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Submitted Electronically Via Email

February 8, 2016

Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1175 Duke Street
Alexandria, VA 22314-3428

RE: Mississippi Bankers Association Comments on Notice of Proposed Rulemaking Regarding Association Common Bond

Dear Mr. Poliquin:

Thank you for the opportunity to comment on the NCUA proposed rule on Chartering and Field of Membership. We hope that the comments below will be received and considered as sincerely as they are given.

The Mississippi Bankers Association (“MBA”) was organized, in 1889, by thirty-one local bankers. Today members include more than 90 institutions – almost every bank that operates in Mississippi. Throughout our association’s history, we have always worked to uphold our constitution’s mandate “to promote the general welfare and usefulness of Banks and Banking Institutions ... in the State of Mississippi.” We strive to help create an economic climate in our state that allows our member banks to serve their customers and communities with flexibility and fairness, as many of our members have done for more than 100 years.

Our members are greatly concerned about the impact of further expansion of the credit union industry’s field of membership through the above-referenced proposed rule. If implemented as currently written the provisions of this proposal would provide credit unions with the opportunity to increase membership drastically, resulting in a broad expansion of the credit union industry’s tax subsidy. This enlargement of the tax subsidy would be costly to American taxpayers and build on an already unfair competitive advantage enjoyed by credit unions.

The vast majority of MBA member banks are small, locally-held community banks that serve their customers and the surrounding community. In fact, the largest credit union in our state, Keesler Federal¹, holds more assets than all but 4 banks chartered in Mississippi. Furthering the tax subsidies provided to the Credit Union industry creates unfair competition which will

¹ Keesler Federal Credit Union currently holds \$2,347,904,932 in total assets according to the company’s December 13, 2015 Statement of Financial Condition. Conversely, FDIC information from September 30, 2015 shows that only 5 of the 79 banks chartered in Mississippi hold more than \$2 billion.

surely impact our members' ability to serve their customers while also providing value to their shareholders. As you know, banks are not tax exempt, but are for-profit businesses attempting to balance offering products and services to best serve customers and communities by growing their business to offer more lines of credit and other economic capital to communities.

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. These limitations were put in place because Congress understood that if community credit unions are to serve customers of moderate and low means, there needs to be a legitimate and realistic shared bond among members. The Federal Credit Union Act, as amended in 1998, limits membership in a community credit union to "persons or organizations within a well-defined local community, neighborhood or rural district." It is abundantly clear that Congress intended to create a set of restrictions and narrow limits on the geographic area that a community credit union may serve. It appears to us that the current proposal completely ignores those limits, and goes beyond any reasonable definition of "local" and "well-defined" as Congress intended. In fact, the NCUA proposal would effectively remove these requirements.

Instead of maintaining realistic "local" and "well-defined" limitations on membership, the proposed rule would treat a Combined Statistical Area and a Congressional District as a well-defined local community. According to the US Census Bureau, Mississippi covers 46,923 square miles. This is very similar to our neighboring state Alabama, which is slightly larger at 50,645 square miles. However, Mississippi only has 4 Congressional seats, while Alabama has 7; so, the new membership limits would include a much larger geographic area in Mississippi than Alabama.

Using Congressional districts to determine geographic proximity is also especially problematic in rural states like Mississippi, where population can be greatly dispersed in some areas creating large discrepancies in the size of our Congressional districts. For instance, the MS-02 district, which is made up of the largely rural, agricultural section of the state covers over 14,500 square miles of area. Conversely, the MS-04 district, which is made up of the state's more urban coastal and timber producing counties covers around 9,500 square miles. These are just a few examples of how using Congressional districts to determine geographical boundaries does not necessarily create "well-defined" areas. In reality, there is great variation from state-to-state and district-to-district. In addition, the proposal expands the rural district population limit by four times the current threshold to one million. In low a population state like Mississippi, where our current population is less than 3 million people, this could mean that only 3 credit union districts are required. The proposed changes would clearly expand the definition of "local" beyond Congressional intent.

Clearly, the proposal presents a lengthy list of ways for most credit unions to circumvent the field of membership requirements resulting in a broad increase of the credit union industry's tax subsidy. For example, multiple common bond federal credit unions could expand and include other groups even if there was no physical branch or branches located near the other

group--a transactional web site would suffice. Furthermore, there would be an easier process for multiple common bond federal credit unions to add a new group with up to 5,000 members--clearly evading Congressional intent to keep credit unions small and focused on providing services to consumers, particularly those of modest means.

The facts cited in this letter, and others, demonstrate that such a broad expansion of authority as proposed would greatly undercut Congressional-mandated limits on field of membership and would lead to a broad expansion of the credit union industry's tax subsidy — which is already valued at \$26.75 billion over the next 10 years. Our members view this proposal as an abuse of regulatory authority, which has vast implications for both marketplace dynamics and the potential increase of tax subsidies at a time when our federal government is facing large budget deficits.

We believe that, by making this proposal, the NCUA Board has disregarded Congressional intent and overstepped its regulatory reach. We urge you to drastically revise or withdraw this proposed rule.

Sincerely,



McKinley W. Deaver
President