

**From:** [Paul W. Simmons](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond  
**Date:** Monday, February 08, 2016 12:40:18 PM

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Gerard Poliquin  
National Credit Union Administration  
Alexandria DC 22314

## 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.

- My Savings Association is Mutually chartered, serves customers and the surrounding community, and unfair competition from the credit union industry impacts my business. For instance, a large credit union headquartered in the San Francisco Bay Area's Silicon Valley is known to "poach" commercial real estate loans in my community, some 50 miles away. 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. My Savings Association specializes in the origination of loans secured by apartment buildings and I'm finding that Credit Unions are now aggressively competing for that business, which flies in the face of their mission, that serving peoples of modest means.
- 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.

My Thrift was founded some 53 years ago and retains its Mutual Charter. In fact, First Federal S & L is the sole remaining Thrift in California with such a charter. We operate with similar philosophies and in fact, were tax exempt many years ago. I believe that the current Credit Union proposal is unfair given the enormous tax exemption that your industry enjoys. Further expansion with relaxed membership requirements should come with the same tax obligations that Banks and Savings Associations have been burdened with for the last sixty-years.

Thank-you,

Paul W. Simmons  
President/CEO  
First Federal Sav. & Loan  
Association of San Rafael

Sincerely,  
Paul W Simmons  
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San Rafael, CA 94901