



William P. Hayes
Chairman, President and CEO

February 4, 2016

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

Dear Mr. Poliquin:

Thank you for permitting me the opportunity to comment on the expansion of NCUA's proposal to expand the Field of Membership Rules. As a banker and CEO of a small regional community bank, 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. I have experienced first-hand the impact of credit union competition for business real estate loans when a local credit union won a \$2 million loan for a small business loan that was being refinanced by a very high net worth individual. The credit union arrived on the scene and offered a rate that was lower than the rate at which my bank could borrow funds from the FHLB, and after my bank had beat out 6 taxpaying commercial banks for the deal. 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. The Credit Union which we lost out to is many times larger than my community bank and growing very rapidly due to advertising that incorporates no real reference to membership qualifications.

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. There are simply too many examples across Pennsylvania of credit unions that long ago abandoned their field of membership constraints and that are now at more than double the rate of our community banks. As a consequence of the extremely unlevelled playing field, many of the smaller community banks are concluding that they are no longer sustainable. The unbridled expansion of credit unions beyond traditional common bonds has dire implications for the future of the economic fabric of this country, and I urge you to reconsider your proposal.

The fact is, and I have seen the evidence first-hand, such a broad expansion of authorities as proposed greatly undercuts Congressional-mandated limits on field of membership and will lead to an 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.

Sincerely,



William P. Hayes
Chairman, President and CEO

cc: Congressman Glenn Thompson
124 Cannon HOB
Washington, DC 20515

Senator Bob Casey, Jr.
393 Russell Senate Office Building
Washington, D.C. 20510

Senator Pat Toomey
248 Russell Senate Office Building
Washington, D.C. 20510