Come Home to HomeTown
HOMETOWN BANK

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FEB05'16 PM 2:19 BOARD

January 26, 2016

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 urge you to withdraw the proposal to revise the NCUA Chartering and Field of Membership Manual.

HomeTown Bank has 9 branch offices located primarily in southwestern and south central Minnesota with total assets of approximately $ 250 million. We offer a full range of deposit and loan products but primarily focus on home loan and commercial loan customers. Active community involvement in each of the communities we serve is very important to us. We compete with many credit unions located in our markets.

The changes proposed for the geographic field of membership rules are far 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, where two of the HomeTown Bank offices are located, covers 33,429 square miles and 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 believe that they are part of the same "local" community. And in seven states, it is even worse because there is just one Congressional district covering the whole state. It is very difficult to see how an entire state can be considered a "local" community. That aspect of the proposal clearly goes too far.

Some credit unions have remained true to the original credit union model. They continue to have a tight common bond, and they continue to focus on serving the credit needs of individuals, and especially people of modest means. Other credit unions have become massive institutions serving huge geographic territories. By requiring that a geographic credit union serve a "well-defined, local community," Congress clearly intended that the word "local" should serve as a limitation on credit unions. With this proposal, the NCUA is ignoring the plain language in the National Credit Union Act. A federal regulatory agency should know better.

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 how the NCUA has earned that reputation. The NCUA has always gone out of its way to encourage credit union growth and expansion. However, with this proposal the NCUA ignores the plain language of the FCU Act. I urge the NCUA to withdraw the proposed changes to the Field of Membership Manual.

Thank you very much for your consideration of this comment letter.

Sincerely,

Derek Ketcho, Assistant Vice President
HomeTown Bank Waconia