

Please Do Not Reply To This Email.

Public Comments on Alternative Capital: =====

Title: Alternative Capital  
FR Document Number: 2017-01713  
RIN:  
Publish Date: 2/8/2017 12:00:00 AM

Submitter Info:  
First Name: Michael  
Last Name: Lahr  
ZIP/Postal Code: null  
Email Address: null  
Organization Name: null  
Comment: Mr. Gerald Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

RIN:  
Docket ID: NCUA-2017-0007  
FR #: 2017-01713

Subject: Comments on Advance Notice of Proposed Rulemaking for Supplemental Capital  
Dear Mr. Poliquin:

Thank you for the opportunity to provide comments on the National Credit Union Administration (NCUA) proposal for alternative capital for credit unions.

Here's my personal experience with credit unions: As a young man I worked for Burlington Northern Railroad and joined the old Great Northern credit union because that's just what employees there did. That credit union merged into St. Cloud Federal Credit Union. I kept an account open there while I changed jobs and began working for AT&T, whereupon I joined the Telco credit union. I would deposit \$5 or \$10 every week into my Telco savings account until one day the teller told me that if I was only going to deposit such a small amount, they didn't need my business. I closed the account that moment, walked across the street and opened a checking account at TCF bank where I was warmly welcomed. Thankfully, depositing larger amounts of money wasn't a prerequisite at the bank as it was at the credit union chartered to serve those of less means.

I still kept my St. Cloud Federal Credit Union account open, even moved my home mortgage to PHH through them after my original loan was sold to Wells Fargo where I received very poor customer service, even unto predatory lending practices.

A few years ago, St. Cloud Federal Credit Union started deducting \$10 a month from my account because it was dormant. Just like the mega banks do. I closed that account, too. My 87-year-old mother, with a fixed income, has an account at SCFCU and they charge her for monthly, paper statements. Just like the mega banks do.

My point? Credit Unions are no longer "credit unions" as they once were, nor do they have any affinity for the poor, the underserved or underbanked. They are now banks. They should be regulated like banks and pay taxes like banks, particularly because their "fields of membership" have few, if any, limitations, and because they want to expand their commercial lending portfolios to rival banks' and because, by seeking alternative capital they are abandoning the last shred of their operating practices as "credit unions." I, as a tax-paying, non-customer, no longer want to subsidize the phony, government-subsidized credit union industry.

Giving credit unions the flexibility to add leverage to their balance sheets adds tremendous risk to financial institutions that are supposedly chartered to serve

Submitter Info.txt

stakeholders of "limited means in limited geographical areas" and fundamentally changes their mutual ownership structure. One of the reasons federal credit unions are exempt from taxation is because of their mutual ownership structure and their inability to access the capital markets. This proposal, if implemented, would result in credit unions having an ownership structure similar to most taxpaying banks with a category of investors whose interests are inconsistent with those of its mutual owners. No longer will there be any legal justification for credit unions to remain tax-exempt. How can you not see this?

Not only are credit unions not positioned to issue alternative capital instruments through their mission, they have a proven inability to properly manage alternative capital in the form of secondary capital as it exists today. The secondary capital that is outstanding today is concentrated in four low income-designated credit unions. By the NCUA's own admission, the failure rate of low income credit unions with secondary capital is 3.5 times the rate of failure of low income credit unions that do not have secondary capital issued. This is a strong indicator that the issuance of alternative capital by credit unions will eventually lead to an entire category of financial institutions collapsing under the weight of improper leverage resulting in widespread failures and taxpayer bailouts. Furthermore, allowing credit unions to issue supplemental capital raises federal and state securities law issues that will put credit unions at risk for being sued for anti-fraud claims and other securities law violations.

The NCUA should focus on the intended mission of credit unions which is to serve people of modest means through a mutual ownership structure. IT IS NOT THE MISSION OF CREDIT UNIONS TO ISSUE SUBORDINATED DEBT INSTRUMENTS TO WEALTHY INVESTORS. If the NCUA allows credit unions to raise alternative capital, then Congress should reexamine the tax exempt status of federal and state credit unions.

Sincerely,

Michael G. Lahr  
Rice, MN

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

RIN:  
Docket ID: NCUA-2017-0007  
FR #: 2017-01713

Subject: Comments on Advance Notice of Proposed Rulemaking for Supplemental Capital  
Dear Mr. Poliquin:

Thank you for the opportunity to provide comments on the National Credit Union Administration (NCUA) proposal for alternative capital for credit unions.

Here's my personal experience with credit unions: As a young man I worked for Burlington Northern Railroad and joined the old Great Northern credit union because that's just what employees there did. That credit union merged into St. Cloud Federal Credit Union. I kept an account open there while I changed jobs and began working for AT&T, whereupon I joined the Telco credit union. I would deposit \$5 or \$10 every week into my Telco savings account until one day the teller told me that if I was only going to deposit such a small amount, they didn't need my business. I closed the account that moment, walked across the street and opened a checking account at TCF bank where I was warmly welcomed. Thankfully, depositing larger amounts of money wasn't a prerequisite at the bank as it was at the credit union chartered to serve those of less means.

I still kept my St. Cloud Federal Credit Union account open, even moved my home

Submitter Info.txt

mortgage to PHH through them after my original loan was sold to Wells Fargo where I received very poor customer service, even unto predatory lending practices.

A few years ago, St. Cloud Federal Credit Union started deducting \$10 a month from my account because it was dormant. Just like the mega banks do. I closed that account, too. My 87-year-old mother, with a fixed income, has an account at SCFCU and they charge her for monthly, paper statements. Just like the mega banks do.

My point? Credit Unions are no longer "credit unions" as they once were, nor do they have any affinity for the poor, the underserved or underbanked. They are now banks. They should be regulated like banks and pay taxes like banks, particularly because their "fields of membership" have few, if any, limitations, and because they want to expand their commercial lending portfolios to rival banks' and because, by seeking alternative capital they are abandoning the last shred of their operating practices as "credit unions." I, as a tax-paying, non-customer, no longer want to subsidize the phony, government-subsidized credit union industry.

Giving credit unions the flexibility to add leverage to their balance sheets adds tremendous risk to financial institutions that are supposedly chartered to serve stakeholders of "limited means in limited geographical areas" and fundamentally changes their mutual ownership structure. One of the reasons federal credit unions are exempt from taxation is because of their mutual ownership structure and their inability to access the capital markets. This proposal, if implemented, would result in credit unions having an ownership structure similar to most taxpaying banks with a category of investors whose interests are inconsistent with those of its mutual owners. No longer will there be any legal justification for credit unions to remain tax-exempt. How can you not see this?

Not only are credit unions not positioned to issue alternative capital instruments through their mission, they have a proven inability to properly manage alternative capital in the form of secondary capital as it exists today. The secondary capital that is outstanding today is concentrated in four low income-designated credit unions. By the NCUA's own admission, the failure rate of low income credit unions with secondary capital is 3.5 times the rate of failure of low income credit unions that do not have secondary capital issued. This is a strong indicator that the issuance of alternative capital by credit unions will eventually lead to an entire category of financial institutions collapsing under the weight of improper leverage resulting in widespread failures and taxpayer bailouts. Furthermore, allowing credit unions to issue supplemental capital raises federal and state securities law issues that will put credit unions at risk for being sued for anti-fraud claims and other securities law violations.

The NCUA should focus on the intended mission of credit unions which is to serve people of modest means through a mutual ownership structure. IT IS NOT THE MISSION OF CREDIT UNIONS TO ISSUE SUBORDINATED DEBT INSTRUMENTS TO WEALTHY INVESTORS. If the NCUA allows credit unions to raise alternative capital, then Congress should reexamine the tax exempt status of federal and state credit unions.

Sincerely,

Michael G. Lahr  
Rice, MN