



February 8, 2016

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

**Re: Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond**

Dear Mr. Poliquin:

The National Credit Union Administration (NCUA) has requested comments on the above proposal that would amend its member business lending rule governing federally insured credit unions, and the Louisiana Bankers Association, which is the only state banking association in Louisiana representing 139 member banks and thrifts, appreciates the opportunity to comment.

LBA is strongly opposed to this proposal based on the below:

**NCUA's Proposal Goes Beyond Any Reasonable Definition of Local**

This proposal is contrary to Congressional intent to impose limits on community credit union charters and goes beyond any reasonable definition of local. Congress provided the credit union industry with advantages, but those advantages come with limitations, such as 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 meaningful affinity and bond among members, manifested by a commonality of routine interactions. When Congress amended the FCU Act in 1998, it intentionally inserted the term "local" as a means of limiting the geographic scope of community chartered credit unions. 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.

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. This proposal disregards Congressional intent and any reasonable definition of local.

**NCUA is overstepping its regulatory reach**

This proposal violates the Congressional mandate to encourage the formation of new single bond credit unions. The FCU Act states, "[i]n general, the Board shall encourage 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 practicable and consistent with reasonable standards for the safe and sound operation of the credit union." Congress deliberately instructed NCUA 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. By adopting a purely numerical proxy for viability that is at odds with the 3,000 threshold provided in the FCU Act, the NCUA Board has disregarded Congressional intent and is overstepping its regulatory reach.

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.

Finally, this proposal creates bad public policy because it does not serve the original credit union mission of serving people of modest means with a common bond among them, which was the basis for the broad tax exemption granted decades ago that credit unions continue to enjoy today.

Based on the above, LBA and its membership ask you to not proceed with this proposal.

Thanks for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe", with a stylized flourish at the end.

Joe Gendron  
Director of Government Relations