FEB05'16 PM 2:19 BOARD

Highland Bank

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

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Please withdraw the misguided proposal to revise the NCUA Chartering and Field of Membership Manual.

As a bank that paid over $1.1 million in taxes in 2015 and had to compete against many non-tax paying entities, we need to limit who and how the tax exemption granted to Credit Unions is being used. We'd like to not pay taxes either, but then who would do our part in keeping the country funded? We do our share.

From a legal standpoint, the expansion of the membership rules is extremely suspect. As a regulator, the NCUA is supposed to implement laws as they are written by Congress. The proposed commercial lending rule gives credit unions some new powers that Congress has never authorized, while this new field of membership rule completely ignores the plain language of the federal credit union statutes. For example, the Federal Credit Union Act (FCU Act) states that the NCUA may approve a credit union's request for a geographic field of membership only if the proposed geographic area is a "well-defined, local community." This NCUA proposal would amend the credit union field of membership rules so that very large geographic fields of membership would automatically be approved by the NCUA. Specifically, the proposal states that an entire Congressional district would automatically be approved by the NCUA as an acceptable "well-defined, local community." Well-defined? Probably. Local? No way. In Minnesota, the 8th Congressional District stretches from International Falls over to Grand Portage and then down to Cambridge. The 7th Congressional District ranges from Warroad down to Pipestone. Driving that distance takes 7 hours, yet the NCUA would mandate that people living in those two cities are part of the same "local" community.

In the FCU Act, the word "local" is supposed to be a limitation. It is supposed to have independent meaning, separate from the term "well-defined." This proposal's broad, sweeping language ignores Congress's clear statutory language. The NCUA justifies this change by stating that sharing the same member of Congress means that people in the whole district have a common tie. They may have a common tie, but using that tortured logic, everyone in the country has a common tie of having the same President of the United States. Should the whole United States be one "local" community, too?

I spoke with one Credit union lender this year that generated over $70 million in Commercial RE loans in our service area in the last 12 months. They funded projects

that normally would have been customer of a bank like ours. Now those projects are being funded by NCUA members and the interest revenue from them are not subject to taxation.

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