



April 11, 2016

Ms. Shari Shivers
General Counsel
Credit Union Department
914 East Anderson Lane
Austin, Texas 78752-1699

Re: Proposed amendments to 7 TAC §91.301

Dear Ms. Shivers:

Thank you for the opportunity to submit comments on the Credit Union Department's (Department) proposal that would expand the field of membership requirements for state chartered credit unions. On behalf of the close to 500 members of the Texas Bankers Association, this letter serves as our formal opposition to this proposal.

The proposed changes to §91.301(a) seek to expand the field of membership local service area to consist of one or more contiguous political subdivisions. Based on the minutes from recent Credit Union Commission meetings, there seems to be no empirical evidence supporting the need for this change. In fact, the minutes from both the October 15, 2015 and March 3, 2016 Rules Committee meetings simply include a statement by Commissioner Feeney that changes to §91.301 are needed to “fulfill both the public policy considerations and modernize the field of membership rule.”

The broad definition of “political subdivision” gives our members cause for concern as it relates to using one or more contiguous political subdivisions as a basis for determining a credit union's field of membership. The Local Government Code's inclusion of counties, municipalities, special districts, school districts, junior college districts, housing authorities, or other political subdivisions of this state is troubling enough; stretching this even further to include the political subdivisions of *any other state* (emphasis added) leaves bankers to wonder if there are any limits to who state and federal regulators will deem to be within credit unions' fields of membership. We think not. Additionally, it is not without irony that we note this expansion of the field of membership area for Texas chartered credit unions is essentially drawn along taxing districts' boundaries.

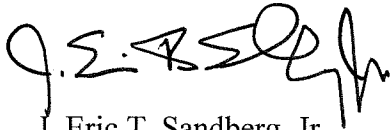
We find the proposed amendments to §91.301(e) to be especially questionable. Having worked on Representative Johnson's 84R HB 1626, and its predecessor legislation in prior legislative sessions, the notion that this bill requires the Credit Union Department to expand its definition of

Founded in 1885, TBA represents the FDIC insured institutions in Texas — with members ranging from the smallest bank in the nation to the largest bank in the nation. This includes 85 percent of Texas banks, 90 percent (5,300) of bank branches and 95 percent of Texas deposits.

“underserved communities” in order to comply with the law is simply false. The law does require the Finance Commission and Credit Union Commissions to administer and monitor a banking development district program to encourage the establishment of branches of financial institutions in geographic areas where there is a demonstrated need for financial services. However, based on the minutes from the March 3, 2016 Rules Committee meeting, Commissioner Feeny seems to be stating that the expansion of §91.301(e)(1) is needed to “fully implement the intent of HB 1626”. Because the Texas Administrative Code already clearly defines what “underserved communities” are, we are hard-pressed to understand why this section of the Texas Administrative Code needs to be amended to include underserved areas. The circuitousness of this argument is troubling to say the least. It seems abundantly clear to the Texas banking industry that if communities are underserved as “underserved communities” as defined in the Texas Administrative Code today, those areas have a “demonstrated need for financial services”, thus there is no need for a change to this particular regulation. The fact that neither the Commission nor the Commissioner has offered a justification for this proposed change, other than HB 1626 requires it, which again it does not, is troubling. We believe further explanation is needed on this item before any action is taken.

I would be more than happy to discuss these concerns with you should you like any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Eric T. Sandberg, Jr.", with a stylized flourish at the end.

J. Eric T. Sandberg, Jr.
President & CEO