The Farmers Bank
FARMERS TRUST & SAVINGS BANK

January 22, 2016

FEB01'16 PM 2:46 BOARD

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

RE: "Dave Woodcock's Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond"

Dear Mr. Poliquin:

As a banker, 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.

We serve customers and the surrounding community in northwest Iowa and compete daily with a branch of a larger credit union. Every day they promote higher deposit rates and lower loan rates, totally based on their tax exempt status. We are not tax exempt, we are a for profit business attempting to make a reasonable return and competing against a tax exempt competitor, offering the same identical services, making it difficult and unfair competition to the financial services industry.

While we are in northwest Iowa, we are very familiar with two very large credit unions in eastern Iowa that are also tax exempt and are some of the largest financial players in the state of Iowa.

Congress originally viewed credit unions as smaller financial firms focusing on providing services to a specific group of individuals that lack other access to financial services. If you look at the two largest credit unions in eastern Iowa, the net worth and income of their members exceeds the net income and net worth of most bank clients in that area.

While it would level the competitive playing field, it makes sense to tax credit unions since they offer identical products as other tax paying financial providers serving the same communities. However, we know that will never happen so we are opposed to the expansion of the field of membership for tax exempt credit unions. Also, with our country in desperate need of tax revenue to reduce our national debt, taxing credit unions appears to be a no-brainer.

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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.

Thank you for considering our viewpoint when considering expanding the proposed changing field of membership rules for credit unions.

Sincerely,

David W. Woodcock
President/CEO

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