



Pine Island Bank

Expanded services for a growing community

February 1, 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. Or, end the tax exemptions for Credit Unions.

The Bank I am employed by, Pine Island Bank, is a small locally owned Community Bank located 15 miles north of Rochester, Minnesota. I have been the manager of this Bank for 12 years. We have grown the assets of this Bank from less than \$50 million to \$86 million. Much of our business comes out of Rochester in the form of Commercial Real Estate loans despite there being a great deal of competition from other Banks and Credit Unions in Rochester, MN. (Home of the Mayo Clinic.) Meanwhile over my tenure here, we have had no growth in the area of consumer personal lending due in large part to the fact Credit Unions in Rochester can offer lower loan rates because Credit Unions are tax advantaged and the playing field is not level.

I believe we serve our Community of 3,200 people well. Our Bank employs over 20 people. Many of us live around the area and we volunteer with Community Service Organizations or Municipal Committees. Our Bank pays a significant amount of local real estate taxes, State sales tax, and State and Federal Income tax before we pay taxes as employees. There has been a Bank at our location for almost 105 years. However, you have to wonder about the future of our Bank.

A couple of years ago at a monthly Pine Island Chamber of Commerce lunch meeting, a new commercial lending officer from a large Credit Union that had just branched into Rochester was introduced by our - local Economic Development Authority (EDA) Director. After the introduction, the Credit Union loan officer commented that he was there to get to know our community business people and offer commercial deposit and loan services.

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After the meeting I pointed out to our EDA Director, who by the way is part owner with her husband of the local lumber yard, that Credit Unions are exempt from many forms of taxes. I mentioned to the EDA Director that I felt that Credit Unions tax exemption for State & Federal Income tax and exemptions from State sales tax was fundamentally unfair and that Credit Unions' tax exemption is an added burden to our Federal deficit, to our State budget, and to us all as individual tax payers. I also pointed out to the EDA Director that this Credit Union had no plans to build a facility in Pine Island so they would not be contributing to the local real estate tax base either.

I mentioned to our EDA Director that this would not be unlike having a representative from a mega-retailer like Home Depot, who has a store in Rochester, who would not be required to pay State & Federal Income taxes or State sales tax, come to our Chamber lunch to lure business away from the local lumber yard.

Approving the proposed revisions to the NCUA Chartering and Field of Membership Manual, Part 701 furthers the Credit Union expansion into all areas of banking. If Credit Unions have all the same "members" and perform all the same services as a Bank, what is the difference between a Bank and a Credit Union? If there is very little difference or no difference between a Bank and a Credit Union, why are these Credit Unions not paying any of these taxes like a Bank? (Credit Unions claim to be non-profit but that is simply a matter of how the profits are accounted for or spent. Credit Unions claim to be owned by the members but so are Mutual Banks.)

Withdrawing the proposals will not likely be popular with the NCUA or the Credit Unions but doing the right thing rarely is easy or popular with everybody. However, has the time come for Credit Unions stay Credit Unions? Or, if Credit Unions are going to become very Bank-like should they start paying taxes like a Bank?

Thank you for your consideration of my comment letter.

Sincerely,



Jim Mack
President
NMLS #697979



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