is a for-profit Subchapter S Bank that offers competitive products and services to customers, which provides an economic boost to our market. Through our income taxes, we also support the market, while the competing credit unions do not provide economic tax support because of their tax-exempt status.
- 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. I recently moved to the Quad Cities area from

Peoria, Illinois where Construction Equipment Federal Credit Union "CEFCU" has been able to expand its market share to include many counties in Illinois as well as an expansion into California. CEFCU's growth and ability to expand its geography has resulted in a multi-billion dollar institution that does not resemble what was intended for a local credit union.

- 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. CEFCU had originally been established to serve the employees of Caterpillar, Inc. CEFCU's membership now exceeds 300,000, over 10 times the number of Caterpillar employees in Illinois!

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.

Prior to authoring this letter, I reviewed information on-line and found a site www.mycreditunion.gov which is linked to the NCUA website and provides methods to compare credit union and bank interest rates. I am aghast to see a government regulator that steers consumers to a non-tax paying entity. The websites for the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency include no such links. We have serious budget issues in this country, and these serious budget issues will only be worsened by the expansion of the field of membership for credit unions.

Respectfully submitted,



Daniel P. Daly
President & CEO

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