



FIRST STATE BANK OF WYOMING

FEB05'16 PM 2:19 BOARD

1/25/16

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.

First State Bank of Wyoming is a \$165 million community bank serving the Wyoming, MN area since 1914. Through conservative policies and business strategies, First State Bank of Wyoming was able to survive the recent banking crisis while many others in our area were not. However, each year it is becoming tougher and tougher to compete with the tax advantaged credit union industry and this proposal is certain to make it even worse.

Federal agencies are supposed to implement the laws as they are written by Congress. In several important ways, this proposal ignores Congress's express language in the Federal Credit Union Act (FCU Act). For example, the FCU Act requires a multiple common bond federal credit union to have a service facility within reasonable proximity to any "additional group" added to its field of membership. With that statutory language, Congress clearly intended that credit unions with multiple common bonds be able to serve their different membership groups with actual physical credit union locations. In this proposal, the NCUA has ignored that Congressional mandate by declaring that online internet channels are included in the definition of a "service facility." Congress, not the NCUA, should make that kind of significant policy change.

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 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

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covering the whole state. It is very difficult to see how an entire state can be considered a "local" community. Using that logic, one can only assume that the NCUA's next proposed change to the Field of Membership Manual will be declaring every state to be a "local" community because the state shares the same United States Senators. After that, perhaps the NCUA will approve the entire United States to be one "local" community because we all share the same President of the United States. The term "local" is supposed to have meaning separate from the term "well-defined." This part of the proposal ignores Congress's intent and the plain language of the FCU Act. That aspect of the proposal clearly goes too far.

Congress has set the limitations for geographic fields of membership. The National Credit Union Act states that the NCUA may approve a geographic charter if the credit union will serve a "well-defined, local community." In issuing this proposal, the NCUA completely ignores the word "local." Congress clearly intended the word "local" to be a limiting term. Otherwise, Congress would have only required that a geographic area be "well-defined." A regulatory agency is supposed to implement statutory language, not ignore it. With this proposal, the NCUA goes too far.

Credit unions receive extremely generous tax and regulatory advantages. In exchange for those advantages, credit unions have some limitations. The credit union industry does not like those limits, so it continually challenges them. They have asked Congress to give them more commercial lending authority. When Congress fails to give the credit unions this additional authority, the credit unions ask that the NCUA give them the additional authority. The NCUA then finds different ways to give the credit unions what they want, even though Congress has never authorized it. The credit unions want more expansive fields of membership. Congress has never given them this expanded authority. The NCUA then proposes this rule, which is inconsistent with the plain language of the National Credit Union Act. These types of significant policy changes should come from Congress, not the NCUA.

Credit unions, with the support of the NCUA, continue to move further and further from the original credit union model. Credit unions were once small, close-knit co-operatives making consumer loans to low- and moderate-income people. Today's credit unions are massive, extremely profitable financial institutions focused on serving wealthy consumers and large businesses. The NCUA has allowed this shift to occur, and by taking official regulatory actions like this current proposal, it can be argued that the NCUA has encouraged this shift to happen. Today's massive, aggressive growth credit unions bear no resemblance to the credit unions that had once earned their tax and regulatory advantages. No one should be surprised when Congress decides that it is time to eliminate those tax and regulatory advantages.

The NCUA has been criticized for being a "cheerleader" for the credit union industry rather than a regulator. Actions like this proposal show why the NCUA has earned that reputation. This proposal is clearly about giving the credit unions what they want so that they can continue their rapid growth, rather than ensuring that the NCUA upholds the requirements of the FCU Act. I urge the NCUA to withdraw the proposed changes to the Field of Membership Manual.

Thank you for the opportunity to comment on this reckless proposal. If the credit union industry wishes to operate exactly like a bank, then regulate and let them pay taxes like a bank.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Zaruba". The signature is stylized and cursive.

Mark A. Zaruba
Executive Vice President