

From: [Brian Holst](#)
To: [Regulatory Comments](#)
Subject: Brian Holst Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond
Date: Friday, January 15, 2016 10:38:07 AM

Gerard Poliquin
National Credit Union Administration
Alexandria DC 22314

Brian Holst 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 bank serves customers and the surrounding community, and unfair competition from the credit union industry impacts my business. For example, a nearby credit union advertises vehicle loans with APRs as low as 1.75%. This is an APR we, as a tax-paying bank, simply cannot compete with, especially when we have deposit accounts paying APYs as high as 2.01%. 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.
- 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. For example, a local credit union, Deere Harvester Credit Union opened its doors serving a small number of

members with a common bond. Specifically, employees of the local Deere & Company assembly plant were eligible for membership. As the credit union expanded using its tax-advantaged status, it changed its name to DHCU to obscure its origins to Deere & Company when membership was allowed for all local residents. And, just last year, it again changed its name to Vibrant Credit Union.

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.

It is particularly frustrating to see credit unions in my hometown leveraging their tax-advantaged status for activities such as driving a converted VW bus around town to hand out ice cream sandwiches at random public locations. Such an activity is not in keeping with the reason Congress granted credit unions tax-advantaged status. Yet my family and I personally pay more in federal income taxes than the entire credit union industry, while the industry uses their tax-advantaged status for such frivolous activities.

It is imperative of the NCUA, as the regulator of the industry, to step up and ensure the tax privilege enjoyed by credit unions is used as it was intended, and not eroded further by allowing large swaths of a given state to be eligible for membership to a credit union.

Sincerely,
Brian Holst
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