



New Hampshire Bankers Association

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

February 3, 2016

Dear Secretary Poliquin,

On behalf of the thirty-seven member banks of the New Hampshire Bankers Association (NHBA), I am writing to express our deep concern regarding the National Credit Union Administration's (NCUA's) proposed rule on Chartering and Field of Membership Manual for federal credit unions. The NHBA opposes this proposal, which ignores Congressional intent and would greatly distort the field of membership for credit unions. We urge NCUA to reconsider its rulemaking.

The changes that NCUA is proposing are sweeping and stand to undermine legislative authority and intent. In 1998, Congress amended the Federal Credit Union (FCU) Act, placing limits on credit union charters and specifically defining "local" as a means of narrowing their geographic scope. This was appropriate, because as credit unions were permitted to enjoy certain tax benefits of their charter, those advantages should be combined with well-defined limitations on the size of credit unions and the scope of their activities. Through its action, Congress acknowledged that for credit unions to fulfill their public mission, there needed to be a meaningful affinity and bond among members in the local community in which they serve.

However, NCUA's proposed rule would redefine a local community, equating it to a Combined Statistical Area and a Congressional District, and expand the rural district population limit by four times the current threshold to one million – nearly the *entire* population of the State of New Hampshire. Such a blatant disregard for Congressional intent is an astonishing abuse of NCUA's rulemaking authority, and relieves credit unions from any obligation at all to focus their public mission on local communities and a common bond of membership.

Congress previously directed NCUA to keep credit unions small and to focus their activity on specific groups that lack access to financial services. 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." The proposed rule violates that directive by changing NCUA's process to include a streamlined determination for stand-alone groups (ranging between 3,000-4,999 members) that seek to be added to the field of membership of an existing multiple common bond credit union.



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The majority of New Hampshire's banks serve customers in their surrounding community. As tax exempt institutions, credit unions already have a distinct and unfair advantage over our community banks, and this proposed rule would exacerbate that problem.

Our hometown banks directly support the state and their communities through corporate income taxes, while credit unions are exempt from this major expense. Banks participate in the Community Reinvestment Act (CRA) to make loans to low- and moderate-income borrowers, but credit unions are exempt from CRA and do not bear the cost of compliance. Despite this slanted tax and regulatory playing field, New Hampshire banks have maintained a stronger commitment to the state's most disadvantaged areas, providing more access to banking and financial services in underserved markets than subsidized credit unions according to a 2014 economic study.¹

This latest proposal by NCUA is yet another example of federal rulemaking run amok, and it suggests that NCUA is captive to its regulated institutions. Not only is this a solution searching for a problem, but it will further threaten community banks' ability to offer competitively priced products and services to consumers, while also expanding lines of credit and economic capital for communities.

The NHBA is committed to working toward the betterment of the financial services industry and the economy of our state and nation. It is for that reason we urge the wholesale withdrawal of this proposed rule, and for NCUA to consider Congressional intent before moving forward with any changes to credit union chartering and field of membership. If credit unions wish to look and act like banks, then they should bear the same tax and regulatory obligations as banks.

Sincerely,

Christiana Thornton
President & CEO

cc: Sen. Jeanne Shaheen
Sen. Kelly Ayotte
Rep. Frank Guinta
Rep. Ann McLane Kuster

¹ *How Public Policies are Changing the Competitive Market for Banking Services in New Hampshire*, Polecon Research, March 2014