May 30, 2023

Via Electronic Submission

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314–3428

RE: Docket Number NCUA– 2022–0179, Chartering and Field of Membership

Dear Secretary Conyers-Ausbrooks:

On behalf of the Independent Community Bankers of America (“ICBA”),[1] I am writing in response to the National Credit Union (“NCUA”) Board’s proposal that would make nine changes to the existing chartering and field of membership (“FOM”) manual. Although the Board states its intentions are to streamline application requirements and clarify procedures, ICBA believes that the Board’s changes will unintentionally exacerbate the consolidation of the credit union industry. ICBA is concerned that, if finalized, these changes will further enable growth-obsessed, national credit unions to either acquire credit unions in rural markets, or leverage their size to the detriment of existing credit unions and locally-based financial institutions in those markets.

[1]*The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.*

With nearly 50,000 locations nationwide, community banks employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than $5.8 trillion in assets, over $4.8 trillion in deposits, and more than $3.8 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America. For more information, visit ICBA’s website at www.icba.org.

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Overview of Proposal

Four of NCUA's nine changes focus on the requirements that multiple common bond federal credit unions ("FCU") must meet in order to add underserved areas. The Board also proposed to reduce requirements for community-chartered FCUs to submit business and marketing plans, such as eliminating the business and marketing plan requirement for federally insured, state-chartered credit unions that seek to convert to a federal charter while serving the same community FOM. Finally, the proposal seeks to broaden FOM eligibility for individuals related to the primary member of the credit union, and it adds a fifth affinity category for community charters to allow for employees of companies headquartered within a FCU's FOM.

ICBA Comments

Of the nine changes proposed, ICBA takes most issue with the provision that removes restrictions on multiple common bond credit unions expanding their FOM through the addition of underserved areas. The FCU Act permits only multiple common bond FCUs to add underserved areas to their FOM beyond the common bond requirements specified in the FCU Act, so long as certain restrictions are followed, and criteria are met.

One of these current restrictions is the prohibition of allowing a FOM boundary to exceed the outer borders of states that are immediately contiguous to the state in which the credit union maintains its headquarters. The Board is proposing to remove this restriction, thereby allowing multiple common bond credit unions to add underserved FOMs in rural districts, "without regard to location."

ICBA believes that permitting multiple common bond credit unions to add underserved areas that include rural districts will usher in a new wave of super-regional credit unions, whose geographic footprint will cover thousands of miles. Unlike community charter credit unions, which are typically limited to one geographic footprint, which may include a rural area spanning thousands of miles, ICBA is not aware of a similar restriction that would limit multiple common-bond charter FCUs from adding multiple underserved rural areas within their FOMs. Not only would this new breed of credit unions be able to serve millions of consumers across the country through their affiliation with existing affinity groups, but they will be able to add members across the country based in rural areas.

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While this proposal is certainly a windfall for large credit unions that are able to capitalize on economies of scale and aggressive growth, it should be more soberly viewed as just one more avenue toward the consolidation of the credit union marketplace, or at the very least, a greater proliferation of super-large credit unions that have a national presence.

Conclusion

In closing, larger, out-of-market institutions – be that they are banks or credit unions – displace locally based community financial institutions. A market dominated by large institutions is less competitive, creates systemic risk that will result in fewer choices for consumers and small businesses, and ultimately less favorable rates and pricing. ICBA urges the Board to focus less on identifying creative paths for large credit unions to continue their expansion, often at the cost of smaller financial institutions.

If you have any questions or would like additional information, please do not hesitate to contact me, Michael Emancipator, at (202) 659- 8111 or michael.emancipator@icba.org.

Sincerely,

/s/

Michael Emancipator
Vice President and Regulatory Counsel

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

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