

**From:** [Stephanie Halverson](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Credit Union membership expanded - please consider  
**Date:** Thursday, January 28, 2016 1:02:56 PM

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January 28, 2016

Mr. Gerard Poliquin,  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

RE: Comments on Proposed Revisions to the NCUA Chartering and Field of Membership Manual,  
Part 701

Dear Mr. Poliquin:

I am writing to the National Credit Union Administration (NCUA) today to urge you to withdraw the proposal to revise the NCUA Chartering and Field of Membership Manual.

I am the Head Teller at the Bank of Zumbrota, a community bank in Southern Minnesota. Recently I was reflecting on how many people I know in my area who own small businesses and was reminded again of how small businesses including Community Banks are the backbone of our countries economy. Please consider the following when deciding on whether to support it or not.

Federal agencies are supposed to implement the laws as they are written by Congress. In several important ways, this proposal ignores Congress's express language in the Federal Credit Union Act (FCU Act). For example, the FCU Act requires a multiple common bond federal credit union to have a service facility within reasonable proximity to any "additional group" added to its field of membership. With that statutory language, Congress clearly intended that credit unions with multiple common bonds be able to serve their different membership groups with actual physical credit union locations. In this proposal, the NCUA has ignored that Congressional mandate by declaring that online internet channels are included in the definition of a "service facility." Congress, not the NCUA, should make that kind of significant policy change.

The changes proposed for the geographic field of membership rules are far too broad. The FCU Act requires that a geographic field of membership must be a "well-defined, local community." In this proposal, the NCUA mandates that a single Congressional district is automatically a "well-defined, local community." That change defies logic in many cases. Minnesota has eight Congressional districts, and a couple of them are very large, geographically. Minnesota's 7<sup>th</sup> Congressional District covers 33,429 square miles, and it takes seven hours to drive from one end of the district to the other. There is no way that people living seven hours apart from each other would believe that they are part of the same "local" community. And in seven states, it is even worse because there is just one Congressional district covering the whole state. It is very difficult to see how an entire state can be considered a "local" community. That aspect of the proposal clearly goes too far.

The proposal states that a single Congressional District is automatically a "well-defined, local community." Minnesota has eight Congressional Districts, and a couple of them are very large, geographically. In many cases the districts are also very different from an economic standpoint. While represented by the same member of Congress, the regions that make up Minnesota's 8<sup>th</sup> Congressional District could not be more different. This district includes the port city of Duluth, the resorts in the Brainerd lakes area, the mining operations on the Iron Range, the paper mills in Grand Rapids and the dairy farms of Morrison County. There is no overarching theme or defining characteristic that would suggest that this sprawling, 27,908 square-mile district is a single "local"

community. And in seven states, it is even worse because there is just one Congressional district covering the whole state. It is very difficult to see how an entire state can be considered a “local” community. That aspect of the proposal clearly goes too far.

The proposal states that a single Congressional District is automatically a “well-defined, local community.” The NCUA believes that the fact that the district shares the same member of the United States House of Representatives means that the district is a “local” community. Using that logic, one can only assume that the NCUA’s next proposed change to the Field of Membership Manual will be declaring every state to be a “local” community because the state shares the same United States Senators. After that, perhaps the NCUA will approve the entire United States to be one “local” community because we all share the same President of the United States. The term “local” is supposed to have meaning separate from the term “well-defined.” This part of the proposal ignores Congress’s intent and the plain language of the FCU Act.

Congress has set the limitations for geographic fields of membership. The National Credit Union Act states that the NCUA may approve a geographic charter if the credit union will serve a “well-defined, local community.” In issuing this proposal, the NCUA completely ignores the word “local.” Congress clearly intended the word “local” to be a limiting term. Otherwise, Congress would have only required that a geographic area be “well-defined.” A regulatory agency is supposed to implement statutory language, not ignore it. With this proposal, the NCUA goes too far.

Credit unions receive extremely generous tax and regulatory advantages. In exchange for those advantages, credit unions have some limitations. The credit union industry does not like those limits, so it continually challenges them. They have asked Congress to give them more commercial lending authority. When Congress fails to give the credit unions this additional authority, the credit unions ask that the NCUA give them the additional authority. The NCUA then finds different ways to give the credit unions what they want, even though Congress has never authorized it. The credit unions want more expansive fields of membership. Congress has never given them this expanded authority. The NCUA then proposes this rule, which is inconsistent with the plain language of the National Credit Union Act. These types of significant policy changes should come from Congress, not the NCUA.

Some credit unions have remained true to the original credit union model. They continue to have a tight common bond, and they continue to focus on serving the credit needs of individuals, and especially people of modest means. Other credit unions have become massive institutions serving huge geographic territories. By requiring that a geographic credit union serve a “well-defined, local community,” Congress clearly intended that the word “local” should serve as a limitation on credit unions. With this proposal, the NCUA is ignoring the plain language in the National Credit Union Act. A federal regulatory agency should know better.

Credit unions, with the support of the NCUA, continue to move further and further from the original credit union model. Credit unions were once small, close-knit co-operatives making consumer loans to low- and moderate-income people. Today’s credit unions are massive, extremely profitable financial institutions focused on serving wealthy consumers and large businesses. The NCUA has allowed this shift to occur, and by taking official regulatory actions like this current proposal, it can be argued that the NCUA has encouraged this shift to happen. Today’s massive, aggressive growth credit unions bear no resemblance to the credit unions that had once earned their tax and regulatory advantages. No one should be surprised when Congress decides that it is time to eliminate those tax and regulatory advantages.

Credit unions have changed significantly in the past couple decades. Credit unions used to serve members that were part of a strict “common bond,” a tightly-knit group of people working for the same employer, living in the same neighborhood or attending the same church. Credit union members knew each other, in the spirit of a true co-operative. The NCUA’s “field of membership” rules have gradually relaxed over time, allowing credit unions to rapidly grow. A Minnesota credit union was originally formed to serve a single church congregation. After multiple expansions, the credit union now serves 17 Minnesota counties. Credit union members no longer know each other and have only very weak ties to one another. Losing that defining characteristic now means that the massive credit unions are indistinguishable from the banks against which they compete. No one should be surprised when Congress reconsiders the credit unions’ tax and regulatory advantages.

The NCUA has been criticized for being a “cheerleader” for the credit union industry rather than a regulator. Actions like this proposal show why the NCUA has earned that reputation. This proposal is clearly about giving the credit unions what they want so that they can continue their rapid growth, rather than ensuring that the NCUA upholds the requirements of the FCU Act. I urge the NCUA to withdraw the proposed changes to the Field of Membership Manual.

The NCUA has been criticized for being a “cheerleader” for the credit union industry rather than a regulator. This proposal is a good example of how the NCUA has earned that reputation. The NCUA has always gone out of its way to encourage credit union growth and expansion. However, with this proposal the NCUA ignores the plain language of the FCU Act. I urge the NCUA to withdraw the proposed changes to the Field of Membership Manual.

Thank you for your consideration,

Stephanie J. Halverson, Head Teller

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