**From:** Dave Nelson
**To:** _Regulatory Comments
**Cc:** John Sorensen (jsorensen@iowabankers.com); Doug Gulling
**Subject:** West Bank Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
**Date:** Wednesday, February 03, 2016 3:07:29 PM

---

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

West Bank Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond

Dear Mr. Poliquin:

As a banker, I am concerned about the impact of further expanding the credit union industry's potential field of membership through the proposed rule on Chartering and Field of Membership. The provisions of this proposal, when implemented all together, would provide federal credit unions with the opportunity to increase membership drastically, resulting in a broad expansion of the credit union industry's income tax subsidy.

• My bank serves customers and the surrounding community, and unfair competition from the credit union industry impacts my business. The University of Iowa Credit Union (no affiliation to the University of Iowa), headquartered in eastern Iowa, recently entered central Iowa. We are seeing this credit union offer interest rates on commercial real estate loans that are fixed at a below market rate for an extended period. These are terms that would be considered unsafe and unsound for a commercial bank.

Banks are not tax exempt, but are for-profit businesses attempting to balance offering products and services to best serve customers while growing the business to offer more lines of credit and other economic capital to communities. The University of Iowa Credit Union reported net income of $38.7 million and Americans paid their income taxes for them.

Part of the rationale for why Americans should pay credit union income taxes for them is because credit unions are supposed to serve the needs of poor people. That is not happening in Iowa. Of the seven Iowa credit union branches opened during 2015, only one served a low-income community. Another one served a middle-income community. The remaining five served upper income communitites.

• 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. Congress understood that if community credit unions were to fulfill their public mission, there needed to be a legitimate shared bond among members, even amending the FCU Act in 1998, to include the term "local." Combined with the terms "well-defined," it is clear Congress intended to impose finite and narrow limits on the area that a community credit union may serve. This proposal goes beyond any reasonable definition of local and well-defined. The

proposed rule intends to treat a Combined Statistical Area and a Congressional District as a well-defined local community. In addition, the proposal expands the rural district population limit by four times the current threshold to one million.

• Congress deliberately instructed NCUA through the FCU Act to keep credit unions small and focused on providing services to specific groups that lack other access to financial services. The proposal would disregard this Congressional directive by modifying NCUA's process for assessing stand-alone feasibility of groups that seek to be added to the field of membership of an existing multiple common bond credit union by allowing a streamlined determination for groups with between 3,000 and 4,999 potential new members.

This letter demonstrates that such a broad expansion of authorities as proposed greatly undercuts Congressional-mandated limits on field of membership and will lead to a broad expansion of the credit union industry's tax subsidy—already valued at $26.75 billion over the next 10 years. This abuse of regulatory authority has vast implications for both marketplace dynamics and the potential increase of tax subsidies at a time when governments are working with large budget deficits. It is clear that the NCUA Board has blatantly disregarded Congressional intent and is overstepping its regulatory reach.

Sincerely,

David D. Nelson
Chairman and CEO
West Bank
1601 22nd Street
West Des Moines, Iowa 50266

This e-mail, including attachments, is covered by the Electronic communications Privacy Act, 18 U.S.C. 2510-2521, is confidential, and may be legally privileged. If you are not the intended recipient, you are hereby notified that any retention, dissemination, distribution, or copying of this communication is strictly prohibited. Please reply to the sender that you have received the message in error, and then please delete it. Thank you.