



*Serving South Dakota's Financial Services Industry Since 1885*

February 4, 2016

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

Dear Mr. Poliquin:

I am writing this letter on behalf of the 78 members of the South Dakota Bankers Association to express banker concerns about the NCUA's field of membership expansion proposals. By redefining what constitutes a local community and a rural district, your agency is effectively authorizing the creation of a well-defined local community that encompasses the entire state of South Dakota. How can anyone rationalize that a geographical area covering 77,116 square miles meets the definition of a well-defined local community? In my state, your agency's proposal will effectively allow the development of a state-wide, tax exempt bank. I challenge the NCUA to justify how Congress could have ever envisioned such an entity when it created the common bond credit union charter and granted that limited charter a full exemption from federal and state taxation more than 80 years ago.

I find considerable irony in this current field of membership expansion proposal when I view its potential effects alongside the NCUA's recently approved expansion of Black Hills Federal Credit Union's (BHFCU) "rural" community charter (see attached map). Historically, BHFCU's membership area consisted of 4 counties located in the Black Hills region of western-most South Dakota (purple shaded area). In 2011, NCUA granted a 3 county expansion of BHFCU's "rural" community charter (yellow shaded area). Then in 2014, BHFCU opened a branch in the capitol city of Pierre (Hughes County), located approximately 180 miles east of its Rapid City headquarters. It is worth noting that BHFCU chose to leap-frog over rural Haakon and Stanley counties all the way to Pierre, the hub of state government. It is difficult to make a case that the communities of Pierre and Fort Pierre were somehow underserved with 8 banks and 2 other credit unions already serving a combined population of about 15,000 residents, not a rural area by South Dakota standards.

More recently in July, 2015, NCUA granted another expansion of BHFCU's "rural" community charter. This expansion into 8 counties extending about 200 miles to the south and east (pink cross-hatched area), takes BHFCU to South Dakota's fastest growing county of Lincoln. Already at \$1.07 billion in assets, according to NCUA, this expansion has the potential to more than double BHFCU's current membership base, adding 228,000 new members. Given BHFCU's past practice of leap-frogging areas that are truly rural, it is logical to assume that their next branch may well be located somewhere on the south edge of greater Sioux Falls, just across the Lincoln / Minnehaha county line. Let me assure you that the residential and commercial business characteristics of the high growth area of northern Lincoln County would not fit any reasonable person's definition of rural. Similarly, the income characteristics of the people living in northern Lincoln County wouldn't fit a reasonable definition of "people of modest means". Given those socioeconomic and demographic realities, I challenge the NCUA to explain the public interest being served by expanding access to tax-payer subsidized credit in this manner.

The NCUA's current proposed rulemaking aimed at expanding field of membership requirements, at least for some, appears in many respects to be a regulator attempting to codify what is already current practice. For my state, the NCUA appears to be saying:

- It is perfectly acceptable to ignore the congressional rationale for common bond requirements.
- It is perfectly acceptable to ignore the congressional basis for connecting credit unions' tax exemptions with service to people of modest means.
- It is perfectly acceptable to promote the formation of state-wide, tax-exempt full service banking institutions.

Providing tax-payer subsidized financial services of any kind, to people of any income, anywhere appears to be reflect what the NCUA believes to be sound public policy. As a taxpayer, I fundamentally disagree with that position.

The broad expansion of authorities currently being proposed by the NCUA significantly erodes Congressionally mandated field of membership limits. In my state, you have already granted a 350-mile expansion of the field of membership of South Dakota's only billion-dollar credit union, potentially doubling its field of membership. At over \$1 billion in assets, Black Hills Federal Credit Union is already larger than all but a handful of South Dakota's community banks. NCUA's proposed field of membership expansion will further enhance their advantages as a large, tax-exempt lender. This industry's tax exemption already costs the federal treasury nearly \$2.7 billion per year. Here in South Dakota, the associated loss in state and local tax revenues exceeds \$1 million annually. NCUA's aggressive proposals to facilitate substantial expansions of tax-exempt credit unions' fields of membership will serve to increase those tax-expenditures without benefit of any Congressional oversight. The members of the South Dakota Bankers Association will be sure to inform the members of our delegation accordingly.

Sincerely,



Curtis A. Everson  
President

Enclosure

cc. The Honorable John Thune, United States Senate  
The Honorable Michael Round, United States Senate  
The Honorable Kristi Noem, United States House of Representatives

# Black Hills Federal C.U. Footprint

