

105TH CONGRESS
1ST SESSION

H. R. 1121

To amend the Federal Credit Union Act to clarify existing law and ratify the longstanding policy of the National Credit Union Administration Board with regard to field of membership of Federal credit unions and to repeal the Community Reinvestment Act of 1977, and to provide for a reduced tax rate for qualified community lenders.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1997

Mr. PAUL introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Federal Credit Union Act to clarify existing law and ratify the longstanding policy of the National Credit Union Administration Board with regard to field of membership of Federal credit unions and to repeal the Community Reinvestment Act of 1977, and to provide for a reduced tax rate for qualified community lenders.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Financial Freedom Act
3 of 1997”.

4 **SEC. 2. FIELD OF MEMBERSHIP OF FEDERAL CREDIT**
5 **UNIONS.**

6 Section 109 of the Federal Credit Union Act (12
7 U.S.C. 1759) is amended by striking “Federal credit
8 union membership shall be limited to groups having a
9 common bond” and inserting “the membership of any
10 Federal credit union shall be limited to 1 or more groups
11 each of which have (within such group) a common bond”.

12 **SEC. 3. REPEAL OF COMMUNITY REINVESTMENT ACT OF**
13 **1977.**

14 The Community Reinvestment Act of 1977 (12
15 U.S.C. 2901 et seq.) is hereby repealed.

16 **SEC. 4. REDUCED TAX RATE FOR QUALIFIED COMMUNITY**
17 **LENDERS.**

18 (a) IN GENERAL.—Section 11 of the Internal Reve-
19 nue Code of 1986 (relating to tax on corporations) is
20 amended by adding at the end the following new sub-
21 section:

22 “(e) REDUCED TAX RATE FOR QUALIFIED COMMU-
23 NITY LENDERS.—

24 “(1) IN GENERAL.—In the case of a qualified
25 community lender, the tax imposed by subsection (a)

1 for any taxable year shall not exceed 15 percent of
2 the excess (if any) of—

3 “(A) taxable income for such year, over

4 “(B) \$250,000.

5 “(2) QUALIFIED COMMUNITY LENDER.—For
6 purposes of this paragraph, the term ‘qualified com-
7 munity lender’ means an insured depository institu-
8 tion (as defined by section 3(e) of the Federal De-
9 posit Insurance Act) if, as determined at the end of
10 the institution’s taxable year—

11 “(A) 60 percent of the aggregate outstand-
12 ing loans made by such institution, its parent,
13 and its affiliates, consist of loans made to bor-
14 rowers who are—

15 “(i) not related persons with respect
16 to such institution, and

17 “(ii)(I) are residents of the local com-
18 munity in which such institution is char-
19 tered, or

20 “(II) are engaged in a trade or busi-
21 ness in such community, but only if such
22 loans are made with respect to such trade
23 or business in such community,

24 “(B) two-thirds or more of the common
25 stockholders of record of such institution or its

1 parent company are residents of, or engaged in
2 a trade or business in, such community,

3 “(C) less than 10 percent of all outstand-
4 ing common stock of such institution or its par-
5 ent is owned directly or indirectly by persons
6 other than individuals,

7 “(D) neither the common stock of such in-
8 stitution nor the common stock of its parent is
9 publicly traded on an established securities
10 market, and

11 “(E) the aggregate assets of such institu-
12 tion, its parent, and its affiliates do not exceed
13 \$5,000,000,000.

14 “(3) DEFINITIONS AND SPECIAL RULES.—For
15 purposes of this subsection—

16 “(A) AFFILIATE.—The term ‘affiliate’,
17 with respect to any institution, has the meaning
18 given such term by paragraphs (1) and (2) of
19 section 23A(b) of the Federal Reserve Act (de-
20 termined without regard to section
21 23A(b)(2)(E) of such Act).

22 “(B) PARENT.—

23 “(i) IN GENERAL.—The term ‘parent’
24 means, with respect to an institution—

1 “(I) any company which has con-
2 trol of such institution, and

3 “(II) any company which has
4 control of a company described in sub-
5 clause (I).

6 “(ii) COMPANY AND CONTROL.—The
7 terms ‘company’ and ‘control’ have the re-
8 spective meanings given such terms by sec-
9 tion 2 of the Bank Holding Company Act
10 of 1956.

11 “(C) RELATED PERSON.—Persons shall be
12 treated as related to each other if the relation-
13 ship between such persons is described in sec-
14 tion 267(b) or 707(b).

15 “(4) INFLATION ADJUSTMENT.—In the case of
16 a taxable year beginning in a calendar year after
17 1997, the \$250,000 amount contained in paragraph
18 (1)(B) shall be increased by an amount equal to—

19 “(A) such dollar amount, multiplied by

20 “(B) the cost-of-living adjustment under
21 section 1(f)(3) for the calendar year in which
22 the taxable year begins, determined by sub-
23 stituting ‘calendar year 1996’ for ‘calendar year
24 1992’ in subparagraph (B) thereof.

1 If any amount as adjusted under the preceding sen-
2 tence is not a multiple of \$500, such amount shall
3 be rounded to the nearest multiple of \$500.”

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years ending after the
6 date of the enactment of this Act.

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