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July 6, 2020

Gerard Poliquin  
Secretary of the Board, National Credit Union Administration  
1775 Duke Street,  
Alexandria, VA 22314–3428

Re: RIN 3133-AF15

Dear Mr. Poliquin:

I write on behalf of the Nebraska Bankers Association (NBA) to express strong opposition to the National Credit Union Administration's (NCUA) proposed rule that would allow large credit unions to issue subordinated debt as an alternative form of capital. The Nebraska Bankers Association (NBA) is a trade association that represents 174 of the 180 commercial banks and savings institutions in the state of Nebraska.

The NCUA proposal to allow credit unions to issue alternative capital not only undermines the foundation of credit unions' tax-exempt status, but it also usurps Congressional authority by approving the use of investor-raised funds to satisfy regulatory capital requirements, an area Congress clearly restricted to retained earnings in the Federal Credit Union Act. The proposal could jeopardize the safety and soundness of the credit union system and burden American taxpayers who provide a backstop for such high-risk financial institutions.

Credit unions are afforded tax-exempt status, in part, because they lack access to capital markets to raise equity. If the rule is adopted as proposed, that constraint will be eliminated, giving credit unions the ability to grow well beyond their mission of serving people of limited means. NCUA has itself acknowledged that the use of secondary capital by low-income credit unions has contributed to rapid growth and higher failure rates in those credit unions. Notwithstanding, NCUA proposes to extend and expand that authority for the industry's largest credit unions despite clear congressional intent to the contrary and significant risk to the Share Insurance Fund.

The NCUA has systematically taken actions to eliminate the traditional "trade-offs" for the credit union tax exemption by expanding the field of membership and low-income

credit union designations and the pending proposal to accelerate the purchase of tax-paying banks by credit unions. These actions make the current proposal of even greater concern.

Of specific concern is the accelerating pace of the purchase of community banks by tax-exempt credit unions. If credit unions are able to access funding through subordinated debt offerings, they'll have more cash on hand to acquire tax-paying banks in communities across America, and harm local governments that depend on federal, state, or local income taxes. For every bank acquired by a tax-exempt credit union, tax revenues that could be used to fund and invest in opportunities and essential services that lead to community development, stability and growth are reduced.

Credit unions cannot have it both ways. If their tax-exempt status is to be maintained, they should be required to abide by the regulatory restrictions intended to limit their ability to grow only through the reinvestment of retained earnings and should retain the common-bond and community focus upon which the tax-exempt status was originally based. The pending proposal moves credit unions further away from their original purpose.

In closing, we strongly oppose NCUA's proposal to allow credit unions to issue subordinated debt to satisfy their risk-based capital needs. This proposal goes beyond the limits of Board authority under the Federal Credit Union Act, removes any justification for the industry's tax-exempt status, puts the credit union Share Insurance Fund at risk and should not be adopted.

Very truly yours,



Richard J. Baier  
President & CEO

/tjm