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Public Comments on Alternative Capital: =====

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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:

I appreciate this opportunity to comment on the National Credit Union Administration (NCUA) proposal for alternative capital for credit unions. If credit unions are authorized flexibility to add leverage to their balance sheets it fundamentally changes these financial institutions that are chartered to serve stakeholders of limited means in limited geographical areas. The main reason 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 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. If they want to operate like a bank then they should pay income tax on earnings.

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.

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