

**From:** [David W Barnes](#)  
**To:** [Regulatory Comments](#)  
**Subject:** [David W. Barne] Comments on Notice of Proposed Rulemaking Regarding Associational Common Bond  
**Date:** Thursday, February 04, 2016 4:10:31 PM

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Gerard Poliquin  
National Credit Union Administration  
Alexandria DC 22314

[David W. Barne] 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. The credit union in Pulaski offers 2% car loans to anyone who applies. We have never seen anyone denied credit because of failure to membership requirement. We cannot compete with that because we are taxed at a 40% rate when state taxes are considered as well as the federal. 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. We compete

with Redstone FCU in Lincoln County, Tennessee. Redstone began servicing the people working on the Redstone Arsenal grounds in Huntsville, Alabama but have now reached across the state line and include almost everyone in Lincoln County, Tennessee as potential 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.

To have begun with the stated purpose of providing financial services to people of modest means, the credit unions today have strayed from their purpose and the intent of Congress. The credit unions we compete with target those members of the community with stronger earning capacity. None reach out to those with needs. Outreach to the underserved is left to tax paying financial institutions while the credit unions extend credit to those who can obtain credit anywhere they apply. Please do not allow further expansion at the expense of tax paying financial institutions.

Sincerely,  
David W Barnes  
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