

From: [Michael Hardy](#)
To: [Regulatory Comments](#)
Subject: Michael Hardy Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
Date: Monday, February 08, 2016 6:43:25 PM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

Michael Hardy Comments on Notice of Proposed Rulemaking Regarding Associational
Common Bond

Dear Gerard Poliquin:

Act Requesting to ease rules on Credit Union Membership

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.

- My bank serves customers and the surrounding community, and unfair competition from the credit union industry impacts my business. For instance, credit unions consistently can beat a bank on loan pricing due to the fact that they don't have to pay taxes that a bank pays. 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. A good example locally is Utah is that one credit union in particular started as a small credit union with members that were Federal Employees of the Air Force Base contiguous with Layton, Utah. Over the years, membership requirements have broadened and now you can find members of that credit union living a state away in Mesquite Nevada, even though they have nothing to do with being Federal employees or living in a closer service area. This Credit Union. America First Credit Union is now a several billion dollar institution with branches throughout the State of Utah. This is not right nor is it fair competition.

- 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 is well seen in America First Credit Union in the State of Utah. Their service area has expanded far beyond their charter.

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.

I urge congress and the regulators of Credit Unions to carefully examine the original charter of the Credit Union movement. It was put together to help groups of people who did not have access to traditional access to banking services. The Credit Unions have now expanded far beyond their original charter and have become now banks who don't have to pay taxes and who therefore have unfair advantages over institutions that can also provide banking services.

Sincerely,
Michael Hardy
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