

From: [Sue Coldwell](#)
To: [Regulatory Comments](#)
Subject: Sue Coldwell Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
Date: Thursday, January 14, 2016 3:26:30 PM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

Sue Coldwell Comments on Notice of Proposed Rulemaking Regarding Associational
Common Bond

Dear Gerard Poliquin:

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 tax subsidy. I believe finalizing this proposal will place the credit union industry's tax exempt status in jeopardy.

- My bank serves customers and the surrounding community, and competition from the credit union industry impacts my business. As an example, my bank competes directly with a Seattle-based Salal Credit Union in an indirect niche market. They have now expanded their indirect program to include the states of Oregon, California, Idaho and Colorado, to name a few. Their charter is open to Washington State residents only. They are qualifying out-of-state customers through a donation to their Salal Foundation. This is a blatant violation of their charter and it creates an unfair advantage for them as they can get into these states and offer lower rates since they are not taxed. 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.
- 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. As I noted earlier, credit unions are not respecting their approved charters and are offering membership to otherwise unqualified areas through donations to non-profits.
- 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. Salal CU (f/k/a Group Health CU) is a perfect example of a credit union that has moved away from its common bond and is ignoring its charter. On a separate note, they take it even farther with their marijuana deposit and lending programs. but they started doing this when Credit Union regulators were onsite conducting an exam, so that's an example of the lack of regulatory oversight they have.

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.

Thank you for taking the time to read my concerns and the concerns of other bankers in the industry. It is time reel in the credit unions and make them stick to their membership charter. If not, then tax them. We play by the rules or FDIC comes down hard. So should the NCUA on rogue Credit Unions.

Sincerely,
Sue Coldwell
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