and their community is surpassed by none.

J.J. Chestnut and John Gibson leave behind loving wives and children. I offer my heartfelt condolences to both families and their friends, and, on behalf of this body, I know I speak for all of our colleagues in saying they will long be remembered for their friendship and their courage.

TRIBUTE TO THE CAPITOL POLICE FORCE

Mr. BENNETT. Mr. President, I wish to make a personal comment about the tragedy that occurred in this building on Friday and add my voice to those that have been raised in tribute to the professionalism, the courage, and the compassion of the members of the Capitol Police Force.

I remember, when I first came to Washington as an intern in 1950 as a student from the university, the Capitol Police Force was affectionately referred to as the ''campus cops.'' It was a patronage job, and people who served on the Capitol Police Force in those days were appointed by their Senators. Usually, they were law students who were going to school at George Washington University that taught the entire curriculum at night. So the Capitol Police could earn their way through law school by sitting at their various stations in the Capitol during the daytime and taking their classes at night. One of the more prominent attorneys in Salt Lake City got his law degree that way and said he did all of his studying at his desk as a Capitol policeman and commented, ''If I had ever been called upon to draw my weapon, I wouldn't have known what to do. I would have been scared to death if anybody had ever confronted me in my position as a policeman.''

That was the situation 40, 45 years ago. The professionalism of those who did draw their weapons and handled them expertly in the crisis that occurred last Friday demonstrates how far we have come and how great a debt those of us who labor here, hopefully doing the people's business, have to those who have produced that kind of professionalism and produced that kind of change from what we once had. It is a sad commentary that we need this kind of professional force and we don't have the kind of society that could get by with ''campus cops'' of the kind that were here that many years ago, but it is comforting to know, in the face of that need, we have people of the caliber that we do have serve us. I add my voice to those that have been raised in tribute to those who serve us in that capacity.

TRIBUTE TO OFFICERS CHESTNUT AND GIBSON

Mr. MURKOWSKI. Mr. President, I rise to pay tribute to the memory of the two Capitol Hill Police officers who gave their lives in the line of duty Friday afternoon.

Jacob J. Chestnut and John Gibson were dedicated officers whose deaths are mourned by all of us on Capitol Hill, and by many across America.

A sense of genuine grief grips us as we come to terms with the tragedy that unfolded in our midst on Friday. At the same time, we stand in awe of the heroism they and other officers displayed in ending a gunman's rampage and saving the lives of innocent citizens.

Jacob Chestnut and John Gibson were committed to the United States, having sworn to protect lawmakers, citizens, and the peace as Capitol Police Officers. While I did not have the honor of knowing them personally, I am truly grateful for their dedication and service—as well as the dedication and service of all who serve as police officers.

As a father of six and grandfather of eleven, I know how important family is. The loss of a son, father, husband, and friend is devastating. My thoughts and prayers and those of my wife Nancy are with those who knew and loved these two quiet heroes.

Officer Gibson has left behind his wife, Evelyn, and three children. While the loss of Officer Gibson as a father and husband is immeasurable, I know his memory will be a source of strength for his family.

Officer Chestnut is survived by his wife, Wen-Ling, and five children: Joseph Chestnut, William Chestnut, Janet Netherly, Janece Graham, and Karen Chestnut. Grief has surely stricken this family and the death of their cornerstone can never be as deeply felt by others, but Officer Chestnut died a hero, protecting his country as he had sworn to do both during his years in the Air Force and as a Capitol Police Officer.

Mrs. Chestnut, Mrs. Gibson—please accept our condolences are prayers. We are all indebted to both your husbands for their dedication and their selfless, heroic acts.

I yield the floor.

IN HONOR OF LIEUTENANT GENERAL DAVID McCLOUD

Mr. MURKOWSKI. Mr. President, I rise today to speak about another very tragic incident which took place this last weekend. Yesterday, Lieutenant General David J. McCloud, commander of all the military forces in Alaska, was killed when his YAK–54 stunt plane went down over Fort Richardson. Lewis Cathrow, of Alexandria, Virginia, was also killed in this tragic crash.

I had the pleasure of knowing David McCloud; although not nearly as well as I would have liked. He and his wife Anna came to Alaska this past December, when he took over as commander of the Alaskan command. As some of my colleagues may be aware, this post carries the distinction of being responsible for all of the more than 21,000 active duty and reserve personnel from all branches of the Army, Air Force, Navy, and National Guard in Alaska. But it also means that he is a key member of our community. And, Mr. President, this is how David should be remembered, as a member of our community.

David McCloud died doing what he loved—flying. Before he took the post in Alaska, he told me of his plan to purchase a stunt plane, and how he had flown virtually every type of plane in our Air Force fleet, including the B1–B bomber and most of the fighter models used by our Air Force during the last 30 years.

General McCloud will be sadly missed by many. My deepest condolences go out to his wife, Anna, and to his family and friends. They will be in my thoughts and prayers during this difficult time.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there a further request for morning business?

If not, morning business is closed.

CREDIT UNION MEMBERSHIP ACCESS ACT

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of H.R. 1151, the Credit Union Membership Access Act, which the clerk will report.

The bill clerk read as follows:

A bill (H.R. 1151) to amend the Federal Credit Union Act to clarify existing law with regard to the field of membership of Federal credit unions, to preserve the integrity and purpose of Federal credit unions, to enhance supervisory oversight of insured credit unions, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

Gramm amendment No. 3336, to strike provisions requiring credit unions to use the funds of credit union members to serve persons not members of the credit union.

Mr. HAGEL addressed the Chair.

The PRESIDING OFFICER. The distinguished Senator from Nebraska is recognized.

AMENDMENT NO. 3337

(Purpose: To amend the bill with respect to limits on member business loans, the definition of a member business loan, and experience requirements for member business lending)

Mr. HAGEL. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Nebraska [Mr. HAGEL], for himself, Mr. NICKLES, Mr. ROBERTS, Mr. HELMS, Mr. SHELBY, Mr. ENZI, and Mr. GRAMS, proposes an amendment numbered 3337.

Mr. HAGEL. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 54, strike lines 12 through 21 and insert the following:

''(a) TOTAL AMOUNT PERMISSIBLE.—

''(1) IN GENERAL.—On and after the date of enactment of this section, no insured credit union may make any member business loan that would result in a total amount of such loans outstanding at that credit union at any one time equal to more than the minimum net worth required under section 216(c)(1)(A) for a credit union to be well capitalized.

On page 55, strike line 10, and insert the following:

''(c) EXPERIENCE REQUIREMENT FOR MEMBER BUSINESS LENDING.—Beginning 3 years after the date of enactment of this section, each employee or related person of an insured credit union shall have not less than 2 years of direct professional experience in the member business lending field before making or administering any member business loan on behalf of the insured credit union.

''(d) DEFINITIONS.—As used in this section—

On page 56, strike lines 1 through 5.

On page 56, line 6, strike ''(iv)'' and insert ''(iii)''.

On page 56, line 12, strike ''(v)'' and insert ''(iv)''.

Mr. HAGEL. Mr. President, I am offering this amendment today on behalf of myself, Senators BENNETT, NICKLES, ROBERTS, HELMS, SHELBY, ENZI, and GRAMS.

Before I address this amendment, I want to say that I am grateful, as all our members on the Banking Committee, for Chairman D'AMATO bringing this important piece of legislation up, focusing on it with some dispatch, getting it out of committee and onto the floor of the Senate. Also, I wish to thank the ranking member of the Banking Committee, Senator SARBANES, for his leadership as well.

As I suspect, both Chairman D'AMATO and Senator SARBANES are not going to agree with my amendment. Nevertheless, I am grateful that they have focused on this issue and provided the kind of leadership that is important on these financial service matters.

Mr. President, I support credit unions and the cost-efficient service they provide to their members.

Our amendment, which we are offering today, is not designed to hurt credit unions. To the contrary, our amendment is designed to keep credit unions strong, secure, and focused on their special role of serving consumers. It does that by preventing the unchecked expansion of credit unions into commercial lending. Currently, there are no limitations on how much commercial lending in which a credit union may engage.

Let me emphasize that our amendment does not prevent credit unions from making commercial loans.

Our amendment has essentially three main points:

First, we would lower the commercial lending cap contained in H.R. 1151 from 12.25 percent of a credit union's assets to 7 percent of a credit union's assets. This would establish for the first time a cap on commercial lending by credit unions. But the cap currently contained in H.R. 1151 is arbitrary, and because of an accounting loophole, is essentially meaningless.

We share with the authors of H.R. 1151 the belief that credit union commercial lending should be limited. But we also believe those limits should be relevant and be meaningful. The 12.25 percent of assets commercial lending cap now in H.R. 1151 is completely arbitrary. Our amendment's 7-percent cap is tied directly to the amount of capital that H.R. 1151 requires a ''well-capitalized'' credit union to keep in reserve.

Let me explain what this means.

Credit unions, like all other financial institutions, are required by their regulators to keep a certain amount of ready capital on hand as a cushion in case of hard times—a sort of ''rainy day'' fund. H.R. 1151 would, for the first time, establish a target amount of capital that a well-capitalized credit union should keep in reserve, and would prohibit credit unions from making commercial loans if they fall too far below that target. By tying commercial loans dollar for dollar to capital reserves, we strengthen the safety and soundness of credit unions that choose to engage in business lending. We must make sure that credit unions cannot risk more of their loan portfolio on commercial ventures than they have reserve capital ready to back up the loans if those loans go bad.

We protect the consumer. We protect the credit union members. Credit unions would have a 3-year grace period to comply with this cap.

Our amendment will help H.R. 1151 to better achieve its main purpose, which is described, by the way, in the Banking Committee report on H.R. 1151. This is the actual language coming out of the Senate Banking Committee. And I quote:

> . . . [to] ensure that credit unions continue to fulfill their specified mission of meeting the credit and savings needs of consumers, especially persons of modest means, through an emphasis on consumer rather than business loans.

Second, our amendment would require that all of a credit union's commercial loans must count toward its cap.

Current National Credit Union Administration policy, which would be codified by H.R. 1151, excludes any commercial loans made to a single member that totals less than $50,000 from being counted as commercial loans.

Mr. President, you heard it right. That is right. Current regulations, which H.R. 1151 would codify, say that a commercial loan is not a commercial loan if it is less than $50,000.

With this loophole, there is no accurate, full, or honest accounting for commercial lending in credit unions. This makes no sense. No other financial institution enjoys this sort of charade and slight of hand. This loophole makes any commercial lending cap meaningless, because it permits an unlimited number of commercial loans so long as each of those loans is less than $50,000.

Our amendment would require truth in accounting—truth in accounting—for all commercial loans.

Third, our amendment codifies current NCUA policy that requires a credit union to use qualified personnel to administer commercial loans. Our language states that a commercial loan officer must have 2 years experience in his field. This is a commonsense provision that needs to be codified. For those smaller credit unions that feel this would be a new regulatory burden, there are three responses.

We are simply codifying current NCUA policy, and we provide a 3-year phase-in for compliance with this provision. The experience requirement will not force credit unions who make a few small commercial loans to hire a full-time staffer. The NCUA's general counsel has stated that this requirement could be met by hiring contract assistance on a case-by-case basis.

This is a very basic safety and soundness provision.

Let me be very clear about what our amendment does not do.

Our amendment does not—does not—restrict credit for farmers, small business owners, or low-income areas that rely on credit unions.

That's because H.R. 1151, as reported by the Banking Committee, already contains several generous exceptions to the commercial lending cap—and our amendment does nothing to change these important exceptions. The four exceptions are:

First, a credit union that is primarily engaged in business lending, which includes agricultural and small business lending, will not be subject to the commercial lending cap. That means those credit unions that qualify for this exemption can make agriculture or small business loans without any limits.

Second, a credit union that is chartered for the purpose of business lending will not be subject to the cap. This means an agriculture co-op credit union would be exempt from the cap.

Third, a credit union that serves predominantly low-income members will be exempt from the cap. This ensures that low-income areas, many of them located in urban areas, are not hurt by the new commercial lending restrictions.

Fourth, a credit union that is determined to be a ''community development financial institution,'' as defined in existing banking law, will be exempt from the cap. This exception is intended to help low-income community development efforts across the Nation.

Mr. President, only 13 percent of the 11,400 credit unions across this country, including Federal- and State-chartered, have any commercial loans at all. That is according to the Credit Union National Association.

Our amendment has absolutely no effect on the other 87 percent of credit unions that choose not to make commercial loans.

And even of that 13 percent of credit unions that are in the commercial lending business, the vast majority will not be restricted by the 7 percent of assets cap that our amendment proposes.

That is because commercial loans currently constitute only 1 percent of total credit union assets, according to the Credit Union National Association.

Why should credit unions be subject to a meaningful commercial lending cap? There are several answers to that question.

First, credit unions, as stated in the preamble of the Federal Credit Union Act of 1934, were created by Congress to make, and I quote from the preamble: ''credit more available to people of small means.'' To achieve this goal, Congress exempted credit unions from paying Federal income taxes. Credit unions do not pay any Federal income taxes. When thrifts were exempt from income taxes before 1952, Congress prohibited them from making any commercial loans because of their tax-exempt status.

A second reason to have meaningful limits on commercial lending is to ensure fair competition—competition between small banks and credit unions in the commercial lending arena. Credit unions' tax exemption allows them to offer lower interest rates on loans and higher interest rates on savings accounts and certificates of deposit.

The third reason to have meaningful limits on commercial lending is to protect taxpayers by ensuring the safety and soundness of the credit union system. The Federal Government stands behind each credit union depositor, insuring deposits up to $100,000. If a serious financial crisis in the credit union system depleted the Credit Union Share Insurance Fund—which is Federal deposit insurance for credit unions—then the Federal Government would have to step in with taxpayer funds to protect depositors against loss.

I have several concerns about credit union safety and soundness:

First, unlike banks and thrifts, credit unions—as non-profit entities—cannot issue stock to replenish their capital reserves during hard times. That's a real weakness when a quick capital infusion is needed—such as during a time of defaults, such as during the 1980s when we all recall the tragedy of the S&Ls, when capital levels fell quickly and new capital was required immediately.

Second, we've seen commercial loans put credit unions in danger before. Rhode Island experienced a credit union crisis in 1991 that resulted in the failure of a State-chartered private deposit insurance fund. The crisis was, in part, caused by excessive and risky commercial lending. Thirteen of the State's credit unions were permanently closed, and the state sought Federal assistance to repay depositors.

Third, by their own admission, credit unions make loans to those who don't qualify for credit at banks.

This is their strength. This is the strength of a credit union, serving those who do not receive service at traditional financial institutions. However, this is also a very important area of concern, because this means credit unions are many times making very high risk loans to people whose credit history makes them ineligible for loans elsewhere.

Fourth, all banks and thrifts are required to abide by risk-based capital standards. This means they must set aside more capital, depending on how risky their loans are. Unfortunately, credit unions don't have risk-based capital standards today. Now, H.R. 1151 makes a weak, valiant but weak, attempt to address this issue by regulating capital standards for ''complex credit unions,'' but that effort is neither clear nor meaningful. That is why our 7-percent-of-assets cap, which ties credit union commercial loans dollar for dollar to capital reserves, makes sense. This protects the credit union members whose money is at risk.

In summary, our amendment strengthens the safety and soundness of credit unions with open and honest accounting. It brings market fairness to the relationship between tax-exempt credit unions and tax-paying small community banks, and it refocuses the original intent of credit unions on consumer loans and services. I hope my colleagues will support this important amendment.

I reserve the remainder of my time and yield the floor.

The PRESIDING OFFICER. The distinguished Senator from Utah is recognized.

Mr. BENNETT. I thank the Chair.

Mr. President, let me give you a little history as I see it with respect to this bill and why this amendment, in my view, makes sense.

We are here because the Supreme Court has ruled that the NCUA, the regulatory body dealing with credit unions, has been misapplying the law since 1982. The Supreme Court in response to lawsuits that were brought before it has ruled that credit unions have grown in violation of the law, or have engaged in actions that are a violation of the law since 1982.

Since those credit unions were following the dictates of the NCUA, their regulator, it would be unfair to penalize the credit unions; they were playing by the rules as they understood them. And when the rulemaker itself was the agency that was making a mistake, it is not fair to penalize the people who followed those rules. But we have to change the rules if they have been improperly applied, and that is what the result of the Supreme Court decision has presented us.

We have decided, as a Congress, that we are going to change the rules, that we are going to now codify that which has been done since 1982, and I think it is right and proper that we do so. I am in favor of doing that, however much that may disappoint the banks that were hoping that with the winning of this lawsuit they could turn the clock back to 1982. But we cannot. We must say that those who have appropriately opened accounts at credit unions will have those accounts protected, and that we will not turn the clock back that many years.

As we have done this, we have raised the maximum size of an employee group which is eligible to affiliate into a multiple common bond credit union from 500 to 3,000. That is a sixfold increase, and the 3,000 employee threshold encompasses 99 percent of all businesses in America. There are only 16 private companies in my entire State that employ more than 3,000 people. So this is a major step forward to support and encourage the credit union movement, and I believe it is the real heart of the bill that is before us, and I support this activity.

But in the process of dealing with the Supreme Court ruling and making the change about the maximum size of employee groups, the Banking Committee has taken a look at the credit union situation overall and has come to the conclusion, rightly in my view, that in order to protect the safety and soundness of credit unions, there should be a limit on the amount of commercial loans that credit unions make.

The only controversy that we have with respect to the amendment before us is not should there be such a limit but, rather, where should the limit be. As it came out of the committee, the limit was at 12.25 percent of assets, and I supported that. But I recognized that it needed to be looked at more carefully, and as I have looked at it more carefully, along with the other Senators who have cosponsored this amendment, I have come to the conclusion that the limit should be slightly less than the 12.25 that was in the bill from the committee. It should be at 7 percent, which is the amount set aside by regulation as to credit union capital.

Why the lower amount? Well, there are several reasons. One of them that Senator HAGEL has already addressed has to do with safety and soundness and the experience in other States, specifically Rhode Island that had some serious difficulties. We don't want a repeat of those difficulties, and a lower limit is a greater bulwark against those difficulties than the one which is higher.

I am interested that the telephone calls we get in our office as this amendment gets talked about out in the credit union world almost always follow the same dialog.

They say, ''Why is Senator BENNETT proposing an amendment that the credit unions don't like? We thought he supported credit unions.''

Then the member of my staff answering the call said, ''Senator BENNETT is supporting an amendment that would put a limit on commercial loans.''

Then the caller said, ''But credit unions don't make commercial loans.''

Which then puts us in the position to say, ''If that in fact is true, why do you object to a limit?''

Most credit union people who talked to me believe that credit unions make

loans only to individuals. And the credit unions that have come to see me from the State of Utah have all stressed the fact that commercial lending is a very small percentage of their business. Indeed, they say, ''No, we do not go above 5 percent of our total capital involved in commercial loans.''

And, to them I say, once again, ''If you don't go above 5 percent, why would you object to a limit that is at 7 percent? You can continue to do exactly what you are doing under the Hagel amendment, with no difficulty.''

Then, finally, one of them who was seized with a burst of candor cornered me when I was in the State this last time and said, ''We want to grow our commercial loan business, and if you put in the 7 percent cap that you are talking about, we will hit that within a matter of months. We are growing very rapidly. We want the cap higher so we can grow beyond that level.''

This gentleman—and I use the word ''gentleman'' appropriately, because he certainly was in the way he handled himself in our conversation—has, as his background, a career in commercial banking. He, for reasons good and sufficient unto himself, decided he was going to leave the bank that he had worked at most of his life and go to work for a credit union.

Naturally, the thing he wanted to do with his new employer is use his skills to the very best advantage. And since his whole history is in growing commercial loans at the bank for which he had worked, he decided he would now work to grow commercial loans in the credit union where he worked. And he has been very successful. The credit union portfolio of commercial loans under his direction is growing rapidly, growing rapidly to the point that, as I say, if you put a cap at the 7 percent we are talking about with this amendment, his credit union will hit that within a matter of months. And he said, ''Can't you stick with the 12.25 percent that came out of the committee, because we will not hit that for maybe a year or so?''

So, as I said, the issue is not, should we have a cap; the issue is only where should it be. And, because he wants, naturally and properly, to see the amount of portfolio that he is overseeing grow to as big an amount as it possibly can, he wants the cap to be as high as it can. I am very sympathetic to him and, to be honest, I don't think there is a safety and soundness problem in his institution. I think he is properly trained as a banker, so that he can handle commercial loans in a credit union atmosphere and do very well.

But the public policy issue that we have to decide here on this floor is, do we want credit unions in that kind of business in a major way? The 12.25 percent limit in the bill that came out of the committee answers that question, ''Yes.'' That is a fairly major involvement for credit unions. And we run the risk of having those who are not equipped with former commercial bankers, like the man who talked with me, going up to that limit and endangering the savings and the assets of their other members.

One of the aspects of the amendment that is before us to which credit union representatives object says that, if you are going to make commercial loans, you have to have someone in your organization who has at least 2 years of business lending experience—in other words, someone like the man who came to see me while I was back in Utah, who clearly had plenty of years' experience.

Again, I am interested that credit union representatives object to this requirement at the same time they insist they are not in the business of making commercial loans. You cannot have it both ways. If, indeed, you want to get in commercial lending in a big way, you ought to have the requirement that you have someone with experience in commercial lending in a big way. You can't say, ''We want a higher limit for the amount of commercial lending we can do, but we want no requirement that we have anybody around who understands commercial lending.'' This is a recipe for the kind of thing that the Senator from Nebraska has described as already happening in some States.

So, I come back to the basic issue before us: What should be the proper public policy role of credit unions in the financial services mix? I believe credit unions have earned an honored place in that mix. I believe they have demonstrated for the last 60 years that they provide a vital function and that they should be encouraged to continue that vital function, and, indeed, in that function they should be encouraged to grow, and we should create a circumstance in which they can grow and prosper. I believe that this bill does that.

But the policy question is, Should we as a Congress, while fixing the problems created by the Supreme Court decision, at the same time encourage them to grow in a field where, by their own statements and admissions, they have not been in the past? Should we use this bill setting aside a Supreme Court decision as the vehicle to encourage new ventures on the part of credit unions that are ill equipped for those ventures? I think the answer is no, we should not. And, therefore, after studying the matter between markup and the full committee and the floor, I join with Senator HAGEL in saying the limit level should be lower rather than higher with respect to the amount of involvement credit unions should have in commercial lending.

I don't understand why they object to the lower level, because they themselves tell me, ''We are not interested in commercial lending. That is not our bread and butter. That is not our area of expertise. That is not what we are doing.''

And then I say, ''Then why do you object if we put a situation in place that keeps you in your traditional area?''

Finally, I share this one last thought with you, Mr. President. With respect to how important this amendment is to credit unions, in the May 29 National Journal's Congress Daily, the NAFCU vice president, Pat Keefe, is quoted as saying, ''From our point of view, this is not major.''

Mr. Keefe was referring to an amendment that would have imposed tighter restrictions than the one we are talking about. I think he speaks for the vast majority of credit union members who have been in touch with my offices. This is not major for them. I think it is significant for the community banks. I think it is a responsible decision for us to take.

Let me make it clear, if we do not agree to this amendment, I will still support the bill, as I did in the committee, where it had a limit at 12.25 percent. Just because I think the 7 percent is more prudent does not mean that I think this is a deal killer. So, in that sense I guess I am signaling, ''This is not major.'' But, to me, it is major because it is a demonstration of where the public policy ought to be with respect to the thrust and main direction of the credit union movement. They think it is not major. To me, it is. I hope we agree to this amendment.

I yield the floor.

The PRESIDING OFFICER. The distinguished Senator from New York is recognized.

Mr. D'AMATO. Mr. President, I rise in strong opposition to the amendment submitted by the Senator from Nebraska.

I don't believe that the Senator intends to hurt the credit unions, but I think an unintended consequence of his amendment will impose some very real burdens, burdens on 4,000-plus credit unions, the small mom-and-pop credit unions, by including in that cap those loans that are made for $50,000 and under. And, indeed, they are made to the members who want to start businesses, who have an idea, and they believe, given sufficient capital, they can go out there and take an entrepreneurial idea, or maybe they have been working for someone and want to start that business with a small loan. Who better to know and judge than a fellow member? Indeed, it requires a burden as it relates to the kind of people who will now have to be utilized to make that loan. That is a burden. Are we now going to be getting in there, micromanaging the small, well-capitalized credit union with better than 7 percent, 8 percent, 9 percent? I think that this will have an unintended consequence. I know it will. I have heard from people inside credit unions. They have told me.

Now, Mr. President, people will ask, how do we get to 7 percent? And, by the way, how did we get to 12.25 percent? Those are interesting questions. Who determines where a credit union s business lending should or shouldn't stop?

Let's start with the history of this provision.

There was no limitation, Mr. President, none whatsoever, prior to the markup. There wasn t any in H.R. 1151. We approached this in the best way we could. There were no risk-based standards. For the first time we set them up, and we say 7 percent for well-capitalized. That was never intended to be the criterion—to say, ''Therefore, you can only make commercial loans up to 7 percent.''

To take one application when we, for the first time in the history of the credit union movement, say, ''Well-capitalized, 7 percent; adequate capital, 6 percent; and, by the way, if you go under that 6 percent, you can't make any commercial loans,'' I think that is a tremendous step, because we recognize we can't do business as usual. We want to protect the taxpayer, and that is exactly what we did.

We came up with 12.25 because we did not want to create chaos, and we wanted to give those who were involved in commercial loan activity an opportunity to disengage without creating a problem that would be difficult, if not impossible, to handle. By setting that, there will still be a significant number at 12.25 percent. There will be 85 institutions that make 5,400 loans for $250 million, and they will be given 3 years to comply with the cap. So we looked at institutions, and we looked at the numbers of members and we arrived at a number.

The amendment at the desk, in addition to creating a burden that is going to be very difficult for small credit unions to make in terms of who can and can't grant these business loans, it now picks up an additional number of institutions. Mr. President, 177 already exceed the cap. We are talking about well-capitalized institutions that are making loans, have been making loans, and don't have problems, and because we arbitrarily come to 7 percent—and I say ''arbitrarily.'' There is no reason to suggest again that because we deem a bank to be well-capitalized at 7 percent, therefore, we should cap the whole industry at 7 percent. I don't understand it. We will now throw 8,700 of those loans, $360 million, and 177 institutions into an area where they have to begin to disengage to get under this arbitrary number. And it is arbitrary.

We worked with the credit unions for quite a while and with the administration in attempting to come to a number. They weren't happy about our imposing these standards, but we did because it was the right thing to do to protect the taxpayer.

Let me say this to you. Let's look at the totality of this. The unintended consequences of this are going to say, where we have some well-run institutions that are providing their members and their community with these loans and, obviously, there is a need for them, that we are going to preclude them and say, ''Oh, no; just 7 percent.''

Heretofore, we had no limit. I think really we can second-guess everybody and anything, and we can make an appeal to the community bankers: ''We're your best friends, because look what we did.'' Do I really think that is what we should be engaging in? I hope not. Only 13 percent of all of the institutions—that is, 1,551 out of 11,000—make these loans.

Let me leave you with one last thought. If every institution were able to—and I am talking about every credit union, all 11,000, recognizing that only 13 percent make commercial loans—were to be engaged in business lending, the total would come to something under $40 billion nationwide by 11,000 institutions.

Come on, I say to my colleagues, let's be serious. What are we trying to do here? That would be approximately 3 percent of all the commercial loans, $1.1 trillion in commercial loans that are out there.

What are we doing? What are we saying? I think what we are doing is trying to say we are the friend of the community banker, and this is what we are going to do, we are going to be limiting these folks. Instead of saying we have limited, instead of saying this bill does now limit, this bill does have criteria which we never had before, we are going to one-up it, and that is not going to help.

You may say the credit unions will accept this. I have to tell you, we will go to conference, and little does one know what will take place when we get into that conference. I would like to avoid that. I would like to say we have done something that even the Secretary of the Treasury has supported in his letter to Majority Leader LOTT.

Mr. President, I ask unanimous consent that this letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE TREASURY,
Washington, DC, July 13, 1998.

Hon. TRENT LOTT,
Majority Leader, U.S. Senate,
Washington, DC.

DEAR TRENT: I appreciate your scheduling H.R. 1151, the Credit Union Membership Access Act, for Senate floor action beginning July 17. I am writing to urge expeditious Senate passage of the bill—as approved by the Banking Committee on April 30—without any extraneous amendments.

In revising the statute governing federal credit unions' field of membership, the bill would protect existing credit union members and membership groups, and remove uncertainty created by the Supreme Court's AT&T decision.

The bill's safety and soundness provisions would represent the most significant legislative reform of credit union safety and soundness safeguards since the creation of the National Credit Union Share Insurance Fund in 1970. The bill would institute capital standards for all federally insured credit unions, including a risk-based capital requirement for complex credit unions. It would create a system of prompt corrective action—specifically tailored to credit unions as not-for-profit, member-owned cooperatives. It would also take a series of steps to make the Share Insurance Fund even stronger and more resilient.

These reforms involve little cost or burden to credit unions today, yet they could pay enormous dividends in more difficult times.

The bill rightly reaffirms and reinforces credit unions' mission of serving persons of modest means. Section 204 would require periodic review of each federally insured credit union's record of meeting the needs of such persons within its field of membership. This requirement is flexible, tailored to credit unions, and will impose no unreasonable burden. It rests on the Congressionally mandated mission of credit unions and on the benefits of federal deposit insurance. Such deposit insurance gives credit union members ironclad assurance about the safety of their savings, and thus helps credit unions compete for deposits with larger, more widely known financial institutions (just as it helps community banks and thrifts). Section 204 is particularly appropriate in view of how the bill liberalizes the common bond requirement and thus facilitates credit unions' expansion beyond their core membership groups.

Finally, I would like to comment on the safety and soundness of credit unions' business lending. Credit unions may make business loans only to their members, and cannot make loans to business corporations. Under the National Credit Union Administration's regulations, each business loan must be fully secured with good-quality collateral, the borrower must be personally liable on the loan, and business loans to any one borrower generally cannot exceed 15 percent of the credit union's reserves. Credit unions' business loans have delinquency rates that are comparable to those on commercial loans made by community banks and thrifts, and charge-off (i.e., loss) rates that compare favorably with those of banks and thrifts. We believe that existing safeguards—together with such new statutory protections as the 6 percent capital requirement, the risk-based capital requirement for complex credit unions, and the system of prompt corrective action—represent an adequate response to safety and soundness concerns about credit unions' business lending.

We look forward to working with you and other Senators to secure expeditious passage of a clean bill.

Sincerely,

ROBERT E. RUBIN.

Mr. D'AMATO. The letter is addressed to Senator LOTT, the majority leader, with copies sent to myself and Senator SARBANES, the ranking member. He concludes by saying:

> We believe that existing safeguards—together with such new statutory protections as the 6 percent capital requirement, risk-based capital requirement for complex credit unions, and the system of prompt corrective action—represent an adequate response to the safety and soundness concerns about credit unions' business lending.

Mr. President, I believe the 7 percent will constitute a very real and severe burden and hardship. As I mentioned, 85 credit unions already exceed the cap. It is mischief making. The unintended consequences will not improve the safety and soundness of credit union operations. That is just not the case.

I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The distinguished Senator from Maryland is recognized.

Mr. SARBANES. Mr. President, I will be very brief, but I want to follow on the chairman in expressing my opposition to this amendment. The chairman

just quoted from a letter from Secretary Rubin, but I would like to expand that quotation a bit. In his last paragraph, Secretary Rubin said:

Finally, I would like to comment on the safety and soundness of credit unions' business lending.

So he addressed this very issue.

Credit unions may make business loans only to their members, and cannot make loans to business corporations. Under the National Credit Union Administration's regulations, each business loan must be fully secured with good-quality collateral, the borrower must be personally liable on the loan, and business loans to any one borrower generally cannot exceed 15 percent of the credit union's reserves. Credit unions' business loans have delinquency rates that are comparable to those on commercial loans made by community banks and thrifts, and charge-off (i.e., loss) rates that compare favorably with those of banks and thrifts. We believe that existing safeguards—together with such new statutory protections as the 6 percent capital requirement, the risk-based capital requirement for complex credit unions, and the system of prompt corrective action—represent an adequate response to safety and soundness concerns about credit unions' business lending.

It is important to note, of course, that the Secretary is speaking with the benefit of an 18-month—actually, the distinguished Senator from Utah was the one who put the requirement in in the previous piece of legislation for the Treasury to undertake such a study. That study came in a few months ago and then was available to the Treasury, in terms of making recommendations as we address this legislation, and available, of course, to the Members of the Congress.

The Secretary pointed out in his letter:

The bill's safety and soundness provisions would represent the most significant legislative reform of credit union safety and soundness safeguards since the creation of the National Credit Union Share Insurance Fund in 1970. The bill would institute capital standards for all federally insured credit unions, including a risk-based capital requirement for complex credit unions. It would create a system of prompt corrective action—specifically tailored to credit unions as not-for-profit, member-owned cooperatives. It would also take a series of steps to make the Share Insurance Fund even stronger and more resilient.

These reforms involve little cost or burden to credit unions today, yet they could pay enormous dividends in more difficult times.

Mr. President, I think it is important to note that this legislation, as it came to us in the committee, had no limitations. And under the current law and regulations, there are no limitations. So what the committee is doing here is putting in a limitation where none had heretofore existed. So it is not as though the committee simply ignored the assertions that are now being made. The committee reached a decision and struck a balancing point. And that is what is reflected in the legislation.

But as I said, this does place statutory restrictions on member business loans for the first time. In fact, undercapitalized credit unions would not be permitted to increase their net commercial lending. In fact, the restrictions that are in this legislation are tighter than what now applies under the regulations of the National Credit Union Administration.

These loans can only be made to members, not to an outside business corporation. This is consistent with the credit union's mandate to provide services to members, not a broad array of customers, and in and of itself places a significant constraint on credit union commercial lending overall.

I understand the arguments that are being made. I think the committee reached a reasonable process. The $50,000-loan issue, I think, is an important one in terms of the requirements placed upon credit unions. In fact, it is the NCUA, under its regulations, that determines that the dollar amount of risk is very small, small enough that they have regulations that excluded loans less than $50,000 from being counted as a member business loan.

This is the current state of affairs. There are not all that many such loans. But for some credit unions, it is quite important in terms of their member activities. It also avoids the necessity of trying to separate out what is a commercial loan and what is a business loan.

If you buy a pickup truck and use it for business activities, does that then become a commercial loan? And how would the credit unions have to address those kinds of questions?

I say to my colleagues, recognizing the issue that is being raised by the amendment, I simply say that the committee was not oblivious to this issue. We tried to address it, I think, in a sensible and balanced and forthright way. That is why we have the limitations that are contained in the legislation that is before us.

I urge my colleagues not to alter those limitations and, therefore, to reject this amendment.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER (Mr. SESSIONS). The distinguished Senator from Utah is recognized.

Mr. BENNETT. Mr. President, I appreciate the comments made by the chairman and the ranking member of the committee. They underscore my earlier statement that the issue here is not, should we have a limit on commercial lending, but rather, where should it be and what should its terms be?

I agree with the Senator from Maryland that the committee did, indeed, address this; did come to the conclusion there should be some limits on commercial lending, and reached a compromise position that made it possible for us to unanimously report the bill with this limit in it.

Mr. SARBANES. Would the Senator yield for a moment?

Mr. BENNETT. Yes, I am happy to.

Mr. SARBANES. I want to make the observation that I think there are some of my colleagues who believe there should not be any limits.

Mr. BENNETT. I accept that correction.

Mr. SARBANES. The committee crossed that threshold, as it were, by its decision. And I would reflect that here. I do think there are some of our colleagues in this body that do not think there should be limits. They do not concede the point that the Senator is making.

Mr. BENNETT. I thank the Senator from Maryland. I think he is correct that there are some in the body who do not think there ought to be a limit.

If I could just make one comment, the reason there is no limit now is because the original drafters of the legislation creating credit unions never conceived there would be any commercial lending by credit unions. It reminds me a little of the old story, ''Please Don't Eat the Daisies,'' where the kids said, ''Well, you never told us not to.'' And the mother said, ''It never occurred to me that you would, and therefore, I didn't give you those restrictions in the first place.''

But now it has started. I think the committee has rightly and properly said, we want to keep credit unions focused in the area where they have traditionally been focused, providing the service they have traditionally provided. We are going to allow some commercial lending because they have gotten into that area.

But there is empirical evidence that credit unions can get in trouble with their commercial lending. We want to take advantage of that evidence and put a limit on it. So the question is, Should the limit be 12.25 percent? Should it be 7 percent? And should the $50,000 exemption continue?

I realize in responding to the Senator from Maryland that the $50,000 threshold does put some new unchartered territory on this issue. We do not have as much information as we would like. But I will share with the Senate the information that we do have.

During 1992 and 1993, the NCUA required credit unions to collect information on business loans under the threshold, which at that time was $25,000 rather than $50,000. I think it goes to the issue that the chairman raised about the burden that would be placed on credit unions to deal with this kind of requirement. There has been a period in our history when it was there. The NCUA used its authority to put that requirement in place.

During 1992, the only year for which we have complete information, total business loans both above and below the threshold were 1.62 percent of the total outstanding loans. In other words, once again, the credit unions were saying, by their actions, ''We are not primarily involved in commercial lending.'' Of this 1.62 percent, loans above $25,000 constituted 1.42 percent, with loans under $25,000 constituting the remaining .20 percent.

I think this tells us that the terms of this amendment can be adhered to. I think we have some past experience

that says this will not be a burden and particularly, again, this will not be a burden on the small credit unions who do not do this anyway. All we are really saying to them is we do not want you to do it, we do not want you to get into territory that could cause you difficulty.

The question has been raised, How about buying a pickup truck? Is that a business loan or a personal loan? In the hearings some of the credit union representatives said to me, ''Senator, you have to understand, in a credit union every single commercial loan is backed by the personal guarantee of the individual members of the credit union.'' And I said—and I repeat here on the floor—''I have borrowed a lot of money in my lifetime. I borrowed it from commercial banks. I borrowed it for commercial reasons. And in every single instance, I have had to make a personal guarantee. In every single instance, the bank wanted my personal guarantee. Sometimes they wanted my wife's personal guarantee. Sometimes I had the feeling they wanted the promise of our first-born child if we didn't produce—even though this was a business loan—the repayment appropriately.''

So the credit unions are not giving us anything specifically different when they say these are loans only made to members, and they have the members' personal guarantee. That is standard business practice everywhere across the board.

As I said before, for me, this is a public policy debate of, what is it we are trying to do in terms of shaping the direction of the financial services industry?

As I have said many times before, the financial services industry regulatory framework was created at a time when everybody knew where they were—credit unions were a very specific niche. They knew what they did. Commercial banks were a very specific niche. They knew what they did. The same is true of insurance companies and stockbrokers and savings and loans. Everybody had a clear understanding and nobody competed across those lines.

Today, the competition runs across lines everywhere—insurance companies hand out checkbooks. I told a story before when my father died, we notified the life insurance company of his death and awaited a check of the face value of his insurance policy. Instead, we got a checkbook with a notice saying, ''This money has been deposited in this account as of the date of your husband's death''—it was addressed to my mother—''Here is a checkbook. You may write checks on that account and interest will accrue from the date of your husband's death.'' In other words, don't be in a big hurry to take your money away from the insurance company; use it as you would a checking account.

When I purchased some stocks in one situation and I wanted to redeem those stocks under the old regulatory pattern that I was familiar with, I had to go down to the broker and the broker would give me a check. ''No, no, no, no, no,'' the broker says, ''we will give you a checkbook and you can write checks up to the value of your margin account against the margin value of your stocks''—clearly crossing the lines between banks, brokers, and insurance companies and so on.

Now, we are beginning to say we have to create a new regulatory structure for the new reality of the financial services world. We recognize that everybody is in everybody else's business. All we are debating here on this floor is to what degree do we want credit unions to get out of their traditional business into the commercial lending business. I am not sure that says they should make no commercial loans. I think that is appropriate, particularly for the larger and more stable institutions to which the chairman has referred. But as a matter of policy, I think we are saying, I hope we are saying in this amendment, we want credit unions to stay where they have been traditionally.

If we say, ''No, the credit unions should get into commercial lending in a big way,'' then at some point we are going to have to address the issue of taxation. We have not done that in this bill. We should not do that in this bill. It would not be appropriate in this bill. But as a public policy matter, if credit unions are going to get into commercial lending in a major way, the Congress is going to have to address the reality of the tax subsidy that they currently enjoy. I would just as soon avoid that question for awhile. I think keeping the credit unions in a more limited area of commercial lending will help us do that.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Let me address something here. Let's put this in perspective. For the first time, this committee has limited, limited severely—there were no limits before now—when you said you can't do more than 12¼ percent of your assets. If every institution were to do that—which they are not and no one says they are, not even the proponents of this legislation claim that they are going to be doing this—you still would amount to less than 3 percent of all of the commercial loans, if every credit union maximized its commercial loan potential, and they are not doing that. There is no effort to do so.

To come in and arbitrarily say, ''No, no, now we will take a limit''—you place a limit of 12¼ percent—''but this is not good enough, so we will lower to 7. In addition, now we will take the small loans that 5,000 of these institutions make and we will require you to have a person with 2 years' business lending experience on staff to make even the smallest of loans.''

I wonder if my friend knows that is one of the provisions in this amendment.

Now, let's take a look—you will hear that this lending cap is to ''Save the taxpayer.'' That is hokum. If you took all of the ''chargeoffs'' on bad loans, it is .23 percent from commercial banks. And guess what? Credit unions are at .19 percent.

Again, we are for the first time imposing strict standards that credit unions never had before. Now my gosh, if we came with the same bill that the House put here, then I would be here to join my colleague in saying: ''No, we need to make sure that they are well capitalized. No, we will not let banks that are not adequately capitalized and that are in trouble make loans. No, we are going to see to it that you have the kind of loan offices that commercial banks have.''

Why do we want to weight this down? How many angels on the head of a pin? That is the type of debate we are having. Should it be 7 percent? Well, why did we come up with 12¼? Because there would be some disruption, but credit unions could handle it. Now we want to go in and create a situation where you will have 177 credit unions that now make 8,700 loans, $360 million, and they will have to begin to disengage. Will some of the commercial banks like that? Sure, sure they will.

Let's understand what this will do. Some of the small bankers, you can go back and say, ''Look what we did, we got them out of the business.'' That is what it comes down to. I just suggest, if the Senator's amendment is serious, why not go to 6 percent or 5 percent?

What about the tax issue? I have heard more mutterings about that. There is a genuine effort because people don't like the competition. In some cases they perceive it as unfair, and, indeed, where a small community bank is paying taxes and he is side by side with a local credit union that is every bit as large and they are doing a good job and they are not paying taxes, I understand and I feel for that person.

I am cosponsoring the legislation offered by our good friend from Colorado, Senator ALLARD, who has introduced a way to begin to help some of the banks. Maybe we have to look at other ways in which we can help community banks. But let's not unfairly go from where we had no cap whatever with a good-faith effort, working with the administration, working with the National Credit Union, working with the credit unions themselves. We came to 12¼ percent and somebody says, ''No, we can do better; we will make it 7 percent.'' There is no rationale, no tie-in, to the amount of the commercial loans. If you had a staggering loss coming from commercial loans, I would say yes, do it. There is no evidence of it. The record does not support that. So why are we doing it?

I yield the floor.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. HAGEL. Mr. President, may I respond to my friend and chairman. He made some good points, legitimate

questions, as did the ranking member of the Senate Banking Committee.

Let me first assure my friend from New York what this amendment is about. It is not about mischief-making. It is not about burdening credit unions. It is about things like open, honest accounting. I just don't understand why anyone would reject or object to a clear understanding of what the commercial loan portfolio is for any credit union. Why would you object to taking any loan, a commercial loan, under $50,000, and putting it in an appropriate accounting category in a portfolio? It is not about burdening the accounting process. It is about open, honest accounting.

When my friend talks about burdening these small credit unions by forcing them to bring in professionals who have had a minimum of 2 years in commercial lending, you mention my amendment, did I understand my amendment. I understand it, I think, fairly well, and I will read you from what we say in here. We talk about the NCUA's general counsel position on this, as has stated that the requirement that we put in this amendment could be met by hiring contract assistants on a case-by-case basis. Now, this should be, like any financial institution, about solid accounting. I don't know of anybody who doesn't agree with that or who would not want that, so that the members of a credit union know exactly how large the commercial portfolio is of the credit union they belong to.

There are a couple of other things I want to address, including the issue of large credit unions who would have to scale back within a month or two, or would have to cash in their loans. I read, Mr. President, from the Banking Committee document here on page 10 of the report. It talks about the four exemptions; the four exemptions are pretty clear. You know about these: ''Loans for such purposes as agriculture, self-employment, small business, large up-front investment, maintenance. . . .'' And it goes on and on. These are all areas that are exempt from my amendment.

Let's also talk about what this bill is doing and what the House bill did in response to the Supreme Court decision. We now, in effect, have no common bond anymore at all. There is no common bond at all. Now, if there is no common bond left in the credit union policy philosophy—getting somewhat to what my colleague and friend from Utah has been talking about—then is it not appropriate to probe somewhat, saying, well, if we all want to live with the 1934, 1937 statute that says no taxes, but also no common bond, and no this, no that—I am not sure that is a very wise thing to do.

If we are going to have some changes—and markets change and the financial service industry is dynamic, as demands change, needs change, supply changes—then it is appropriate to focus on some of these areas I believe we have focused on. The chairman is right. His mark that came out of committee was much better, much more responsible, much more accountable than the House version. He is exactly right.

What Senator BENNETT and I and others are saying is that we need to continue to focus on some of these areas of great concern, because when you open up credit unions to where they are now going to be opened up, where there is absolutely no common bond, and then you say, well, you can go forward and lend commercially, yet, don't bother us with the facts, we are not going to count any commercial loan less than $50,000, and we really don't have a good accounting as to how much is in the commercial loan portfolio, then I am not sure how accountable and responsible that is.

So those are just a couple of items that I wanted to address. These are important issues. These are important questions. This is an important issue. With that, I appreciate an opportunity to further explain some of the dynamics of our amendment.

I yield the floor.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. BENNETT. Mr. President, I will make just one comment on the statement of my friend, the chairman of the committee. I agree with him absolutely that there are no massive failures. We do have the one example that occurred in the State of Rhode Island, and it is reflected in the additional views of Senator REED of Rhode Island when he wrote, with respect to the bill that came out of the committee, that he was concerned that the cap adopted by the committee is higher than the level of commercial lending that credit unions are currently engaged in, and he is concerned that it might lead to a repeat of the problems they had in Rhode Island.

I agree completely with the Senator from New York that we do not face a crisis here. My support of the amendment stems from my conviction that the amendment would help us avoid a crisis in the future. The amendment would establish a cap that is above the level of activity that is currently going on, with the exception of a very few major credit unions who have 3 years in which to work things out. It would establish a cap above where things currently are, allowing people plenty of room to round off their present activity. But it would send the public policy message that says: We want credit unions to remain in their traditional niche in the financial services area. And it is for that reason that I have decided to support this amendment, because that is where I want credit unions to remain.

As I said earlier in my statement, all of the people who call me to talk about this bill insist that credit unions don't make commercial loans now. These are the members of the credit unions who are calling in who are unaware of the fact that their credit unions are making commercial loans. Therefore, I can't understand why they get upset when we say we are putting in a limit. It is not arbitrary in the sense that it is a limit above current levels; it is a limit above where people are currently operating and is simply sending the message that we don't want the current situation to change. That, after all, is the primary purpose of this bill.

Without this bill, the Supreme Court changes the current situation and changes it drastically. The bill is crafted to say: No, we don't want to change; we want the present situation with respect to credit unions to be protected. Therefore, we are going to pass a bill that will change the law to protect where we are. Our amendment simply says, with respect to commercial lending and the levels of commercial lending, we will protect where we are.

Now, I recognize there are those who disagree. I recognize that the committee decided to put the cap at a slightly higher level than one that would protect where we are, that would allow some growth from where we are in commercial lending. I don't think the Republic will fall if we allow that growth to occur. But I do think that if the thrust of this legislation is to keep in place the current situation of credit unions, our amendment is the logical way to keep in place the current situation with respect to commercial loans.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I don't think it is altogether accurate to say that the current bill seeks only to keep in place the exact current situation. As the Treasury pointed out in a letter from Secretary Rubin to the leadership, ''The bill's safety and soundness provisions would represent the most significant legislative reform of credit union safety and soundness safeguards since the creation of the National Credit Union Share Insurance Fund in 1970.'' So that, in effect, we made very substantial changes on the safety and soundness issue, and the Treasury Secretary later in his letter, when he was discussing the very issue of the safety and soundness of credit unions business lending, came back and made reference to these changes: ''. . . the risk-based capital requirement for complex credit unions, and the system of prompt corrective action—represent an adequate response to safety and soundness concerns about credit unions' business lending.''

So we did, in effect, make some significant changes on the safety and soundness issue. The Treasury has referenced those changes in analyzing the question of credit unions' business lending and thereby reached its conclusion that that did not pose a safety and soundness issue.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. BENNETT. Mr. President, I agree with the Senator from Maryland that

the bill does represent a significant step forward in the regulatory framework with credit unions. I think his clarifying remarks are correct and welcome.

The point I was making, which I think is still a valid one, is from the standpoint of the consumer, from the standpoint of the credit union member. The great angst on the part of credit union members, when the Supreme Court decision came down, was reflected in their visits with me repeatedly in my office. It was that: We are going to lose everything we have and you must pass this bill to protect what we have.

I heard that over and over again in town meetings throughout the State of Utah, and over and over from people who called. From the standpoint of the credit union member, they are pleading for legislation that says: Let us keep what we have. Do not allow this decision to take away from us that which we have come to enjoy and get benefit from.

My reference was to the reaction on the part of the consumer and the credit union member rather than on the part of the regulator.

I think what we have done in the committee does that and, at the same time, as the Senator from Maryland points out, creates some stability for the credit union situation that was not there prior to this act.

Mr. SARBANES. Mr. President, very briefly, if we were seeking to leave the consumer or the user of the credit union exactly in the posture in which they now find themselves prior to the Supreme Court decision, we would have no limitation on credit union business lending, because that was the existing state of affairs.

So in that sense, the problem of an issue was raised. There was an effort to respond to that problem. But if one is to use the argument that all we should do in this legislation is to return to the status quo—that that is the whole purpose of the legislation—then we have no limitation, because the status quo was without limitation.

Mr. BENNETT. Mr. President, the Senator is once again correct in terms of the regulatory situation that existed. I am talking about the market situation that existed, and our amendment would not change the market situation. It would not change the amount of commercial lending the credit unions are doing.

Mrs. HUTCHISON addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I would like to speak on behalf of the Hagel amendment, because I, too, am very concerned about the safety and soundness of our nation s credit unions.

Mr. President, I was State treasurer of Texas and dealt with banks and certainly credit unions, as well as other kinds of financial institutions.

I think the banking system that we have, while it could use some improvement—and perhaps there is going to be legislation in the future that is going to have a few more areas of deregulation—nevertheless, I think the banking system that has niches for the different banking institutions and the balancing of those niches has served us well.

I think the credit unions have particularly been a breath of fresh air in our banking system, because they have been able to offer something that banks and savings and loan associations and other finance institutions have not been able to offer. They have had unique characteristics in that they have been member-owned and member-operated institutions.

Credit unions do not operate for profit and, therefore, do not pay taxes. Credit unions have limitations on their membership, generally based on affinity among the members. They rely on volunteer boards of directors that come from their membership. They have been able, because of the lack of taxes and because of this affinity, to give great services to their members. They have been able to offer mortgages, automobile loans, and personal loans that have been very favorable to their members. And they have served a terrific purpose.

I want credit unions to stay strong in order to continue giving these kinds of services to their members. We are expanding the types of membership they can have. It is certainly going to be a bigger arena. But, nevertheless, I don't think we should take that next step into allowing a risky commercial loan portfolio without the requisite reserves that are required by banks and which I think are important for safety and soundness.

The Hagel amendment limits commercial loan activity to 7 percent of assets. That is what the bill requires for the reserves for a well financed and strong credit union. We want to make sure that the deposits of credit union members are not put more at risk than the reserves that are required to be kept, particularly when you get into commercial lending, which is much more risky than the home mortgages and automobile loans and the personal loans that credit unions have made.

I remember what happened when Congress started trying to eliminate the differences among the financial institutions. And that is what caused the S&L crisis. We had S&Ls going into real estate lending without the requisite reserves. All of us paid a heavy price for that. I do not want to jeopardize the strength of our credit union.

I hope that when we pass this amendment, if we pass this amendment, it will provide for the strengthening of the credit union. I will support this bill. I think it is a wonderful bill in many respects, because it is going to give more people more access to credit unions. But I think we have to make sure, as we do it, that we protect the safety and soundness of the deposit of credit union members, as well as the credit union industry itself.

The last thing I want is to come back here at the end of my next term and have to look at a credit union crisis because we didn't take the very cautious step of requiring this same reserve requirement as the limit on commercial loans.

That is it in a nutshell.

I think the fact that Senator HAGEL's amendment matches the reserves with the amount of commercial loans that will be available is a very correct decision. It is the right thing to do. It will keep the safety and soundness of credit unions, and it will allow more people to have access to those commercial loans, as well as access to the credit unions in general. But mainly we want to make sure that everyone is protected and that we don't run into any trouble in the future.

I hope very much that we will pass this bill. I hope we will pass the Hagel amendment so that we have a win all the way around—giving more access to more people to join the credit union; giving more people access to the lower interest home mortgages, car loans, personal loans, but making sure that we protect those deposits so that the credit unions will be able to continue to give a little bit higher rate of interest to those that it is paying; and so that the deposits will be safe; so that the credit union itself will be safe; so that we will not have to face a financial crisis in the future that Congress would have to address with taxpayer dollars as we have seen with the S&L crisis.

I thank Senator HAGEL and the others for their leadership. I think this is a good, sound move. I hope we can pass this amendment and then pass the bill that will create bigger and better credit unions in our country.

Thank you, Mr. President.

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Mr. President, let me address something, because the more you get into this, you begin to learn.

Soundness and safety: It is an issue that we are all concerned about, because we have been here. We have gone through this. And we have seen some extraordinary situations, which cost the taxpayers. That is why the committee, the ranking member, and the Republicans and Democrats working together, said we have a structure for the first time of provisions that will address that—we have done that—risk-based capital, based upon soundly capitalized institutions—6 percent for some, and 7 percent for the others—and giving to the administration the ability to close these places down.

Now, look, when we start talking about commercial loans posing a problem historically and looking at where we are today, they haven't. That is a canard. Indeed, if we take a look and see what it constitutes in terms of their total portfolios, it is under 2 percent. All of their loans are under 2 percent without any limitation.

So let me suggest to you, I think when we come in and say we are going to limit business lending no matter what, we are saying to each credit union, those that do—forget about the thousands that don't—under no circumstances are you going to go up over 12.25. To say that safety and soundness is going to be protected because somehow we are limiting commercial loans, that doesn't square up with the facts. It just does not. If, indeed, the credit union commercial loan failure rate has been less than those same loans made by commercial banks, how can you say that limiting this activity will provide greater safety and soundness?

That is the record. The failure rate has been less from credit unions than it has from commercial banks in commercial lending, and they loan less, including the loans for under $50,000. And why are we opposed to counting those loans for less than $50,000? I will tell you why. Because you are going to keep honest people honest. Maybe I shouldn't say this because the guy who is the entrepreneur who wants that loan will come to his credit union. OK, they say it is a commercial loan, and you are going to begin getting into businesses or classifying whether it is personal or whether it is commercial. So they said, look, up to $50,000, we know the people; they are dealing within the institution. It is a member. We are not going to get into the business of classifying whether it is commercial or not. We are going to say, presumptively, any loan up to $50,000 gets an exemption. We don't go through this business of having to classify these loans then have staff making loans meet certain experience levels which this amendment does.

The present situation is that for making those business loans over $50,000, you must have 2 years of lending experience.

Now, why did the National Credit Union Administration do that? Because they recognized the need as credit unions got into loans of higher cost and more exposure. It is prudent to have somebody on staff who has that experience. That is why they did it.

Now the consequence of this amendment will be a burden where credit unions are going to have to hire loan officers to make small, commercial loans of $25,000, $20,000, $15,000, or $30,000. Do you really think that this isn't going to have an adverse impact on the small credit union that would have to do this? Heretofore, small business loans were on the basis of knowing that member, knowing that he or she has a good record, knowing that there is a good business investment opportunity.

Now, look, in addition to that, we have tightened those standards and said credit unions can't even make business loans unless they hit certain criteria of capital. We didn't have any capital standards before. Yet, I think when one says this is safety and soundness, it is not. The record doesn't indicate that.

What it is—and I respect those who say we want to limit their ability to develop this business and say under no circumstances will it be more than what your capital is—that is what it is doing. It is limiting the ability of credit unions to involve themselves in commercial lending.

I think including the $50,000 loans will be going too far. That is why the credit union people and people who represent small businesses urge that we not support this amendment because what it will do is make it harder to get loans. I have a letter from the Small Business Survival Committee. I am going to ask it be made a part of the record. The American Small Business Association similarly asked us not to restrict the availability of commercial credit any further.

Times are booming today, but they may not always be booming. Then where do people go? Now you can go to your local bank, and they seem to have plenty of money to go around. What happens when things tighten up? Then we are going to make it difficult, if not impossible, for people who would have had the ability, if necessary, to go to their credit unions and to get maybe that $25,000 small business loan.

I ask unanimous consent these two letters be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

SMALL BUSINESS SURVIVAL COMMITTEE,
Washington, DC, July 20, 1998.

DEAR GOP SENATOR: The Small Business Survival Committee (SBSC) continues to strongly urge the Senate to fully support the Credit Union Membership Access Act, H.R. 1151. Every day, over a thousand Americans are turned away from credit union membership because of the Supreme Court ruling which nullified President Reagan's modification of the 1934 Federal Credit Union Act. A large proportion of these individuals are workers in small businesses who find themselves locked out by the outdated and arbitrary ''common bond'' requirement. It only makes sense that federal laws written in 1934 be reformed for our modern economy.

However, placing restrictions on ''member business loans,'' as supported by the banking industry, only serves to impede the growth of the small business sector. SBSC will key vote any amendments on the Senate floor which further restrict access to capital through new regulations on member business loans. A vote for these restrictions is a vote against small business.

The banking industry has invested great quantities of its time and resources lobbying for more taxes and regulations on credit unions. Rather than lobbying to restrict what they traditionally do not do themselves (provide loans for small businesses), a more productive approach may be to advocate lifting arcane and unnecessary laws on themselves—particularly for the survival of small community banks.

In the area of member business loans, SBSC urges the Senate to emulate House language which studies the issue for a year to determine what, if any, action is needed. Inadvertently denying capital to plumbers, farmers, churches, and down-sized credit union members who wish to start a business are not the type of credit union reforms that should be advanced by a pro-small business, pro-family Congress.

SBSC urges the Senate to send the Credit Union Membership Access Act, as passed out of the Senate Banking Committee, to the President for signing without restrictive amendments. Thank you for taking SBSC's views into account.

Sincerely,

KAREN KERRIGAN,
President.

AMERICAN SMALL BUSINESSES ASSOCIATION,
Washington, DC, April 28, 1998.

Hon. ALFONSE M. D'AMATO,
U.S. Senate,
Washington, DC.

DEAR CHAIRMAN D'AMATO: Protecting the rights of small businesses remains a fundamental priority of the American Small Business Association (ASBA). In this regard, on behalf of America's small businesses we ask for your support and immediate consideration of the Credit Union Membership Access Act.

Prompted by the February 1998, Supreme Court decision to limit the expansion of federal credit unions, the U.S. House of Representatives overwhelmingly approved (411–8) the Credit Union Membership Access Act (H.R. 1151) on April 1, 1998. If enacted by the Senate, this legislation would allow federal credit unions to derive their membership from a variety of occupations. This is essential to small business. These organizations count on the presence of multi-group credit unions to keep rates and loan fees affordable and competitive and to provide access to capital many would otherwise be without.

According to the Small Business Administration (SBA), small business employees constitute more than 52 percent of the private sector workforce. Generally defined as organizations having fewer than 500 people, SBA further reports that 99.7 percent of all businesses fall into this category. In fact, they represent the largest and fastest growing portion of the economy in the United States. Multiple-group credit unions ensure the availability of financial services to these organizations and to many low-income residents. They are member-owned, not-for-profit cooperatives which encourage savings and investment in those who might otherwise not consider it an option. Should the Senate not pass the Credit Union Membership Access Act, the Supreme Court ruling will immediately limit access for these individuals.

The Credit Union Membership Access Act is pro-consumer and pro-competition. It preserves the right to choose for millions of Americans and ensures that small businesses will have the ability to offer their employees the same benefits already available to those in the largest of corporations. On behalf of America's small businesses, we ask for your immediate consideration and support of this important legislation.

Sincerely,

BLAIR CHILDS,
Legislative Director.

Mr. D'AMATO. I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. I just want to again reiterate on the safety and soundness issue that the Department of the Treasury was charged by the Congress in the Economic Growth and Paperwork Reduction Act of 1996 to undertake a major study of credit unions, and the Department did that. This is the report from the Treasury Department which was submitted to us on December 11 of 1997. So they took some 15 months to do it.

In his letter to the leadership, Secretary Rubin underscored that the safety and soundness provisions in this bill, which in effect largely track what the Secretary recommended, were the most significant legislative reform of credit union safety and soundness safeguards since the creation of the National Credit Union Share Insurance Fund in 1970 and went on then to find that the business lending provisions posed no difficulty, that they represented an adequate response to safety and soundness concerns about credit unions' business lending.

I won't take a back seat to anyone in my concern about safety and soundness, but I think that has been addressed in this legislation. The Treasury, which did this extensive study and made these quite broad recommendations, took a look at the bill and has concluded that the bill represents a very major and significant legislative reform of credit union safety and soundness safeguards, and in light of those provisions that are in the bill thought that they were adequate to any concerns with respect to safety and soundness about credit unions' business lending.

We have the people who did this comprehensive study—they took 15 months—make their recommendations, some of which were quite significant. The committee responded to that, and in the light of what the committee has done, the Treasury has taken the official position that concerns about credit union business lending have been addressed adequately in this legislation.

Mr. ENZI. Mr. President, I rise in support of the amendment that is sponsored by the Senator from Nebraska. I support this amendment which would place limitations on the amount of commercial lending by credit unions. I am concerned that if the credit unions concentrate on commercial loans, they will lose their current individual customer focus. They may lose the special identity that separates them from banks and thrifts. I fear that if the special identity of the credit union is lost, Congress may feel the need to treat them identically to banks and thrifts. That could lead to levying taxes on credit unions.

Currently, credit unions are tax exempt because they are considered cooperatives. In order for a credit union to effectively serve its members, particularly in light of H.R. 1151, which has the potential to greatly increase the membership of the credit unions, it should concentrate on consumer lending. This will encourage it to maintain focus on its member owners. Money loaned to businesses isn't available for consumer lending, meaning that there will be fewer mortgages, car loans and other forms of consumer credit for the members.

I am particularly pleased that this amendment also includes the deletion of the exemption of a loan less than $50,000 from being defined as a member business loan. As an accountant, I am concerned about the consequences of not requiring full and complete disclosure of lending by credit unions. I place great emphasis and value on the accuracy of financial institutions' records. I have asked several credit unions how much commercial lending they engage in now, and none have been able to state precisely the amount because of this strange exemption that currently exists in the regulations. This causes me great concern, because the most stringent safety and soundness provisions are ineffective if accurate records and accurate recordkeeping practices do not exist. I feel it is of utmost importance to require that all member business loans be designated as such, not just those above $50,000. Markets and financial institutions perform best when there is transparency and accuracy of information. We have seen the consequences of that not being available.

The United States has become the model for financial markets, in part because of the transparent accounting methods that are required of financial institutions and publicly traded companies. I believe credit unions should also be obligated to be transparent in their loan activities. It is only common sense to delete this exemption for commercial loans less than $50,000. There is absolutely no reason for inaccurate accounting.

In conclusion, this amendment will require credit unions to remain focused on consumer lending. Credit unions were intended to serve the basic needs of families and individuals since the Federal Credit Union Act in the 1930s. This amendment will help credit unions remain unique institutions, setting them apart from other financial service providers.

I believe a vote for this amendment is a vote for credit union members. I yield the floor.

Mr. REED. Mr. President, I rise to express my views on credit union commercial lending, as well as my support for the motion to table the Hagel amendment.

Mr. President, I generally support the ability of credit unions to engage in commercial lending. Indeed, I am aware that for many members, credit union loans are the only available sources of capital for business investment. Also, when considering banking industry consolidation and the potentially adverse implications to small business lending, I believe that commercial lending by credit unions has an important role.

However, Mr. President, commercial lending can significantly increase the risk profile of credit unions. This is evidenced by recent National Credit Union Administration (NCUA) data which illustrates that the delinquency rate on credit union business loans—3.1 percent—is more than three times the delinquency rate on credit unions' overall loan portfolio—0.97 percent.

More importantly, in 1991, my home state of Rhode Island experienced a credit union crisis that resulted from the failure of a state-chartered private deposit insurance corporation. This crisis affected one in five citizens and was predicated in part on excessive and risky commercial lending by privately-insured credit unions. Indeed, 13 of the state's credit unions were permanently closed, and the state had to seek federal assistance to repay depositors.

In view of these facts, I was pleased that the Banking Committee adopted an amendment to limit commercial lending by credit unions to 12.25 percent of outstanding loans. However, Mr. President, as reflected in my additional views to the Committee Report to H.R. 1151, I do not think this cap goes far enough. Specifically, I have argued that the cap is inadequate because it is significantly higher than the level of commercial lending that credit unions are currently engaged in—0.75 percent of outstanding loans. I have also argued that because loans under $50,000 are counted toward the 12.25 percent cap, credit unions could engage in commercial lending to a much greater extent than the limit imposed in the bill.

In response to concerns over commercial lending, Senators HAGEL and BENNETT have introduced this amendment to limit commercial lending to seven percent of outstanding loans. In addition, the amendment would count loans under $50,000 toward the cap and codify NCUA requirements that loan officers have at least two years of commercial lending experience. I would like to commend Senators HAGEL and BENNETT for their recognition of this issue and their attempt to address commercial lending concerns.

However, I believe the Hagel amendment goes too far. My specific concern is that it both significantly reduces the commercial lending cap, while also eliminating the $50,000 exemption. Taken together, these provisions could impose undue burdens on credit unions with outstanding commercial loans.

Because loans under $50,000 are not considered ''commercial'' under current regulations, the NCUA does not keep data on these loans. As a result, we simply do not know what percentage of outstanding loans would be characterized as ''commercial'' under the Hagel amendment. Thus it is possible, and likely, that the percentage of commercial loans could increase dramatically if this amendment were passed, which could put many credit unions that would otherwise satisfy a seven percent cap in violation of the amendment, forcing them to withdraw from commercial lending.

As I indicated in our Committee's report, I believe the cap should bear a reasonable relationship to the amount of commercial lending that credit unions are currently engaged in. To the extent that the Hagel amendment creates uncertainty regarding existing commercial lending, we must be careful not to establish an overly-restrictive cap. While I expressed concerns

about the $50,000 exemption in my additional views, those concerns were tied to the higher lending cap of 12.25 percent.

Mr. President, a preferred approach to the Hagel amendment would be to reduce the aggregate lending cap, while retaining the $50,000 exemption. This approach would eliminate the uncertainty associated with the Hagel amendment, while establishing a meaningful limit on the future expansion of commercial lending.

Mr. MACK addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

Mr. MACK. Mr. President, I rise today to speak on the pending legislation, H.R. 1151, the Credit Union Membership Access Act. My comments will be addressed to the overall bill as well as the individual amendments that have been offered or will be offered.

On May 11, 1933, during the 73rd Congress, the Federal Credit Union Act was introduced. I have an interesting connection to this legislation. The Federal Credit Union Act was introduced by Senator Morris Sheppard of Texas. Senator Sheppard was my grandfather. I happen to be standing at the desk that he used while he was in the Senate.

The impetus for Federal legislation was the fact that in 1933, commercial banks had little interest in consumer lending. Simply stated, the small borrower was not a desired customer of commercial banks 65 years ago. Additionally, America was a country comprised of very large employers. It made sense for these large groups of individuals with a common bond, to join together to form credit unions to meet their credit needs. So back in the 1930s, when credit unions were formed, credit union members were typically groups of city workers, postal employees, and employees of the telephone company.

Over the next 60 years, however, we saw the number of large companies decline, and today, most people work for very small companies. In fact, in my state of Florida, 99% of all businesses have less than 1000 employees. Additionally, 97% of all companies in Florida employ fewer than 100 people.

Since 1933, when my grandfather introduced the Federal Credit Union Act, the world has fundamentally changed. The credit unions of today are different from those of times past.

I might also add, so are commercial banks. Today, commercial banks aggressively try to entice individuals of all incomes to do business with their financial institutions. They have aggressively reached out to consumers. To make my point, all one has to do is look at the mail you receive and realize how many credit card applications you have received. There is an aggressive outreach on the part of commercial banks to be engaged in lending to the average consumer today.

The credit unions of today are different from those of times past.

Now there are multibillion-dollar credit unions that in many cases dwarf the size of thousands of commercial banks and thrifts. Some of these multibillion dollar credit unions have hundreds of employee groups and are located in multiple States. In many of these instances, these large credit unions cannot be differentiated from commercial banks—they offer home equity loans, have large credit card portfolios, loan money to small businesses, offer safe deposit boxes, and sell mutual funds. In fact, a credit union in Alaska even serves as a Federal Reserve depository.

Mr. President, Congress has always supported credit unions. I, too, strongly believe there is a role for credit unions. By trying to improve this bill, no one, including me, is attempting to eliminate the credit union charter.

Small, community based credit unions are vital to our communities because they provide individuals access to credit. Credit unions have played a very important role in extending credit to people who need financial help.

However, in spite of my support of the credit union charter, I remain troubled by several provisions in the Senate Banking Committee passed bill that is before us today. I must admit, the bill we are debating today is far better than the bill the Senate Banking Committee received from the House. With the addition of caps on commercial lending and by including the Department of Treasury's prompt corrective action language, we will be able to ensure the safety and soundness of the healthy Credit Union Share Insurance Fund. I am pleased with this progress, but much more progress must be made if I am to support this bill in the end.

My overriding apprehension about the pending legislation deals with the issue of fairness. Most credit unions pay their members higher interest rates on checking and savings accounts and offer lower interest rates on mortgages, student loans, and credit cards than most commercial banks. Credit unions on average, charge lower fees and require lower minimum deposits. There is one simple reason for this capacity of credit unions to pay higher rates and charge lower fees: they are exempt from federal income taxes. This is an unfair competitive advantage.

During the Senate Banking Committee's discussion on this bill, the committee adopted a provision that directs the Department of Treasury to conduct a study of the differences between credit unions and other federally insured depository institutions with respect to the enforcement of all financial laws and regulations. Treasury will also compare the impact of all Federal laws, including Federal tax laws, as they are applied to credit unions and other federally insured depository institutions. This study will identify the regulatory and tax advantages credit unions have over banks, and suggest ways Congress can address these differences. This study will be a start, but by no means will it level the playing field. Upon completion of the study, I hope the Senate will hold hearings on how to reduce the inequities which exist among federally insured depository institutions.

As I stated earlier, the Senate bill is far better than the House passed bill, but I still have some real concerns regarding provisions in the legislation. Specifically, my primary problem is the inclusion of language similar to the Community Reinvestment Act (CRA). Imposing the same onerous burdens on credit unions would help to level the playing field; however, I do not support the Community Reinvestment Act as it has evolved, and I oppose subjecting credit unions to these requirements. In fact, I would prefer to see the entire Community Reinvestment Act repealed.

Because of CRA, banks are now often forced to make unsound and risky loans in economically disadvantaged areas. If they do not make these high risk investments, they are accused of discrimination. I strongly believe that most of these allegations are false.

In contrast to banks, credit unions, by their nature, already lend to their members. It is ludicrous to impose CRA on credit unions.

Think about it for a moment. Credit unions were established for individuals with a common bond. It makes no sense whatsoever that the institution in which you are a member would turn around and discriminate against you. It just doesn't make sense.

In a letter to the National Credit Union Administration (NCUA), I asked several questions as to whether or not there have been any meritorious discrimination complaints against credit unions. In his response, the chairman stated there was no evidence of credit unions being guilty of discriminating against their members. Given the credit union chief regulator's response, I think it makes no sense to impose the burdens of CRA on credit unions.

Therefore, I encourage my colleagues to support the amendment of Senator PHIL GRAMM to delete these onerous provisions from the bill. What looks harmless today will quickly evolve to burdensome, costly, and unnecessary regulations in the future.

The same concern with CRA is also addressed by Senator SHELBY's amendment to exempt banks with less than $250 million in assets from the Community Reinvestment Act. I strongly support the amendment of Senator SHELBY now, just as I did in the Banking Committee's markup.

Be assured that exempting small banks from CRA is not about opening the door to allow them to discriminate. Not only is discrimination wrong, it is illegal. Fair lending laws like the Fair Housing Act, the Equal Credit Opportunity Act, and the Home Mortgage Disclosure Act are still the law of the land. I believe these laws protect the American people, and as I mentioned, laws such as CRA are an unnecessary burden on business.

My final concern with this legislation deals with the large increase in the number of commercial loans that credit unions are making. I support the Hagel-Bennett amendment because it accomplishes two things. First, it limits the amount credit unions can lend to their members for small commercial ventures, such as agriculture or small business start ups.

Again, the reason we are tightening commercial lending is not because we are trying to vent some distrust with respect to how credit unions make their loans.

But from my experience, having been in the business of commercial lending for almost 16 years, these are two very complicated and risky areas of lending.

As I say, I support the Hagel-Bennett amendment, because it accomplishes two things: Well-managed, well-capitalized credit unions can lend up to 7 percent of their capital; exempts from the 7 percent cap credit unions which were chartered for the purpose of commercial lending.

Second, the Hagel-Bennett amendment addresses the manner in which credit unions make commercial loans. Many credit union loan officers are not trained to evaluate commercial loans. The Hagel-Bennett amendment requires credit union employees who make or administer commercial loans to have at least 2 years of experience in the area of commercial lending. This provision is already part of the NCUA's regulations on member business loans, and the Hagel-Bennett amendment merely codifies this regulation.

Be aware that much of what I am saying is the result of my experience as a member of the Senate Banking Committee when the Resolution Trust Corporation was established to bail out the savings and loan industry. I believe that if we do not take precautions now, such as those outlined in the Hagel-Bennett amendment, we could be looking at significant losses and exposure to the taxpayers in the future.

In closing, I stress my support of the vital role credit unions play in today's financial services marketplace. Do not mistake my desire to improve this legislation with an agenda to end credit unions. I strongly feel that credit unions should exist. There are 268 credit unions in my State of Florida, with just under 3½ million members. My goal today is to ensure that every credit union is a viable, safe and sound institution, one unburdened by unnecessary regulatory requirements.

Mr. President, I cannot support H.R. 1151 in its present form. I hope that my colleagues will support both the Gramm and Hagel-Bennett amendments which ensure the safety and soundness of credit unions. I also urge my colleagues to support the Shelby amendment which will level the playing field between commercial banks and credit unions.

Thank you. Mr. President, I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. D'AMATO. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. D'AMATO. Mr. President, on behalf of the majority leader and the minority leader, I ask unanimous consent that following the 5:30 p.m. vote, there be 2 minutes for debate to be equally divided on the Hagel amendment and that a vote then occur on the motion to table the amendment with no second-degree amendment in order prior to the vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. D'AMATO. I do not know how many Members would like to speak to this, but I would think, given the time situation that we have, that those Members on either side who would like to either speak on the bill or state their support or opposition to the amendment that is now pending, that they should attempt to do so. Because at 3:30, I believe, Senator SHELBY will be coming down to the floor in order to offer his amendment, and we will then lay aside this amendment for the purposes of discussing the amendment put forth by my colleague from Alabama. Then thereafter, from 4:30 to 5:30, Senator GRAMM of Texas is scheduled on the floor where we will then entertain the Gramm amendment, which will be the pending business and which will be the vote that we take up at 5:30. I believe at that point my colleague, the ranking member of the committee from Maryland, Senator SARBANES, will make a motion to table. And with that the votes will begin.

So my suggestion, to those colleagues who would like to be heard on this amendment or on the overall bill, is that they use this time to come to the floor within a half hour because I think the schedule will then begin to get somewhat crowded.

If no one is seeking recognition, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Ms. COLLINS). The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. SHELBY. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 3338

(Purpose: To amend the bill with respect to exempting certain financial institutions from the Community Reinvestment Act of 1977)

Mr. SHELBY. Madam President, I send an amendment to the desk on behalf of myself and Senators GRAMM, MACK, FAIRCLOTH, GRAMS, ALLARD, ENZI, HAGEL, HELMS, NICKLES, MURKOWSKI, BROWNBACK, SESSIONS, INHOFE, COATS, and THOMAS.

The PRESIDING OFFICER. Without objection, the pending amendment will be set aside. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Alabama (Mr. SHELBY), for himself, Mr. GRAMM, Mr. MACK, Mr. FAIRCLOTH, Mr. GRAMS, Mr. ALLARD, Mr. ENZI, Mr. HAGEL, Mr. HELMS, Mr. NICKLES, Mr. MURKOWSKI, Mr. BROWNBACK, Mr. SESSIONS, Mr. INHOFE, Mr. COATS, and Mr. THOMAS proposes an amendment numbered 3338.

Mr. SHELBY. Madam President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title II, add the following new section:

SEC. 207. COMMUNITY REINVESTMENT ACT EXEMPTION.

The Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.) is amended by adding at the end the following new section:

"SEC. 808. EXAMINATION EXEMPTION.

''(a) IN GENERAL.—A regulated financial institution shall not be subject to the examination requirements of this title or any regulations issued hereunder if the institution has aggregate assets of not more than $250,000,000.

''(b) ADJUSTMENTS.—The dollar amount referred to in subsection (a) shall be adjusted annually after December 31, 1998, by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics.''.

Mr. SHELBY. Madam President, this amendment that I have offered this afternoon would authorize a small bank exemption in the Government-mandated credit requirements of the Community Reinvestment Act, known as CRA. Community banks by their very nature serve the needs of their communities. They do not need, I believe, a burdensome Government mandate to force them to allocate credit or to originate profitable loans.

Friday, I spoke in this Chamber about the regulatory burden of the CRA on small community banks in the United States. I cited then statistics that show small banks are less efficient than large institutions and suffer from excessive regulations.

My colleagues should know that the amendment I have just offered would exempt only 11.2 percent of bank assets nationwide. This is nearly the same amount of assets as one of the largest financial institutions in America, BankAmerica. Can you imagine that? All the small banks of America, with $250 million in deposits or assets or less, have 11.2 percent of the assets, and one bank, and probably several others, has a lot more than all of these banks put together.

I thought it might be helpful to hear from a small bank with less than $80 million in assets. They have written to me to complain about the regulatory burden of the CRA. This institution is probably typical of small community

banks nationwide. And the institution officer asked to remain anonymous for obvious reasons, for they are worried about repercussions from overzealous Federal regulators or bureaucrats. I would feel the same way. But the CEO of the small bank in my State wrote as follows:

As a local community bank, we willingly and proudly provide banking services to all segments of the population. However, the Community Reinvestment Act is overly burdensome, costly and makes it difficult for us to compete and to offer our customers the service they deserve. Presently, [I have] an employee in the bank who spends 35 percent of his time just making sure we are in compliance with the Community Reinvestment Act. These duties include: (1) Quarterly reports to the board of directors detailing the community activities of our officers and directors; (2) Plotting each loan on a map of the county; (3) Reviewing all loans on a weekly basis for the purpose of breaking down income levels by number and total dollar volume; (4) Reviewing all loan denials and approvals weekly for the purpose of ensuring compliance with CRA; (5) Providing an on-going self-assessment of the bank's CRA plan and performance.

I have dozens of letters similar to these, but the one from which I just read articulates the burden as well as any of them.

Opponents of our amendment suggest here that the CRA regulations have been reduced and are not burdensome. The CRA regulations may have been reduced, but the burden is still there. Bankers have to study hundreds of pages' worth of guidance manuals and attend seminars to assure CRA compliance. In fact, some banks have staff whose only job is to ensure CRA compliance. Of course, compliance costs with small bankers are not the only costs of the CRA. The very mandate of credit allocation increases the cost of banks in and of itself, and I would like to take a moment to explain here this afternoon why the Community Reinvestment Act is nothing more than a Government-mandated credit allocation, much like the mandated credit allocation in East Asia that has caused the currency crisis, among other things. The chart would show this.

What are the small bank performance standards? I will go through these. According to the Code of Federal Regulations, CFR, section 25.26, the ''Performance criteria'' for small banks depend on (i) bank's loan-to-deposit ratio; (ii) percentage of loans located in the bank's assessment area; (iii) bank's record of lending for borrowers of different income levels and businesses and farms of different sizes; (iv) geographic distribution of the bank's loans; (v) bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas.

Mandate (i) judges all small banks around the country on their loan-to-deposit ratio. However, the loan-to-deposit ratio for one bank may not be appropriate for another bank. One banker told me his record of ''community lending'' was questioned by a Federal bank regulator based on a low loan-to-deposit ratio. The banker responded, ''My bank is in the middle of a retirement community. There are not too many senior citizens applying for community development loans.'' How does the Federal Government know what the appropriate loan-to-deposit level is for Winfield, AL, or Lafayette, LA, or some other town in America?

Mandate (ii) judges all small banks around the country based on the loans made in a specific assessment area. Why should the Federal Government dictate to any business who his customers should or should not be? What if there is no loan demand in that area?

Mandate (iii) judges all small banks on their lending based on the ''different income levels.'' The performance criteria in Section 25.26 never mentions credit worthiness or the consideration of risk. When the free market allocates capital and credit, risk is always the distinguishing factor—and it should be.

Mandate (iv) forces all small banks to lend not only in a specific assessment area, but under a geographic distribution established by the Federal Government. One banker told me the regulator was challenging his geographic distribution of lending and asked the banker why he had not made loans in a certain area. The banker responded, ''I can't make any community loans there. Nobody wants to build in the middle of a lake.'' There was a large lake there, but the bureaucracy didn't know it or recognize it. The point is simple: Federal regulators do not know the small communities across America like the people that live there, and work there every day.

Mandate (v) judges a bank's record of responding to its customers. Businesses across America do this voluntarily without the Federal Government judging its performance. It is called customer service. The responsiveness of a business to its customer's needs is usually measured by the success of the business. In the free market, no business will stay in operation if it does not satisfy the needs of its customers.

The costs of Government-mandated credit allocation results in increased cost to consumers. First, CRA raises the costs of inputs to banks by forcing them to comply with the regulatory burden of CRA—we are entering the 21st century and bankers are still forced to stick pins in maps on the walls of the bank in order to indicate where loans are made. Second, making loans according to a Federal formula increases the risks, and therefore the costs, of borrowing to consumers.

The Federal Reserve Bank of Richmond published its 1994 Annual Report on ''Neighborhoods and Banking'' where it reported its findings on the costs of CRA. The report found:

[T]he regulatory burden (of CRA) would fall on bank-dependent borrowers in the form of higher loan rates and on bank-dependent savers in the form of lower deposit rates. And to the extent that lending induced by the CRA regulations increases the risk exposure of the deposit insurance funds, taxpayers who ultimately back those funds bear some of the burden as well.

The Fed report goes on to say: ''* * * CRA imposes a tax on banks * * *''

The costs and risks associated with CRA are ultimately shouldered by the consumer. We know that. There is no justification for Congress to articially increase the costs of borrowing to the consumer. By maintaining the status quo of CRA, Congress actually hampers investment and growth by increasing loan rates and lowering deposit rates. Congress should adopt policies that help reduce the cost of borrowing, that help reduce the regulatory burden. Congress should adopt a small bank exemption to the Community Reinvestment Act. That would, again, only exempt 11.2 percent of the assets in banks in America, but it would be a God save for the community banks all over America.

Mr. THOMAS addressed the Chair.

The PRESIDING OFFICER. The Senator from Wyoming is recognized.

Mr. THOMAS. Madam President, what is the pending business?

The PRESIDING OFFICER. The pending amendment is the amendment offered by the Senator from Alabama, Senator SHELBY.

Mr. THOMAS. Madam President, I want to speak generally about credit unions and also on the amendment, if I may.

I wanted to talk about credit union legislation because it is one of the most important things we will be doing, certainly, this year. I have spent many hours meeting with Wyoming citizens on both sides of the credit union legislation. In fact, in the last year and a half, I have had 32 meetings relative to this bill. So there is a great deal of interest in it. It is the kind of involvement that we ought to have in public issues. It is democracy, certainly, at work.

I also have some kind of perspective to it, in that I helped organize a credit union, back when I was with the Wyoming Farm Bureau a number of years ago, a very small one designed to work with the employees there at the Farm Bureau.

I think, having worked with not only the Farm Bureau but the Rural Electric Association, I am aware of the value of cooperatives, the value of people being able to come together and do some things for themselves, the ability to tailor the services that are needed in a particular place to that particular need. Certainly, Wyoming is one of the smallest—indeed, it is the smallest State in the Union with regard to population. We do have different needs than occur in New York or occur in Pennsylvania. So as we talk about services and distribution of services, it makes a good deal of difference.

I also think credit unions have fitted themselves to these needs, as have community banks. They have fitted themselves, too. I believe there is an increasingly clear definition between

some of the international banks and some of the community banks. It used to be everything was a bank was a bank was a bank. Now I think that has changed, and properly so. We need both kinds of banks.

Wyoming has 39 credit unions and about 145,000 members in Wyoming. That represents about a quarter of our State population. So it is a unique and needed service. The median asset level in Wyoming credit unions is only $6.9 million. The smallest credit union has assets of about a half million dollars; the largest, $86 million. So we do have a unique situation. Things happen on a smaller scale there, and we need to continue to have that opportunity to serve. The things that are debated here, in credit unions, the changes that have taken place, the reason for the lawsuit, has very little to do with the kinds of operations we have in our State.

I support the final passage of this bill. Perhaps the most important provision is to grandfather the millions of credit union members who were added to the multiple-group credit unions before the February 28 Supreme Court decision. As we know, these types of memberships were invalidated. No one wants to see the present credit union members lose their accounts, and this will ensure that they do not.

Another important provision is to enhance the supervisory oversight of federally chartered credit unions to make sure they are sounder, safer, and more efficient.

I think we would not be debating this legislation today if the regulatory authority, the National Credit Union Administration, had used its regulatory power to do more of those things to carry out the original intent of the Federal Credit Union Act of 1934. Arguably, the NCUA has been more of an advocate than a regulator. I think that has to change.

As with every other federally chartered organization or institution, Federal credit unions must serve within that niche that is prescribed for them by law. I have told my friends in the credit unions that there are certain advantages to the way they are structured, certain advantages go to them as being cooperatives and being member-owned. That is good, and I endorse that.

On the other hand, there have to be, then, some limitations to the kinds of things that they can do. I think commercial lending should not go unlimited. I support the amendment of the Senator from Nebraska which would allow for commercial lending, which they are seeking. I also support the Shelby amendment which exempts small community banks from the requirement of the Community Reinvestment Act. I hear all the time of the amount of the administrative and regulatory time spent in a very small bank; more time reporting than there is in lending.

So I hope that not only the banks, but the credit unions can get out from under that basic paperwork requirement. The expenses of meeting these costs, as the Senator from Alabama just indicated, are, of course, passed on to the owners and depositors.

I am supportive of the efforts to relieve those unnecessary mandates. That is what we ought to be doing whenever we can. I believe this is an appropriate place to do that.

Clearly, banks and credit unions have a proper, legitimate, rightful, and important place in our financial system. We simply need to define what those roles are.

Our challenge is to successfully address the Supreme Court's ruling in a way that will allow consumers access to credit and financial institutions, have fairness among them, and strengthen the regulatory and safety aspects of them. I believe this bill will do that.

I support the unique status of credit unions, and I believe the bill before us, with amendments, maps out an appropriate role for the future.

Madam President, I yield the floor.

Mr. DODD addressed the Chair.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. DODD. Madam President, I would like to address the Shelby amendment, which is before this body, and also make reference to the amendment offered by my good friend and colleague from Nebraska, Senator HAGEL.

I rise in opposition to the Shelby amendment. The Shelby amendment would exempt, as we all know now, banks of less than $250 million in assets from the requirements of the Community Reinvestment Act.

As I stated before when we were debating this issue on Friday, I disagree with the substance of this amendment, but before I turn to the substance, let me suggest what I know the chairman of the Banking Committee and the ranking member, Senator SARBANES, have said over and over again with regard to this amendment, and that is, to those who might be inclined to support this amendment, the adoption of this amendment will result in the collapse of the credit union bill. That is a fact. A vote for it will certainly achieve that result.

The amendment offered by Senator SHELBY goes outside the issues at play in the credit union bill and seeks, in a very controversial manner, to reduce the responsibilities of banks to their communities.

As a number of my colleagues have noted previously, the administration has already stated very emphatically that it will veto any legislation that has this CRA exemption contained within it. Let there be no mistake, a vote in favor of the Shelby amendment is a vote against the credit union legislation.

Let me briefly address a few of the issues that surround this amendment.

The supporters of this amendment make two seemingly powerful arguments in its favor. The first argument they make is that the CRA creates a regulatory burden so onerous that the imposition of it on community banks places them at a disadvantage versus the credit unions against whom the banks must compete.

The second argument offered by those who support this amendment is that this amendment, the Community Reinvestment Act itself, forces banks to make unprofitable loans and thus constitutes Government interference of the worst kind.

Neither of these amendments bears up against careful scrutiny.

First, with respect to regulatory burden, the bank regulators, under the leadership of the Comptroller of the Currency, significantly reduced the regulatory burden on banks when the new CRA enforcement rules went into effect on January 1, 1996.

At that time, the new rules received extensive breaks from bankers, large and small, as being workable. Richard Mount stated, on behalf of the Independent Bankers Association of America, which represents only small community banks:

> The new rules should alleviate the paperwork nightmare of CRA for community banks and allow them to concentrate on what they do best—reinvest in their communities.

Given the changes made in 1996, there is little reason to believe that a CRA exemption for small banks would result in reduced costs sufficient enough to make a difference in their competition with credit unions.

What is perhaps more important, Madam President, is the question of whether CRA actually is a means for the Government to engage in credit allocation and whether CRA forces banks to make unprofitable loans. Again, I do not think the facts bear out these statements.

Some have suggested that the Community Reinvestment Act was enacted in 1977 solely because banks enjoyed a protected advantage in communities, that CRA was the tradeoff for continuing those protective statutes. These people argued that with the advent of increased financial competition, and particularly with the passage by Congress of the Interstate Banking and Branching Act that ended the exclusive rights of banks to service particular communities, the basis for CRA no longer exists.

While those were important factors in the passage of CRA, the overriding concern, Madam President, was that the banking industry, which enjoyed then and enjoys today the benefit of taxpayer-backed deposit insurance, was using that benefit to make loans available only to affluent communities, and were allowing less affluent communities, from Appalachia to Bridgeport, CT, to wither on the vine.

The hearing record in 1977 clearly shows that by most surveys banks were returning only pennies in loans for every dollar of deposit that came from low- and moderate-income areas. The

solution to that real and uncontested problem was that regulators take steps to ensure that banks serve their entire communities, not just select parts.

However, there is nothing in CRA that allows the regulators to have the banks waive basic fundamental underwriting practices. The regulators cannot permit the banks to jeopardize safety and soundness in order to demonstrate compliance with the act.

In other words, Madam President, CRA loans have to make money. They must make money. As bank regulators stated in their joint agency rule on CRA:

> The agencies firmly believe that institutions can and should expect lending and investments encouraged by CRA to be profitable. . . . As in other areas of bank and thrift operations, unsafe and unsound practices are viewed unfavorably.

Or as Mario Antoci, chairman of the American Savings said:

> Lending in the inner city has turned out to be the most profitable part of our business over the past few years.

Madam President, the Community Reinvestment Act has proven, I think, to be one of the most useful financial initiatives enacted by the Federal Government in a generation.

Community groups estimate that CRA has brought more than $1 trillion into underserved communities across our Nation from our small rural towns to our largest cities. It is done so in a manner that not only benefits the community in which the investment is made, but also allows the lending institution to expect the same profit that they would receive on other loans.

This is a law, Madam President, that works. And it is a law where benefits can be seen in every new home that gets built or new business that gets started in a neighborhood or town that used to be neglected by the banking industry prior to 1977.

If there are specific problems with the implementation of CRA, if there are certain activities that should be considered that are not considered, then the appropriate way to address those specific concerns is to work with the regulators to improve the way that the law is being administered.

But to exempt 86 percent of America's banks from a requirement to serve their entire community, while still extending them the benefit of deposit insurance which is backed by the dollars of everyone in that community, is simply wrongheaded in the approach to helping the banking industry.

At the end of the day, Madam President, the best thing that Congress can do to help community banks is to provide the means for all American communities to grow, thus expanding the demand for bank loans and products. CRA helps all of us achieve that goal and, therefore, I urge my colleagues to vote against this amendment.

Lastly, Madam President, I will come back to the point I made at the outset. I urge my colleagues to think about this: Even if the idea of CRA should be reworked and redone, even if you think it deserves a legislative approach, if it ends up being adopted on this credit union bill, it will bring down this piece of legislation. That would be a great disservice to the millions of people who are looking to this Chamber to follow what was done in the other Chamber, and that is to pass these reforms that are necessary for credit unions to succeed. For those reasons, Madam President, I urge that this body reject the Shelby amendment.

Mr. MURKOWSKI addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Madam President, I thank the Chair.

I rise to share some of my concerns regarding H.R. 1151, the Credit Union Membership Access Act.

First, let me state that I support the concept of H.R. 1151; that is, to prevent a current credit union member from being forced to disaffiliate, and also to allow a credit union an opportunity to reasonably expand its membership to help ensure the safety and soundness of the institution.

I will support passage of H.R. 1151. However, in light of the realization of the tax-exempt status that Congress affords credit unions, I think it would be irresponsible for this body to not fully debate a serious problem that exists with this legislation; and it is the Community Reinvestment Act requirements.

Madam President, we can talk about interpretation. We can talk about administering the act. But the realization is that the act calls for specific action by community banks. And the consequences of that are not only costly, but in some instances rather—well, they are rather amusing. Let us put it that way.

I know of one bank in Los Angeles with numerous branches throughout the city. And those banks are primarily located in areas of high concentration of Chinese residents, both from the mainland previously, or their families, and Taiwan. So a good portion of the banks' customers clearly are Chinese.

The Community Reinvestment Act mandates that these particular branches advertise in Hispanic areas of Los Angeles, advertise in areas where there are large concentrations of black residents, and move beyond, if you will, the traditional area that they serve with their branch system.

This particular institution has been cited as being in violation of the Community Reinvestment Act because it did not have a certain percentage of Hispanic depositors and borrowers. So they were forced to go out and advertise in those particular areas, which they did. They still did not generate any business.

If you go into this Chinese bank, so to speak, the tellers can speak English and Chinese. They are meeting, if you will, a minority service, but they are in violation, technically, of the Community Reinvestment Act.

I could go on and on with numerous examples, but here, clearly, is an example where the Community Reinvestment Act is out of sync with reality.

Community banks, for the most part, are small. Many of them are locally owned. Over half of the banks have only one or two branches. And they have excellent records of serving their communities because they are different than the money center banks. They are there to serve the community. They have to be there, and they have to do that or they would not survive. They have to serve the community.

It is interesting to note that of the 8,970 small community banks, there are only 9—only 9—that have a substantial noncompliance CRA rating. Let me repeat that. Of the 8,970 small community banks in America, only 9 have received a substantial noncompliance rating. In other words, almost 9,000 small banks must spend hundreds of millions of dollars to comply with a Federal mandate simply because a bare 9 community banks had records that the regulators in Washington, DC, deemed bad. Well, that makes no sense, Madam President. It is just totally unrealistic.

Because community banks by their very nature serve the needs of their community, community banks do not need a burdensome Government mandate to order them to do what they have already been doing a good job of for decades.

The difference is the large banks don't have a difficulty in meeting the CRA requirements. The large banks have personnel. They have resources and they can easily absorb the costs of these additional CRA mandates. The small banks don't have these resources. It is very difficult for them to absorb the high cost of the Community Reinvestment Act, and even the credit unions express concern over additional costs, additional Federal mandates.

How costly are the CRA requirements? Let's just take a look at this chart, because I think it shows adequately that this is a very meaningful cost. If we look at the chart, we see the financial burden of the CRAs to small community banks is costly, costly in both dollars as well as man-hours. If we look at compliance with the Community Reinvestment Act, what it costs the community banks—14.4 million employee hours; 6,900 full-time employees; $1,256 per $1 million in assets—the total cost of the CRA to community banks is over $1 billion a year.

One of the curious things about the manner in which this debate is going on, it is my understanding that Senator GRAMM has put in an amendment to exempt the credit unions from the CRA requirements. The CRA requirements are in the Banking Committee bill to exempt the credit unions from CRA requirements.

Senator SHELBY's amendment is simply to exempt small banks from the

same CRA requirements. Now, is that not an equitable situation? I am surprised that the President has come down and suggested that if this passes, the Shelby amendment, it is grounds for vetoing the bill. What is the logic in that? What is the equity? What is the fairness? What we are trying to do here is to serve America's consumers. The way to do that is lower costs.

If it costs the small community banks $1 billion a year, that cost has to be passed on. What many in this body don't recognize is the difficulty that the small community bank has in meeting these requirements as compared to its competitor, whether a Bank of America or Citicorp or any of the major institutions. This is just another cost of doing business that they can assimilate. But the small country banker on the corner has a real problem with this in spite of what some of the debate has suggested here today.

The regulatory costs of the CRA impairs the ability of small banks to serve the needs to their local community. As this chart shows, it costs real money—$1 billion—to comply with the CRA. Banks must comply with the Truth in Lending Act. That requirement, which everyone supports, takes less than half the man-hours of the CRA and costs nearly half of what CRA costs. The banks must also meet the important Equal Credit Opportunity Act which prevents discrimination in lending, a worthy goal. Yet the cost of complying with the Equal Credit Opportunity Act is barely one-fifth of the onerous costs of the CRA.

I am a cosponsor of the Shelby amendment which exempts small banks, exempts small banks with $250 million in assets from CRA. Personally, I don't feel that goes far enough. I believe a $500 million threshold is a more appropriate figure.

Why is an exemption for small banks with $500 million in assets more appropriate? Well, there is a good reason. That is the threshold we established 12 years ago to distinguish small banks from large banks in the 1986 reform of the Tax Code. We recognized back then that the small banks, banks with less than $500 million, should be allowed a deduction for reserve for bad debts but denied a similar reserve deduction for large banks. It only makes sense to use a definition already so well established. Obviously, by the attitude prevailing here with regard to the equity, I am not going to pursue that, but I think that is an appropriate threshold as you look at where you cut off a small bank from a large bank.

I believe the Shelby amendment is a modest amendment that all of our colleagues should support. It is equitable. To have the threat of the White House come down, that they will veto this if it prevails, is absolutely unrealistic, and it is certainly unfair.

I think it is time we sent a message to the White House with regard to the merits of the debate on issues of equity and fairness. To suggest that the White House simply comes down with a threat—this Senator from Alaska is not buying. If there are any financial institutions in America that do not need to have a Federal community reinvestment mandate imposed upon them, it is America's small community bankers. They are not making loans in Indonesia. They are not making loans in South Korea. Their loans are in their communities. That is how they survive. Why exempt the credit unions and penalize small banks, small banks who pay taxes?

Make it fair. Make it equitable. Exempt both. That is the correct action that should be taken by this body. I hope there are enough Members who will stand up for what is right and equitable.

Mr. ENZI. Mr. President, I rise in support of the amendment sponsored by the senior Senator from Alabama.

The amendment, which authorizes an exemption for banks with less than $250 million in assets, would allow small banks to escape the burdensome, federal government mandate of the Community Reinvestment Act of 1977, commonly known as CRA. In 1977, Congress felt that the regulated and insured financial institutions should be required to demonstrate that their deposit facilities help meet the credit needs of the local communities in which they are chartered.

However, I have seen the CRA become a burdensome federal government mandate on private financial institutions resulting in nothing more than excessive paperwork requirements. Small community banks naturally serve the needs of their communities, otherwise they would not survive. In Wyoming, where many towns have only one or two banks and maybe a credit union, the financial institutions must reach out to everyone in the community in order to be successful.

We must also realize that several things have changed since the passage of the community Reinvestment Act became law in 1977. Until 1994, when Congress passed the Reigle-Neal Interstate Banking and Branching Efficiency Act, banks were not allowed to acquire another bank in another state. The Reigle-Neal Act forced small community banks to be more aggressive to meet the needs of their community in order to compete with outside banks, thus supplanting the need for the CRA.

Second, we now have less government intervention on the rate of interest payable on savings deposits and demand deposits. Before the Depository Institutions Deregulation and Monetary Control Act of 1980, there was a ceiling on the interest rates on savings deposits and a prohibition on the payment of interest on demand deposits to consumers. We do not have these restrictions now. These laws, passed after the Community Reinvestment Act of 1977, have promoted a healthy competition for deposits and credit, thus causing financial institutions to increasingly reach out to the communities they serve.

I believe it is prudent and right to exempt small banks from CRA requirements. They are the very institutions that comply every day with the Community Reinvestment Act just by the very nature of their business. And they are the institutions that are most burdened by the required paperwork because of their limited resources.

I urge my colleagues to support the amendment.

Mr. D'AMATO. Madam President, I have spoken to this issue before, so I am going to try to make my remarks very succinct. That is difficult for me, I realize that, but there are others waiting. The Senator from Kansas has been on the floor for 2 hours and the Senator from Massachusetts is waiting to speak also.

I share the concerns that my colleagues have raised regarding the fairness of what would appear to be overreaching in certain cases involving our community banks. I believe we need to have a full and thorough hearing to look at this question and examine it. Not just one hearing, but a comprehensive study and a series of hearings to see if we cannot advance the goals. Because I don't think there is anyone, anyone, who is opposed to the goals of ensuring that there is capital available in our rural areas and our small communities. Capital that might not otherwise be there were it not for CRA.

The question is, Is that capital being made available? How effective is CRA? Or has there been an unexpected consequence from the impact of the legislation and the compliance requirements? And has that consequence been so overwhelming as to keep the small banker from doing his job? Those are legitimate questions. We should review this important issue in its entirety and we should examine it.

But we should not offer an amendment now that would in any way make it impossible for this bill to go forward. That is exactly what would take place. There is no way, no way, that we could get sufficient votes nor would the administration enact legislation if the CRA provision was stripped out. I say ''stripped out'' because that is, indeed, what the amendment would do. The Shelby amendment would literally strip it out.

There is no way for evaluating if a bank had proven itself year after year and earned a relaxation in its examination schedule so it would be reviewed less frequently or even periodically. That is the kind of thoughtful consideration that we need to do.

This doesn't say, well, let's look at giving better tax treatment to the smaller community banks so that they can do their job. And, for example, Senator ALLARD has worked long and hard on developing a proposal that would do that. That is the kind of thing we have to do. But to come in here now and suggest that we simply strip out CRA for all community banks would be wrong.

And you can say that you favor credit unions, but if you vote for this

amendment, what you are doing is taking a chance that credit unions will have irreparable damage done to them. So I am going to urge my colleagues to support the motion to table Senator SHELBY's legislative effort. As well intended as it may be, it should not be here.

Mr. HOLLINGS. Mr. President, I rise today in support of H.R. 1151, the Credit Union Membership Access Act. I have always supported federal credit unions because of their vital role in providing access to credit, particularly for consumers of moderate means. This bill would allow credit unions to continue to offer this outstanding level of service.

The Supreme Court's recent decision in the AT&T case cast a shadow of uncertainty over credit union membership. The decision threatens to disrupt the financial affairs of millions of hard-working families by forcing credit unions to limit future memberships and placing current memberships in jeopardy. This legislation responds to the Court's decision by clarifying the credit union field of membership. It protects existing credit union members and membership groups, while allowing approporiate expansion. In addition, it further protects consumers by ensuring the safety and soundness of credit unions through improved regulatory safeguards.

H.R. 1151, as reported by the Senate Banking Committee, is critical to consumers across the nation. Credit unions serve many families who have trouble obtaining credit elsewhere. In particular, credit unions are absolutely essential in the area of small consumer loans. For those in need of a loan to purchase a new car, put down a rent deposit, or buy a new washer and dryer, the local credit union is a valuable resource. In today's world of mega-mergers, credit unions continue to be there to provide affordable and personal financial services.

Both the House of Representatives and the Senate Banking Committee approved H.R. 1151 by overwhelming margins. These votes are evidence of the strong support behind this legislation. I urge my colleagues to support H.R. 1151 in a similar fashion.

AMENDMENT NO. 3336

The PRESIDING OFFICER. Under the previous order, the hour of 4:30 p.m. having arrived, the question recurs on amendment No. 3336 offered by the Senator from Texas, Mr. GRAMM. There will now be 1 hour of debate, divided in the usual form, prior to the motion to table the amendment.

Mr. D'AMATO. Madam President, I ask unanimous consent that 10 minutes of additional time be granted, and if the Senator from Texas would yield, we could take it out of our time. The Republicans would get 10 minutes equally divided. I see the Senator from Kansas who has been here 2 hours. Senator THURMOND has come to the floor and 2 other Members are here. If we can divide 10 minutes, 5 minutes on each side, I make that request.

Mr. KERRY. Madam President, reserving the right to object, would it be possible, I ask my colleague from New York, to work out an agreement where we might have a little more time on each side? Or I assume we are able to speak to either amendment during the time of the other amendment.

Several Senators addressed the Chair.

Mr. SARBANES. Madam President, as I understand it, we are now in a time-constrained period of 1 hour on the GRAMM amendment, equally divided; is that correct?

The PRESIDING OFFICER. That is correct.

Mr. SARBANES. Thirty minutes to Senator GRAMM and Senator D'AMATO, who supports Senator GRAMM, and 30 minutes on this side; is that correct?

The PRESIDING OFFICER. That is correct. The Senator from New York has a unanimous consent request that would seek to delay that period.

Mr. D'AMATO. I withdraw my request, Madam President. Let's start it from there.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The time is under the control of the Senator from Texas and the Senator from Maryland, under the previous order.

UNANIMOUS-CONSENT AGREEMENT

Mr. D'AMATO. Madam President, I ask unanimous consent that at 9:45 on Tuesday, the Senate resume consideration of the Shelby amendment, and there be 15 minutes of debate equally divided prior to a motion to table. I further ask consent that no amendments be in order prior to the vote. This has been cleared by both sides.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Madam President, I yield 6 minutes to the Senator from Massachusetts, Senator KERRY.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 6 minutes.

Mr. KERRY. Madam President, thank you. I thank the Senator from Maryland.

AMENDMENT NO. 3338

Madam President, I want to speak just for a moment, if I may, with respect to the Shelby amendment. This amendment concerns me greatly and I think should concern all Senators who have invested the amount of time and energy in the past years to guarantee that we will provide adequate access to credit to those parts of America that have historically been very difficult to reach, difficult to provide jobs, and difficult for people to gain access to credit.

There is a fundamental reason that in 1977 Congress, in its wisdom, decided to pass the Community Reinvestment Act. All the Community Reinvestment Act asks is that banking institutions, demonstrate that they are making adequate efforts to try to provide credit to all of the people within their communities—that they are reinvesting in their communities. There is a reason that happened. It is very simple. They weren't doing it. Large financial institutions were growing, and were accepting deposits from people within a community, but the banks were not giving back to the people within that community. They were finding other places to invest for more lucrative, faster returns, safer returns, and the community suffered as a consequence of that. So you could have communities where you had rows of houses but they weren't homes. There is a distinction between a house and a home.

What we have learned is that, over the years, the almost $400 billion worth of investments that have been made back into communities have made homes out of what were just houses, have provided people the capacity to be able to improve their own lives, to create their own jobs, within the community. And that helps the community. In point of fact, it reduces taxes. It reduces the social burden on the rest of the people within those communities who have to pick up the slack if the larger financial institutions are not doing so.

What is astonishing about the SHELBY amendment is that what it seeks to pass off as simply taking away those institutions with $250 million or less in assets is, in fact, an exemption for perhaps 85 percent of all the lending institutions in this country. The vast majority of the lending institutions in this country would be exempted from a requirement to show that they are involved in their community.

The fact is, I know this well, because as the ranking member of the Small Business Committee, we have spent a considerable amount of time trying to analyze access to credit for small businesses, which we know are over 95 percent of the businesses in the country and which provide a majority of the jobs in the country. These are some of the people who also benefit by virtue of the CRA.

The fact is that there is nothing that requires a lending institution to make a bad loan. In fact, those loans are specifically outlawed. They are specifically covered under the regulations. And the regulatory process requires the same standards of due diligence and the same standards of assuming credit. It simply requires them to make certain they are making some of those loans in the place where they do business.

The fact is that the CRA has been a remarkable catalyst, and those $400 billion have had a remarkable impact in the United States. Study after study shows that CRA portfolios perform well and that banks are profiting as a result.

It would be one thing if the banks came in here and said they were losing money, but they are not losing money, they are profiting as a result of the investments made under the CRA. That

is precisely why banks are now starting to sell CRA loans on Wall Street—in order to raise more capital to make more CRA loans.

I might add that we have heard some complaints about the administrative burden of CRA on small banks. A number of years ago, Madam President, those complaints were made to our committee. They were made to the Small Business Committee and others. There have been a series of efforts within the banking community, and in fact a considerable amount of progress has been made to reduce the overlap of regulations and reduce the administrative burden of CRA.

I am told that there is a 30-percent reduction in the level of administrative effort to comply with CRA regulations. But all we are asking people to do is, in effect, report publicly on what they say they are going to do anyway. There are people who tell you: ''We don't want to do this because it is a regulatory burden. But trust us; we are going to be out there in the community making these loans anyway.''

If that is true, they are going to have all the records of the loans they are making. They are going to have all of the analyses of how this effects the community. They are going to have all of the analyses of those to whom they are lending.

The only additional requirement when you finish with all the folderol and hype is the requirement that they make it public and that they do it in a regular and orderly fashion.

But it's more than just the application of an economic model. CRA makes a difference in the lives of real people. In Massachusetts, there have been more than $1.6 billion in commitments made by financial institutions to assist low income neighborhoods. These funds have been invested in home ownership, affordable housing development, minority small business development, and new banking facilities and services. It's making a difference in Boston's inner city neighborhoods, from Roxbury and Jamaica Plain to the South End.

Stacy Andrus, from Jamaica Plain, Massachusetts, was a restauranteur struggling to make ends meet and retain her clientele in a competitive environment. She knew she had to be creative just to keep pace. Stacy began toasting chips out of pita bread to serve as finger food before the meals. Well, as you might expect, the pita chips soon became the most popular item on the menu. Like so many small business owners who know they've latched onto a great idea, Stacy wanted to expand her operation, to bring her concept to scale. But capital and credit are scarce in Jamaica Plain. Stacy couldn't find the help she needed until she started working with the Jamaica Plain Neighborhood Development Corporation. This corporation works within a network of small business assistance providers that use CRA programs at local banks to secure financing for small businesses. With their help, Stacy obtained a $60,000 loan from BankBoston. As a result, her small business has expanded rapidly: She has leased a production plant in Jamaica Plain; put former welfare recipients on the payroll; and 900 bags of chips are rolling off the assembly line every day. Thanks to CRA, Stacy Andrus has made her Pita chips the top-selling gourmet snack food in Boston and she has major airlines interested in serving her chips to first class customers. But without CRA, the community of Jamaica Plain would not receive the benefits from the economic development that these investment have generated.

CRA is also giving low-income communities a shot at home ownership, making the American Dream a reality for those who believed it was out of reach. Julie Orlando, a single mother of three, wanted to buy a home for her family in Leominster, Massachusetts. Julie's income, though, was less than 80 percent of the medial family income for the area. In the days before CRA, Julie wouldn't be considered a likely candidate to own a home. But because the Fidelity Cooperative Bank was involved in the CRA coalition, Julie was able to obtain a $72,000 mortgage with no points. The city of Leominster provided additional assistance to Julie and her family. Because the Fidelity Cooperative Bank participated in a CRA coalition, Julie and her two children can live the American Dream of owning their first home. That is exactly the type of assistance that the CRA was designed to provide. Let me tell you, Julie's success story is typical. It's indicative of the kind of progress we can make when we leverage market forces to work in disadvantaged communities.

Mr. President, I believe the Shelby amendment will roll back the advances being made in cities and rural areas around the country. To eliminate these regulations for more than 85 percent of banks in the United States and 75 percent of banks in Massachusetts will close the door of home ownership and small business growth for thousands of low-income neighborhoods across the country.

I believe that is the wrong direction for this country. The United States is experiencing economic growth that surpasses our wildest expectations. The stock market is pushing 9,000. Unemployment is low and we are, for the first time in fourteen years, starting to see growth in real wages. We have reason to be proud. We don't, however, have reason to rest on our laurels. In this time of prosperity, our job must be to expand the winner's circle, to empower every community to participate in this economic expansion. That means we must not allow any community to be denied access to credit and capital. Destroying the development of CRA will mean access denied for our inner cities and rural areas. It would dismantle one of the most effective methods for investment in our neighborhoods and set back hard-fought development in disadvantaged areas of this country. That is why I oppose the Shelby amendment and urge my colleagues to vote against it.

I hope colleagues will oppose the Shelby amendment.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Madam President, how much time do I have?

The PRESIDING OFFICER. The Senator has 26 minutes remaining.

AMENDMENT NO. 3336

Mr. GRAMM. Madam President, we will vote at 5:30 on an amendment I have offered, an amendment that is supported by every Republican on the Banking Committee. This amendment would strike an unwise and, I believe, unfair provision that was put into this credit union bill in the House.

What I would like to try to do in a few moments is to explain what credit unions are and how they work. I would like to explain why this provision is unwise and unfair. I would like then to read for my colleagues the language of this provision to show, by the very words of the provision, how it is unworkable and how it is subject to tremendous variance in interpretation. Then, contrary to what others might say about a provision called ''community reinvestment,'' I would like to give some real examples of abuses that are not of benefit to the community but rather to special interests.

Those are basically the points that I want to cover.

Credit unions are voluntary organizations. They are not for-profit organizations. They are organizations that were established under Federal law or State law, many during the Great Depression, whereby people of modest means pooled their savings and then, from that pool of savings, they made loans to others who had joined the pool, often making it possible for people to borrow money in small amounts that would not have been available through other, commercial sources. And in the process, credit unions brought credit literally to millions of American families of modest means.

Recognizing this in their charter, they, as other cooperatives that were born during the Great Depression, were granted tax exemption. They are totally voluntary organizations tied together by a common bond.

We have written a bill in the Senate and House because of a court ruling which jeopardizes the current status of credit unions.

In the House of Representatives, a provision was added to this bill to require for the first time ever in the history of this country that Federal credit unions, and not only Federal credit unions but State credit unions as well, be forced to make loans and grant services at subsidized rates to people who are not members of the credit union. This is following a principle that has been established with the Community Reinvestment Act for banks, and I

want to argue that it does not fit the model of credit unions, and that it has certainly been abused in its use for banks.

I personally will vote for the Shelby amendment to exempt small banks from CRA, but my amendment deals with a different subject. We should not be imposing with Federal power a mandate that voluntary, nonprofit organizations, chartered for the sole purpose of promoting the private interests of their members and the cooperative interests of their members, provide services, loans and other services, to people who are not members of the credit union, people who had an opportunity to join but chose not to join. And might I point out, it generally costs nothing more than a deposit of five dollars to join a credit union, yet these people to be served under these mandates in the bill chose not to join.

Let me read the language. In three different instances this bill imposes these new Federal mandates. First of all, it imposes on credit unions ''a continuing and affirmative obligation to meet the financial services needs of persons of modest means.'' It then requires that the Federal Government conduct a periodic review of the records of each insured credit union to see that each and every credit union is ''providing affordable,''—and ''affordable'' is undefined and undefinable—''credit union services to all individuals of modest means within the field of membership of the credit union.''

Let me remind my colleagues that not only does the bill mandate that the credit union be ''providing,'' not offering to provide but actually providing, its services, meaning that they must be offered and accepted in order to meet the standard, but the bill mandates that the services and credit be ''affordable,'' an undefined and undefinable term.

The bill then uses equally expansive terms to identify to whom these affordable services and loans are to be provided: ''All individuals . . . within the field of membership of the credit union.'' That is far different from the number of people who chose to join a credit union. If a credit union represents a common bond of people who work for a company or people who live in a community, a credit union is very successful if 20 percent of the people who had the opportunity to join the credit union actually chose to do it.

If this House provision remains in the bill, we will be mandating that the hard-earned savings of credit union members be used to provide subsidized services to people who had an opportunity to join the credit union but who chose not to afford themselves that opportunity.

This provision also requires that the evaluation of the credit union made by the Federal examiners be made public.

With regard to community credit unions, the provision requires that the credit union meet the credit needs and credit union service needs of the entire field of membership, and that procedures for remedying a failure be established—again, for the first time ever in the history of this country requiring voluntary nonprofit organizations to grant subsidized services to people who are not members of those organizations.

And, finally, a third time the legislation mandates, and again in words that are undefinable, that the credit union, as a condition tied to its federal deposit insurance, insurance that it pays for out of its capital provided by its members in a self-financing system, must be satisfactorily providing affordable credit union services to all individuals of modest means within its field of membership—again, not people who joined the credit union. And, as before, the terms ''satisfactorily'' and ''affordable'' are undefined and totally undefinable.

What is this really about? I want to use, I am afraid, somewhat harsh language to describe what this is about, there are not any other terms which really describe it. We must begin by recognizing that we had to pass a bill to deal with a court decision with regard to credit unions. Then we are seeing a rider added to this bill, in essence an effort to hold this bill hostage, these CRA provisions that for the first time will force credit unions to use their resources for something other than promoting the well-being of their members. These so-called community reinvestment provisions are often abused and often can turn into something very different than the term ''community reinvestment'' would suggest.

I want to give you three examples of the kind of problems that are happening on a regular basis with regard to the application of CRA to banks. We do not want these things to happen to credit unions, and someday we are going to stop them from happening to banks. I would like to begin that soon.

The first has to do with California First Bank. California First Bank sought to merge in 1989 with Union Bank. When the merger was announced, protesters showed up and filed a protest under the Community Reinvestment Act opposing the merger of California First Bank and Union Bank. They met with the leadership of the California First Bank, and after delaying that merger, an agreement was entered into in return for removing the protest to the merger. California First Bank agreed to increase purchases from women and minority-owned vendors to 20 percent of total purchases. They agreed to make charitable contributions in the amount of 1.4 percent of net income in 1989 and 1.5 percent of net income in 1990. They made a commitment that 60 percent of employees placed in middle and senior management positions within 5 years would be minorities and women. And finally, they agreed, as a condition for the removal of this protest, that they would appoint three minority and women directors to the bank.

Sumitomo Bank in California is a bank that I do not know, but I assume it is an affiliate bank of the Japanese bank operating in California. I suspect that it has specialized in providing services, corresponding bank services to companies that do business in Japan and Japanese companies that do business in the United States. Sumitomo Bank had an action filed against them under the Community Reinvestment Act, and as a result of this filing, they were ultimately forced into the following agreement. And I would like to ask you, if this were a bank from one of our States that was operating in the Dominican Republic and a group of professional protesters came into the bank and protested its operations and demanded and received the following things, what would we call it?

This Japanese affiliate bank was required under this agreement to make $500 million of CRA-related loans over 10 years; to spend 2 percent of income on charitable or not-for-profit organizations, two-thirds of the money going to inner-city organizations; appoint minority board members to the bank; appoint a paid five-member minority advisory board to consult with management; and give 20 to 25 percent of outside contracts to minority-owned vendors.

I submit that, while it is a harsh word to say, if an American bank in the Dominican Republic had been forced to do these things, we would have called it extortion. Yet this is happening every year in America.

Let me give another example. When NationsBank and the Bank of America recently sought to merge, both banks had excellent CRA reports. They had been graded annually, and they had historically invested substantially in the inner-city areas that they served. Yet, despite the fact that both banks had excellent CRA reports, a group of professional protesters opposed the merger. Currently, they are endeavoring to hold up the merger, and one of the protesters was recently quoted as saying, ''We will close down their branches and ensure they fail in California. This is going to be a street fight and we are prepared to engage in it.''

Madam President, what has really happened to CRA provisions for banks is that we have literally set up a procedure whereby professional protesters lodge a complaint in the name of community reinvestment every time banks seek official approval of any action, and based on those complaints, in holding up that action, they are able to force companies to sign agreements to set quotas in purchasing, quotas in hiring, quotas in promotion, and they literally force the bank to donate money to organizations of which they themselves, on occasion, are part or beneficiaries.

I submit that community reinvestment, while the name is a wonderful name, and we all support it, has really turned into a system that is terribly abused. It has become virtually a system of legalized extortion whereby a

small number of professional protesters are able to go into a bank and literally threaten that bank with the inability to do its business unless they are, in some form, in some fashion, paid off.

I think this is fundamentally wrong. It is very difficult to get banks to talk about it, obviously, because when people have been extorted, it is hard to get them to go public. But the plain truth is, I think if people look at what is happening to NationsBank and Bank of America, even though both of them have excellent records, and in the reports that are filed annually have consistently received high ratings, yet they are being shaken down by protesters who are trying to hold up their merger, asking for additional concessions.

When we look at what California First Bank and this Japanese affiliate were forced to do, in terms of payments of cash, in terms of hiring people to serve on ''advisory boards,'' it reminds me of an immigrant merchant working with his family. This immigrant merchant is trying to eke out a living in a little store, when these big heavies walk into his store and say: You know, you need protection. You need somebody to make sure that somebody doesn't come in here and tear up your business or hurt you. And you give us 5 percent of what you earn and we will protect you.

I think it is fundamentally wrong, when we have established terms that are so undefined as ''affordable,'' terms such as ''satisfactorily providing affordable,'' so that we are literally allowing American business to be shaken down. I don't want this to happen to credit unions. I don't like the fact that it is happening to banks. I believe that we will ultimately fix this problem. I think we should.

Some people are going to say that the credit unions are not actively opposing the CRA mandates in the bill. The credit unions were told that if they opposed this provision in the bill that they might not get the bill, that it might be held up. So needless to say, I am not surprised under those circumstances that they have not come forward to say that they oppose these mandates.

But I believe these mandates should be stricken. I think that they have no role in the credit union bill. I think it is fundamentally wrong, to require that voluntary nonprofit organizations, established to provide cooperative financial services to people who voluntarily come together in a credit union—it is wrong to force them to take their money and their services and, in essence, give them to people who are not members of their credit union.

I think it is fundamentally wrong. Striking those mandates is what my amendment is about. I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Madam President, how much time is left to the proponents of the measure?

The PRESIDING OFFICER. The proponents have 6 minutes 44 seconds; the opponents have 19 minutes 30 seconds.

Mr. D'AMATO. Madam President, I would like to take up to 5 minutes.

I support the Senator's efforts, the efforts of the Senator from Texas, Senator GRAMM. As strenuously as I have argued against the inclusion of legislation that would affect community banks and CRA, I do not believe this is the time for us to go forward and place the same CRA provisions, which are so controversial as they relate to community banks, on the backs of credit unions.

We want to see that credit unions are soundly run. We want to protect the taxpayers. We want to see that credit unions can do their business, and that business is to make the small loans that others traditionally are not willing to make. I am going to ask that a letter from the National Credit Union Association, written by Robert E. Loftus, Director, Public and Congressional Affairs be printed in the RECORD in a minute, but I want to read this part out, relating to inquiries we made as to what obligations the CRA portions of our bill would require. He says, ''Our investigations have not produced any evidence that credit unions are guilty of redlining or other discriminatory practices.''

Madam President, I ask unanimous consent the letter from Mr. Loftus dated June 1, 1998, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL CREDIT UNION ADMINISTRATION,
Alexandria, VA, June 1, 1998.

Mr. PHIL BECHTEL, Chief Counsel,
Ms. MADELYN SIMMONS, Professional Staff Member,
Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, DC.

DEAR PHIL AND MADELYN: Thank you for your efforts in obtaining Banking Committee approval of H.R. 1151. NCUA greatly appreciates the work you and the Banking Committee staff put into crafting a compromise bill.

I am writing in response to your request that NCUA analyze the effects on credit unions of the community service requirement in section 204 of H.R. 1151. Of course, NCUA's ultimate disposition of this issue lies in the hands of the NCUA Board; these comments reflect only staff views and not the Board's position.

Consistent with the language of the bill, NCUA will strive to focus on performance and ''not impose burdensome paperwork or recordkeeping requirements.'' Our goal will be, to the maximum extent possible, to rely on records credit unions already maintain in order to minimize the costs of evaluating service to low- and moderate-income members. We believe that this approach is appropriate, as our investigations have not produced any evidence that credit unions are guilty of redlining or other discriminatory practices.

If the final version of H.R. 1151 requires NCUA to implement a community service requirement, one possible approach might be that taken in a recent proposed regulation. A proposal before the NCUA Board in March (attached) would have required credit unions applying for a new or expanded community charter to document their plans to serve all segments of the community. We believe that the proposed regulation might provide a framework for implementation of section 204.

Implementation of section 204 will be a time-consuming and difficult process, as the Board will have to agree on the meaning of terms such as ''periodically'' and ''criteria'' after a public comment period which will run for several months. Staff expects that developing the community service regulation will be the most challenging part of implementing H.R. 1151. Although there will be some additional cost, until a regulation is in place, it will be impossible for staff to estimate the amount of the costs to the agency and credit unions.

Thank you again for your efforts on behalf of credit unions and their members. I assure you that the NCUA Board will implement the final version of the legislation with all due speed. If you have further questions, please feel free to contact me.

Sincerely,

ROBERT E. LOFTUS,
Directir. Public and Congressional Affairs.

Mr. D'AMATO. Madam President, there is no evidence that people are not getting credit that they should be getting. This legislation is ill conceived, to place these burdens on these small credit unions and credit unions that are by their nature nonprofit and voluntary. I don't understand this. To paraphrase the statement that has been used often, ''This is a solution in search of a problem.'' We don't even have a problem and we are coming up with a solution.

Let's look and see what the National Credit Union Administration says. These are the people who are going to draw the rules enforcing this vague open-ended legislation. Listen to what they say about implementing the legislation that imposes the CRA requirements:

> This will be a time-consuming and difficult process, as the Board will have to agree on the meanings of terms such as ''periodically'' and ''criteria.''

This legislation, as it is written, is ambiguous. This is not the time for my colleagues to be putting this kind of legislation into law. This proposed legislation is wrong. The letter from the National Credit Union Administration goes on and says:

> . . . after a public comment period which will run for several months. Staff expects that developing the community service regulation will be the most challenging part of implementing H.R. 1151.

My gosh, there you have the people who are going to administer these CRA provisions, as well-intentioned as they might be, saying that developing the community service regulation will be the most challenging part of implementing H.R. 1151. The National Credit Union Administration is saying that this is going to be the most difficult part of the law. Furthermore, there is no community service problem that is outstanding. I don't think we want to engage in this type of legislation.

Last but not least, let me say what we should be doing and what the administrator of the credit unions, the National Credit Union Administration, should be doing is concentrating on seeing to it that those few credit unions that may have trouble with their capital standards, et cetera, are subject to the prompt corrective action provisions in the bill so that the taxpayers are protected.

Let's protect the taxpayers, and let's see to it that credit unions do what they have done best, and that is to be available to the community that often has had difficulty getting credit. That is what this is about. That is what this legislation should be about.

As strongly as I am opposed to an attempt to strip out CRA from community banks, it is ill conceived to place these kinds of legislative prerogatives and requirements on credit unions that are not even adequately defined and that the National Credit Union Administration itself says will be the most difficult to undertake.

I yield the floor.

Mr. SARBANES. Madam President, what is the time situation?

The PRESIDING OFFICER. The Senator from Maryland controls 19 minutes, 20 seconds, and the Senator from Texas controls 2 minutes, 29 seconds.

Mr. BYRD. Madam President, will the distinguished Senator from Maryland yield me just 15 seconds so that I might make a request?

Mr. SARBANES. Certainly, I yield to the Senator.

Mr. BYRD. I thank the Senator.

Madam President, I ask unanimous consent that upon the disposition of the two rollcall votes this afternoon, I be recognized to introduce a bill and to speak thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD. I thank the Chair.

Mr. SARBANES. Madam President, a lot has been said here this afternoon. I regret some of the rhetoric. I don't think it advances a rational discussion of the issue, to talk about extortion and piracy, I must say, because I think there are very important issues here with respect to CRA, and I want to cover both of them since a lot of the arguments that are used on the amendment pending before us which would remove from the bill a sort of modified version of CRA which would be placed on credit unions, which was in the bill as it came over to us from the House of Representatives—a lot of those arguments really relate to CRA as it applies to banks, and that application is being used to make an argument with respect to credit unions.

First of all, it had been asserted earlier that the rationale for CRA which Senator Proxmire advanced back at the time of its passage in 1977 has all eroded, but the fact of the matter is, when that argument was made, one of the major points that Senator Proxmire advanced for the application of CRA was omitted from the list of considerations; namely, that deposit insurance is available to these institutions and the importance of deposit insurance.

This was underscored, of course, because in the 1980s Federal insurance for the savings and loans cost us $132 billion, without counting the indirect costs that were incurred in interest payments in order to finance the direct payments which were necessary.

Many of those who are arguing against are against any CRA requirement for any federally insured financial institutions, and I think it is important to understand that. Of course, I come from a very different point of view.

The fact of the matter is that CRA does not require a bank to make subsidized loans. It doesn't require it to make uncreditworthy loans. It doesn't require it to lend to a particular individual. It is not an allocation of credit.

What it requires it to do is pay attention to its community so it can't simply take money out of the community and, in effect, not be in the posture of putting money back into the community, which is, of course, what the act says community reinvestment is.

Federal Reserve Chairman Alan Greenspan has pointed out:

> The essential purpose of the CRA is to try to encourage institutions who are not involved in areas where their own self-interest is involved in doing so. If you are indicating to an institution that there is a forgone business opportunity in area X or loan product Y, that is not credit allocation. That, indeed, is enhancing the market.

What this has enabled us to do is to draw into the mainstream of economic life communities that had previously been neglected. It has worked well, and there is every reason that it also should apply to the credit unions who, of course, also get the benefit of a Federal guarantee standing behind their insurance fund.

With respect to these sharp statements about how CRA has been used by community groups, let me quote on the record some of the statements that banks and bankers have said about it.

The Bank of America says:

> Over the past several years, Bank of America, in partnership with community organizations, has developed CRA lending into a profitable mainstream business * * *. We have taken what began as a compliance function and turned it into a business line that makes economic as well as social sense.
>
> We believe we have demonstrated over the past several years that when institutions develop CRA programs as a business tool, and provide lending products with flexible but prudent underwriting criteria, low-income lending can be safe, sound and profitable.
>
> ''* * * low-income lending can be safe, sound and profitable.''

I ask unanimous consent that this public statement by Bank of America be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

BANK OF AMERICA VOICES SUPPORT OF CRA REFORM

SAYS LOW-INCOME LENDING CAN BE ''SAFE, SOUND, AND PROFITABLE''

SAN FRANCISCO, March 9, 1995.—Bank of America said today that it supports ongoing efforts to reform the Community Reinvestment Act by increasing its focus on lending performance.

''Over the past several years, Bank of America, in partnership with community organizations, has developed CRA lending into a profitable mainstream business,'' said BofA Executive Vice President Donald A. Mullane. ''We have taken what began as a compliance function and turned it into a business line that makes economic as well as social sense.

''We believe we have demonstrated over the past several years that when institutions develop CRA programs as a business tool, and provide lending products with flexible but prudent underwriting criteria, low-income lending can be safe, sound and profitable.''

The bank reported earlier this week that it provided $5.9 billion in CRA loans in the western U.S. during 1994.

''As we have said repeatedly during the public debate on the future of CRA, we believe it continues to play a valuable public policy role by promoting more innovative and widespread reinvestment activities by the financial services industry.''

BofA made its comments in a letter to Rep. Marge Roukema, who chairs the House Banking Subcommittee on Financial Institutions and Consumer Credit. The subcommittee is holding hearings this week on the effectiveness of the CRA and on ongoing efforts by regulators to revise the 17-year-old law.

Mullane, as co-chair of the national Consumer Bankers Association's Community Reinvestment Committee, provided a written statement to Roukema's committee representing the national trade association's position on CRA reform. He said BofA's letter was written to clarify the bank's position as an individual institution.

''Our industry is not a monolith and there is a wide divergence of opinion regarding the effectiveness of the CRA,'' Mullane said. ''We respect those differences and believe in a full and open dialogue on the future of this key banking regulation.

''But we want to be clear that Bank of America has been and continues to be a strong advocate of the CRA process, and we support current efforts by federal banking regulatory agencies to revise CRA regulations so that they focus more on actual lending performance than paperwork.''

Regarding specific elements of CRA reform, Mullane said Bank of America:

Supports the collection of race and gender data on small business and consumer loan applications, as advocated by community organizations, but only if it is required of all small business lending providers, not just those institutions currently regulated by CRA. Banks provide only approximately 30 percent of small business loans in the country, Mullane said, and without full reporting by all providers, such data would give a distorted view of the small business lending market.

Supports a ''safe harbor'' provision protecting institutions with a CRA rating of ''outstanding'' from protests during mergers and acquisitions.

Believes that CRA should apply equally to all banks, regardless of size. CRA should also provide new market-based incentives to encourage nonbank financial service providers to engage in community development lending and investments.

Mr. SARBANES. Madam President, I ask unanimous consent that a letter

from LaSalle Talman Bank in Chicago be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

LASALLE TALMAN BANK,
Chicago, IL, March 3, 1995.

Hon. MARGE ROUKEMA,
House of Representatives, Chairwoman, House Subcommittee on Financial Institutions & Consumer Credit, Rayburn House Office Building, Washington, DC.

DEAR REPRESENTATIVE ROUKEMA: Through our subsidiary, the LaSalle Talman Home Mortgage Corporation, we are the largest residential mortgage lender in both the Chicago metropolitan area and the state of Illinois.

Our orientation and focus of lending has been consistent with the mandates of the Community Reinvestment Act (CRA). In fact, it predates the actual introduction of the CRA in 1977. For the record, our institution was also providing voluntary mortgage disclosure data before the passage of the Home Mortgage Disclosure Act (HMDA).

CRA has proved to be a positive force here in Chicago. It has been the instrument that has provided millions of dollars in investment that has financed home purchase, rehabilitation and home improvement, and new construction in once underserved communities.

CRA is not bad business or ''have to'' business. CRA allows discretion and choice to the lender. It allows for reasoned negotiation and workable solutions. It has provided a forum where financial institutions, corporations, and community organizations can work in a spirit of cooperation to meet community credit needs.

Today we are disturbed by news coming from Washington, viz., that efforts are underway to repeal or undermine the Community Reinvestment Act.

There is a need to revise some aspects of the CRA, and recent hearings and rule changes were to do that. That has not happened. Changes are needed. Repeal is not!

Chicago, and indeed all of our nation's cities, need the positive force of CRA. Without CRA the prospects of a return to the terrible social turmoil and destructive results of pre-CRA days becomes a very real possibility.

I express my support for the continuance of the Community Reinvestment Act.

Sincerely,

THOMAS J. GOBBY,
Senior Vice President.

Mr. SARBANES. Madam President, this letter states:

Through our subsidiary, LaSalle Talman Home Mortgage Corporation, we are the largest residential mortgage lender in both the Chicago metropolitan area and the state of Illinois.

. . . CRA has proved to be a positive force here in Chicago. It has been the instrument that has provided millions of dollars in investment that has financed home purchase, rehabilitation and home improvement, and new construction in once underserved communities.

CRA is not bad business or ''have to'' business. CRA allows discretion and choice to the lender. It allows for reasoned negotiation and workable solutions. It has provided a forum where financial institutions, corporations, and community organizations can work in a spirit of cooperation to meet community credit needs.

The objective is to meet these community credit needs. We have discovered now a path down which we can go and which, in the course of meeting the community needs, the financial institutions benefit and profit from it.

Reference was made to the Sumitomo Bank of California. I ask unanimous consent that a statement of Sumitomo released in March 1997 be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SUMITOMO BANK ANNOUNCES 1997 COMMUNITY OUTREACH PLAN

San Francisco, March 6.—At a press conference today, Sumitomo Bank of California (Nasdaq: SUMI) announced its 1997 Community Outreach Plan. A full text of the Bank's statement, as provided by Tsuneo Onda, President and CEO, is provided below.

''In January of 1993, Sumitomo Bank of California announced its Ten-Year Community Reinvestment Act (CRA) Goals. At the time, it was widely praised by advocacy groups as the most comprehensive and largest commitment of its type.

''I am proud to announce that just four years into the plan, our Bank has made great progress. In terms of lending, the most significant of the goals, we have already made $349 million of CRA loans since 1993, just under seventy percent of our $500 million ten-year goal. This includes loans to low- to moderate-income home buyers, Small Business Administration loans, and loans in redevelopment and enterprise zones, among others. I believe that this is an outstanding accomplishment, especially in light of the fact that our Bank has actually declined in size over that period.

''Encouraged by our success to date, we have decided to reaffirm our commitment by expanding our original Goals. Based on our progress, we will strive to achieve our original $500 million CRA loan goal within six years, four years earlier than originally targeted. Not stopping there, we will double our 1993 goal, targeting a total of $1.0 billion in CRA loans over the original ten-year timeframe. In addition to the loan goal, we will expand our Community Advisory Board from five to ten members, and will aim for greater diversity in our use of vendors and in our philanthropic support of community organizations. Our goals are extremely challenging, but we feel they are consistent with our business plans and we will do our best to achieve them.

''Community outreach will be the key to achieving our goals, and that is why we have named our new plan the ''1997 Community Outreach Plan.'' As a start, we are in the process of creating a new CRA unit, specifically dedicated to ensuring the achievement of our goals. This new unit will concentrate on identifying ways to expand and improve our involvement with a more diverse customer base, including those with whom we have not previously established business relationships.

''Perhaps our most important effort will be in the communities themselves. Our goals can best be achieved through a cooperative effort between our Bank and the people in the communities we serve. We believe that the establishment of working relationships with minority-owned financial institutions that are already doing business in these communities will be one important aspect of our outreach efforts. In that regard, we are presently developing a relationship with a African American-owned bank located in South Central Los Angeles. In addition, we have sought and received the support of a broad range of community groups. As we develop concrete projects with these groups, we will be making additional announcements.

''In closing, I believe that our 1997 Community Outreach Plan is a mutually beneficial plan that will greatly assist all the communities we serve, while helping our Bank achieve our own business goals.''

Mr. SARBANES. Madam President, in this statement they reaffirm their CRA commitment and announce an expansion of their CRA goals. Sumitomo itself came in and said they were proud to announce that, just 4 years into the plan, the bank had made great progress. They then quote some figures of how they come close to meeting their various goals:

Encouraged by our success to date, we have decided to reaffirm our commitment by expanding our original Goals. Based on our progress, we will strive to achieve our original . . . goal within six years, four years earlier than originally targeted. . . .

They doubled their goal. So they recognize that it was working, that it was mutually beneficial. They closed by saying this ''will greatly assist all the communities we serve, while helping our Bank achieve our own business goals.''

Recently The Enterprise Foundation, which of course was founded by Jim Rouse, one of the great visionaries, in my judgment, in our Nation with respect to community development, urban planning, affordable housing, they described in a publication ''Community Reinvestment, Good Works, Good Business''—''Good Works, Good Business''—they cited programs in Florida, Missouri, Iowa, California, Nebraska, New York, Minnesota, and New Jersey as examples, cited the banks, the programs they were carrying out under CRA. And they went on to say:

Many banks have discovered that community lending is good business. These banks would continue to meet their obligations regardless of federal requirements. But others need encouragement, and CRA has proven effective at providing this. CRA has helped banks discover new markets and profit opportunities that they otherwise might have overlooked.

We had all these complaints about paperwork, overregulation. The regulators undertook a major effort to slim that down, with great success. The various banking associations, after that was completed, appraised the process through which we had gone in order to simplify and streamline this process. So it is working. It is bringing in these communities. It is drawing people into the financial mainstream. And it seems to me a reasonable requirement.

Let me make just one final point, because the point is being asserted that, well, these banks that would be exempted under the amendment offered by Senator SHELBY hold a small portion of the assets of all banks nationally. But what you have to understand is that 85 percent of all banks in the country would be eliminated from the CRA by the Shelby amendment. In six States, over 95 percent of the banks fall into this category. In nine other States, over 90 percent of the banks fall into this category. There are 30 States in which 80 percent of the banks fall into this category.

Many are rural States. CRA is often perceived as benefiting the urban areas

of our country. However, rural areas, no less than urban areas, benefit from CRA.

I ask unanimous consent to have printed in the RECORD a letter from a coalition of rural and farm groups in opposition to the Shelby amendment.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

July 23, 1998.

DEAR SENATOR: On behalf of the undersigned organizations representing rural Americans, we are writing to express our strong opposition to legislative efforts to weaken the coverage of the Community Reinvestment Act (CRA). Our understanding is that Senator Shelby plans to offer an amendment to H.R. 1151, the credit union legislation, that is scheduled for floor action. In addition, Senator Gramm plans to offer an amendment that strikes provisions in H.R. 1151 that would ensure that credit unions provide services to all individuals of modest means within their field of membership.

The Shelby amendment would exempt banks under $250 million in assets from CRA coverage. This affects over 85% of banks nationally. For citizens in Iowa, Kansas, Minnesota, Montana, Nebraska, and Oklahoma, 95% of the banks would be exempt.

Rural Americans need the tools of the Community Reinvestment Act to ensure accountability of their local lending institutions. It is needed to prevent rural banks from abandoning their commitment to serve the millions of Americans living in smaller low and moderate-income communities. Unfortunately, small commercial banks do not automatically reinvest in their local communities. This is documented to national data on reinvestment trends and loan to asset ratios for banks across the country. 50% of small banks have a loan-to-deposit ratio below 70%, with 25% of these having levels less than 58%. The data for 1997 reveals that banks under $100 million in assets received 82% of the substantial non-compliance ratings.

We strongly urge you to oppose these amendments to H.R. 1151. The Shelby amendment ignores the important regulatory changes since 1995 that have significantly reduced the paperwork and reporting issues for small banks. The Gramm amendment will strike an important provision from the bill that for the first time would require credit unions to meet the financial services needs of their entire field of membership.

A vote against these amendments will help meet the credit demand of millions of family farmers, rural residents, and local businesses. Thank you for considering our concerns.

Sincerely,

Center for Community Change; Center for Rural Affairs; Federation of Southern Cooperatives; Housing Assistance Council; Intertribal Agriculture Council; Iowa Citizens for Community Improvement; National Catholic Rural Life Conference; National Family Farm Coalition; National Farmers Union; National Rural Housing Coalition; Rural Coalition; United Methodist Church, General Board of Church and Society.

Mr. SARBANES. That letter says, in part:

Rural Americans need tools of the Community Reinvestment Act to ensure accountability of their local lending institutions. It is needed to prevent rural banks from abandoning their commitment to serve the millions of Americans living in smaller low and moderate-income communities. Unfortunately, small commercial banks do not automatically reinvest in their local communities.

Madam President, I ask unanimous consent that a letter from more than 40 community groups with respect to CRA and with respect to both the Shelby and the Gramm amendment be printed in the RECORD as well.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

VOTE AGAINST THE ANTI-COMMUNITY REINVESTMENT AMENDMENTS TO H.R. 1151

July 13, 1998.

DEAR SENATOR: The credit union bill (H.R. 1151) is currently scheduled for consideration by the full Senate this Friday (July 18). We understand that Sen. Shelby will offer an amendment that would have the effect of substantially curtailing coverage for banks under the Community Reinvestment Act (CRA). Additionally, Sen. Gramm is planning to offer another amendment to strike provisions in H.R. 1151 intended to ensure that credit unions serve persons of modest means within their fields of membership and consistent with safe and sound operation. We urge you to vote against both of these amendments.

CRA is a 1977 law that was enacted to combat the practice of redlining by taxpayer-backed federally insured banks and savings institutions. The Shelby amendment offered unsuccessfully in the Senate Banking Committee exempts banks with under $250 million in assets from all CRA requirements (more than 85% of all banks). Should this amendment be adopted, it would mean that the vast majority of insured depository lenders would be free to redline or otherwise discriminate with impunity against the residents of certain urban and rural geographies.

CRA is a law that works! Almost $400 billion is estimated to have been committed by banks for affordable housing, small business lending, and community development in under-served urban and rural communities since 1977. These commitments have opened up opportunities for modest income families, small firms and small family farmers to purchase a home, and start up and expand their businesses. CRA has helped to ''jump start'' the market in these under-served areas.

CRA has produced substantial benefits at no cost to the taxpayer. Former Federal Reserve Board Governor Lawrence Lindsey said that CRA accounts for billions of dollars being invested annually in low-income areas without employing a large bureaucracy. For these reasons, US News and World Report refers to CRA as an ''ideal government initiative.'' Community reinvestment lending has helped to take the place of dwindling federal resources for community development.

The Shelby amendment is a solution in search of a problem. The recently adopted CRA regulations were specifically designed to streamline the examination process for small banks and thrifts. Under the revised rules, banks and thrifts with an asset size of less than $250 million are exempt from all reporting requirements and are no longer subject to process-based documentation requirements. Instead, examiners now look at a small bank's loan-to-deposit ratio, percentage of portfolio in local loans, distribution of loans across geographies and income levels, and responses to any complaints about its CRA performance. As a result, federal regulators report that they no longer receive complaints from small banks about the examination process for CRA.

Small banks have praised the new CRA regulations, adopted in 1995. The Independent Bankers Association of America (IBAA) ''hailed the final interagency CRA rules . . . as a big step in regulatory burden reduction for community banks.'' The IBAA ''[commended the regulators for instituting a meaningful, streamlined tiered examination system that recognizes the differences between community banks and their large regional and multinational brethren.'' (IBAA, press release, April 19, 1995).

''Small Banks Give Thumbs-Up To Streamlined CRA Exams.'' This headline from the February 1, 1996 American Banker reflects the positive experience that small banks have had since the new regulations have gone into effect. For example, the same article cites the experience of one small bank after its first CRA exam under the new rules. The bank's CRA officer said, ''We are done with it, and it was definitely less burdensome. We only had one examiner . . . She got here on Wednesday at 1 p.m. and left the following day at noon . . . It was a lot less time consuming. They are not requiring a lot of documentation.''

Please do not allow this important law to be weakened. We urge you to vote against the Shelby and Gramm anti-CRA amendments.

Association of Community Organizations for Reform Now (ACORN).
Alliance to End Childhood Lead Poisoning.
Americans for Democratic Action.
Center for Community Change.
Consumers Union.
Corporation for Enterprise Development.
Employment Support Center.
The Enterprise Foundation.
The Greenlining Institute.
Housing Assistance Council.
International Brotherhood of Teamsters.
Jesuit Conference.
Leadership Conference on Civil Rights.
Local Initiatives Support Corporation.
McAuley Institute.
National Association for Community Action Agencies (NACCA).
National Association for the Advancement of Colored People (NAACP).
National Community Capital Association.
National Community Reinvestment Coalition.
National Congress for Community Economic Development.
National Council of La Raza.
National Fair Housing Alliance.
National Family Farm Coalition.
National Housing Trust.
National League of Cities.
National Low Income Housing Coalition.
National Neighborhood Housing Network.
National Neighborhood Coalition.
National People's Action.
National Puerto Rican Coalition.
Neighborhood Housing Services of New York City, Inc.
NETWORK: A National Catholic Social Justice Lobby.
Organization for a New Equality (ONE).
Ralph Nader.
Seedco.
Southern California Association of Non-Profit Housing.
Surface Transportation Policy Project.
U.S. Conference of Mayors.
U.S. Public Interest Research Group (PIRG).
Union of Needletrades, Industrial & Textile Employees (UNITE).
United Auto Workers Union (UAW).
United Church of Christ, Office for Church in Society.
Woodstock Institute.

Mr. SARBANES. Madam President, let me just very quickly focus on the credit unions only. This debate has tended to overlap both areas. It is done

by the proponents of the amendment and, of course, we have responded too, because, in part, your attitude is going to be affected by how you see CRA functioning and whether you perceive it as bringing beneficial impacts or whether you perceive it as being harmful or not. I submit there is strong evidence that it has brought significant beneficial impacts, and many of the studies have supported that.

What is being applied to the credit unions in this legislation is not the full CRA provision. But this does require the credit union regulator, the National Credit Union Administration, to review the record of each insured credit union in providing credit union services to all individuals of modest means within the field of membership of the credit union.

It would not require them to go outside of the field of membership. They could not be required to give a loan to someone who was not a member of the credit union because that is a requirement of credit unions in terms of their loan policy. But they would have to try to draw in, make an effort to draw in people who were within the field of membership. They would have to concern themselves with trying to bring both low- and moderate-income as well as the sort of very top of the line within their field of membership.

The NCUA has directed a focus on the actual performance of the credit union not to impose burdensome paperwork or record-keeping requirements. This provision included in the House bill that was sent to us has been crafted to respond to the situation of credit unions. It is an effort to encourage them to meet the financial service needs of all their members and to reach out to those in the field of membership who have not yet joined and gotten the benefit of the credit union's services.

It is really a modest proposal. It has been suggested that the credit unions are not fiercely opposing it because they have somehow or other been coerced into that position—that is certainly not my understanding—just as it has been suggested that we need to get people to talk to some of these bankers who favor the CRA.

We are told, ''Well, now we have these people who are against it. We cannot identify them because if we identify them then they are going to get into a lot of trouble.'' Well, I have people I can identify who would tell you that CRA has worked, that it has made an important impact, that the financial institution has found it not to be a burden but has found it actually to be profitable, that it has developed a better relationship in terms of their service area in terms of providing needed financial services. In effect, we are gaining public benefits from it, from an industry which received very significant public benefits in the sense of the insurance, the backup to the insurance, the Federal Government guarantee, access to low-cost credit through the Federal Reserve window and the Federal Reserve payment system.

This is enabling us to make very significant progress. The estimates in terms of the money that has gone into previously neglected communities is in the hundreds of billions of dollars. This is an effort to make capitalism work in a broader expanse, both geographically and in terms of the individuals who then are drawn in to play a part in the system.

I know some harsh language has been quoted earlier by community groups. I do not begin to try to justify or excuse that harsh language, although I must say some pretty harsh language has been used here on the floor of the Senate which I also regret. But we ought to look at this as an opportunity. This is turning into a win-win situation. It enables us then to sort of say, look, this economic system can work for everybody.

Those of you who are sort of complaining that you are shut out of this economic system, we have found ways to make this system—to open it up so it works for everybody. The institutions make a profit. They do good. They do well by doing good. People who otherwise would be fighting the system are drawn into the system. They become a part of the workings of this, of our financial structure and, therefore, become able to make a contribution to our society.

It has brought enormous benefits in so many areas of the country. As I said, the Chicago Bank says, ''It's a positive force here in Chicago. It has been the instrument that has provided millions of dollars in investment that has financed home purchases, rehabilitation, and home improvement and new construction in once underserved communities.''

That is what we are trying to accomplish.

The Shelby amendment, of course, would eliminate all of that, take us back a significant step. The Gramm amendment would prevent the extension of this concept of serving the community to the credit unions. I oppose it and I very much hope my colleagues would oppose it as well.

The PRESIDING OFFICER. The Senator from Texas has 2½ minutes.

Mr. GRAMM. Madam President, I only have a limited amount of time. Let me be quick.

No one is against community investment. Everyone is for community investment, and virtually every financial institution in America engages in it, and engages in it as much as they can in terms of prudent investments.

Our colleague talks about financial institutions taking money out of the community and then the government, through CRA, making them put it back into the community. I want to remind my colleagues that credit unions do not take money out of the community. Credit unions are voluntary organizations which people can choose to join or not to join. They cannot take money away, because they can only loan their money to their own members.

Our colleague objects to talk about being forced to grant credit, at a subsidized rate, to people that are not members of the credit union. But in three different places in the bill it requires that credit unions are ''satisfactorily,'' whatever that means, ''providing affordable,'' whatever that means, credit to the entire field of membership. Not trying to do it, not offering to, but doing it, something that clearly is open to any kind of subjective evaluation by a regulator. In fact, Senator D'AMATO has read from the Federal agency that regulates credit unions, how burdensome this is going to be.

Two final points: Our colleague quotes someone from this Sumitomo Bank, about how happy they are. Well, I think you would be saying that, too, if in 1993 you had been forced, under the CRA, to give 2 percent of your income away, to appoint people to your board that you didn't choose to appoint, to set up an advisory board and pay them, the very people who are protesting your bank under CRA, make then now a part of your organization, and, finally, if had been forced to engage in quotas. So I am not surprised that this bank is saying how great everything is now. They don't want the same people back in their place of business.

Finally, I appreciate the fact that the Senator gave us the wonderful record of the Bank of America in California under CRA, but it doesn't seem to have done Bank of America any good. I quote a CRA protester who at this moment has lodged a complaint with this financial institution against its merger with NationsBank. Despite all their good work, he says, ''We will close down their branches and assure they fail in California. This is going to be a street fight and we are prepared to engage in it.''

What tyrant in history has not claimed that he was serving the public interest when he took private property—not one ever in the history of the world.

Mr. SARBANES. Madam President, I can't control the comments of the street protester, just like I can't control the comments of some of my colleagues on the Senate floor, since this is a free country with free speech.

Mr. GRAMM. I can protect private property, and that is why I am in the Senate.

Mr. SARBANES. Madam President, I move to table the Gramm amendment and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the Gramm amendment.

The yeas and nays have been ordered.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from New Mexico (Mr. DOMENICI), and the Senator from Arizona (Mr. MCCAIN) are absent on official business.

I also announce that the Senator from North Carolina (Mr. HELMS) is absent because of illness.

I further announce that, if present and voting, the Senator from North Carolina (Mr. HELMS) would vote ''no.''

Mr. FORD. I announce that the Senator from New Mexico (Mr. BINGAMAN) and the Senator from Oregon (Mr. WYDEN) are necessarily absent.

I also announce that the Senator from Iowa (Mr. HARKIN) is absent due to a death in the family.

I further announce that, if present and voting, the Senator from Iowa (Mr. HARKIN) would vote ''aye.''

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 44, nays 50, as follows:

[Rollcall Vote No. 236 Leg.]

YEAS—44

Akaka	Feinstein	Levin
Baucus	Ford	Lieberman
Biden	Glenn	Mikulski
Bond	Graham	Moseley-Braun
Boxer	Hollings	Moynihan
Breaux	Inouye	Murray
Bryan	Jeffords	Reed
Byrd	Johnson	Reid
Cleland	Kennedy	Robb
Conrad	Kerrey	Rockefeller
Daschle	Kerry	Roth
Dodd	Kohl	Sarbanes
Dorgan	Landrieu	Torricelli
Durbin	Lautenberg	Wellstone
Feingold	Leahy	

NAYS—50

Abraham	Faircloth	McConnell
Allard	Frist	Murkowski
Ashcroft	Gorton	Nickles
Bennett	Gramm	Roberts
Brownback	Grams	Santorum
Bumpers	Grassley	Sessions
Burns	Gregg	Shelby
Campbell	Hagel	Smith (NH)
Chafee	Hatch	Smith (OR)
Coats	Hutchinson	Snowe
Cochran	Hutchison	Specter
Collins	Inhofe	Stevens
Coverdell	Kempthorne	Thomas
Craig	Kyl	Thompson
D'Amato	Lott	Thurmond
DeWine	Lugar	Warner
Enzi	Mack	

NOT VOTING—6

Bingaman	Harkin	McCain
Domenici	Helms	Wyden

The motion to lay on the table the amendment (No. 3336) was rejected.

Mr. GRAMM. I move to reconsider the vote.

Mr. LOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LOTT. Madam President, we had considered doing the memorial resolution between these votes, but we decided, after discussion with Senator DASCHLE, the most appropriate thing would be to go to this next vote and then have the memorial resolution read.

I would like to ask Senators to remain in the Chamber and take their seats so that we can hear this memorial resolution. It is not that long, but it is very appropriate. I think the Senators will like to hear it. Perhaps at that point Senator DASCHLE, who was not able to speak this morning, will want to make a statement, and others, and then we will go on to other issues.

I also want to remind Senators that at 11:50 tomorrow morning, Senators are asked to assemble in the Chamber. We will recess at that time to go en bloc to the Rotunda to pass through and around the coffins of the officers that will be there in the Rotunda. We will be back then at about 12:15, and we will go forward with legislative business. Then again tomorrow afternoon, at approximately 2:30, we will go for the memorial services beginning at 3 o'clock with the President and the Vice President in the Rotunda.

I just wanted Senators to be aware of that. So we will have the resolution read. We would like to ask you to stay, if you can, immediately following this vote. This next vote will be the last recorded vote tonight, although we may try to move to an appropriations bill. This will be the last vote tonight. The next vote will be in the morning at 10 o'clock on the Shelby amendment, followed by final passage on the credit union issue.

I yield the floor.

Mr. BYRD addressed the Chair.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Madam President, there is an order that has been entered which would allow me to speak immediately upon the disposition of the two rollcall votes. I would ask unanimous consent that that order be moved to the conclusion of the reading of the resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 3337

The PRESIDING OFFICER. Under the previous order, the Hagel amendment is now before the Senate. There are 2 minutes equally divided.

Mr. HAGEL addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. HAGEL. I thank the Chair.

Madam President, I am a supporter of credit unions. I have been a member of a credit union. I have been on the board of a credit union. I support the original charter for their original purpose. But if we are going to change the rules and allow tax-exempt credit unions to get more and more into commercial lending and have essentially unlimited access to new members, with the common bond being realistically eliminated, then additional safety and soundness measures are going to have to be required. My amendment strengthens the safety and soundness of credit unions with open and honest accounting. It brings some market fairness to the relationship between tax-exempt credit unions and tax-paying small community banks, and it refocuses on the original intent of credit unions—on consumer loans and services.

I encourage my colleagues to vote against tabling the Hagel-Bennett amendment. Vote no.

I thank the Chair.

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. I am moving to table this amendment because we have had for years no limitations on credit unions and their loans commercially. And, by the way, with all that with no limitations, only 1.3 percent were made for commercial purposes. Now we impose 12.25 percent. We limit them. And to say that we are not doing something when we place restrictions on them and you want to go further, I think this is wrong, it is ill conceived, and that is why I will move to table.

I yield the remainder of my time.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. The Secretary of the Treasury has written to the leadership after Treasury did a thorough study of credit unions. The Secretary says, ''The bill's safety and soundness provisions would represent the most significant legislative reform of credit unions' safety and soundness since the creation of the share insurance fund.'' And then he specifically addresses business lending and says, ''The provisions in this legislation represent an adequate response to safety and soundness concerns about credit unions' business lending.''

The PRESIDING OFFICER. The time of the opponents has expired. The Senator from Nebraska has 7 seconds.

Mr. HAGEL. I yield my time back to my distinguished colleagues. They need some help with their argument.

The PRESIDING OFFICER. The question is on agreeing to the motion to table.

Mr. D'AMATO. I move to table.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the Hagel amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from New Mexico (Mr. DOMENICI) is necessarily absent.

I also announce that the Senator from North Carolina (Mr. HELMS) is absent because of illness.

I further announce that if present and voting, the Senator from North Carolina (Mr. HELMS) would vote ''no.''

Mr. FORD. I announce that the Senator from New Mexico (Mr. BINGAMAN) and the Senator from Oregon (Mr. WYDEN) are necessarily absent. I also announce that the Senator from Iowa (Mr. HARKIN) is absent due to a death in the family.

I further announce that, if present and voting, the Senator from Iowa (Mr. HARKIN) would vote ''aye.''

The PRESIDING OFFICER (Mr. ALLARD). Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 53, nays 42, as follows:

{Rollcall Vote No. 237 Leg.}

YEAS—53

Abraham	Dorgan	Lautenberg
Akaka	Durbin	Levin
Baucus	Faircloth	Lieberman
Biden	Feingold	Mikulski
Boxer	Feinstein	Moseley-Braun
Breaux	Ford	Moynihan
Bryan	Glenn	Murkowski
Bumpers	Gorton	Murray
Burns	Grassley	Reed
Campbell	Hatch	Reid
Chafee	Hollings	Roth
Cleland	Inouye	Sarbanes
Collins	Johnson	Snowe
Conrad	Kempthorne	Specter
Coverdell	Kennedy	Stevens
Craig	Kerry	Torricelli
D'Amato	Kohl	Wellstone
Dodd	Landrieu	

NAYS—42

Allard	Grams	McConnell
Ashcroft	Gregg	Nickles
Bennett	Hagel	Robb
Bond	Hutchinson	Roberts
Brownback	Hutchison	Rockefeller
Byrd	Inhofe	Santorum
Coats	Jeffords	Sessions
Cochran	Kerrey	Shelby
Daschle	Kyl	Smith (NH)
DeWine	Leahy	Smith (OR)
Enzi	Lott	Thomas
Frist	Lugar	Thompson
Graham	Mack	Thurmond
Gramm	McCain	Warner

NOT VOTING—5

Bingaman	Harkin	Wyden
Domenici	Helms	

The motion to lay on the table the amendment (No. 3337) was agreed to.

Mr. D'AMATO. I move to reconsider the vote.

Mr. SARBANES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

HONORING THE MEMORY OF DETECTIVE JOHN MICHAEL GIBSON AND PRIVATE FIRST CLASS JACOB JOSEPH CHESTNUT OF THE UNITED STATES CAPITOL POLICE

Mr. LOTT. Mr. President, on behalf of myself, the Democratic leader, and the entire Senate membership, I send a Senate concurrent resolution to the desk regarding the fallen U.S. Capitol policemen. And I ask unanimous consent that the Senate proceed to its immediate consideration, and ask that the clerk read the resolution in its entirety.

The PRESIDING OFFICER. Without objection, the clerk will report and read the concurrent resolution.

The legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 110) honoring the memory of Detective John Michael Gibson and Private First Class Jacob Joseph Chestnut of the United States Capitol Police for their selfless acts of heroism at the United States Capitol on July 24, 1998.

Whereas the Capitol is the people's house, and, as such, it has always been and will remain open to the public;

Whereas millions of people visit the Capitol each year to observe and study the workings of the democratic process;

Whereas the Capitol is the most recognizable symbol of liberty and democracy throughout the world and those who guard the Capitol guard our freedom;

Whereas Private First Class Jacob ''J.J.'' Chestnut and Detective John Michael Gibson sacrificed their lives to protect the lives of hundreds of tourists, staff, and Members of Congress;

Whereas if not for the quick and courageous action of those officers, many innocent people would likely have been injured or killed;

Whereas through their selfless acts, Detective Gibson and Private First Class Chestnut underscored the courage, honor, and dedication shown daily by every member of the United States Capitol Police and every law enforcement officer;

Whereas Private First Class Chestnut, a Vietnam veteran who spent 20 years in the Air Force, was an 18-year veteran of the Capitol Police, and was married to Wen Ling and had five children, Joseph, Janece, Janet, Karen and William;

Whereas Detective Gibson, assigned as Rep. Tom Delay's bodyguard for the last three years, was an 18-year veteran of the Capitol Police, and was married to Evelyn and had three children, Kristen, John and Daniel;

Whereas Private First Class Chestnut and Detective Gibson were the first United States Capitol Police officers ever killed in the line of duty;

Whereas Private First Class Chestnut and Detective Gibson, and all those who helped apprehend the gunman, assist the injured, and evacuate the building, are true heroes of democracy, and every American owes them a deep debt of gratitude: Now, therefore, be it

Resolved by the Senate, (the House of Representatives concurring), That—

(1) Congress hereby honors the memory of Detective John Michael Gibson and Private First Class Jacob Joseph Chestnut of the United States Capitol Police for the selfless acts of heroism they displayed on July 24, 1998, in sacrificing their lives in the line of duty so that others might live; and

(2) when the Senate and the House of Representatives adjourn on this date, they shall do so out of respect to the memory of Detective John Michael Gibson and Private First Class Jacob Joseph Chestnut.

The Senate proceeded to consider the concurrent resolution.

Mr. DASCHLE. Mr. President, I want to extend my deepest sympathy to the families of Officer J.J. Chestnut and Detective John Gibson, and to the many friends that they leave, particularly their brothers and sisters in arms, the members of the United States Capitol Police. Our hearts ache for them as they struggle with their staggering loss.

Like many Members of Congress, I was headed home Friday afternoon when Officer Chestnut and Detective Gibson were slain. I was in the airport in Minneapolis, changing planes, when I first learned of what had happened. I was shocked and sickened and saddened.

Throughout the airport, wherever there was a TV, people crowded around it to watch the news, and try to understand.

At home in South Dakota this past weekend, I spoke with countless people who told me how terribly sad they are about the deaths of these two brave men.

In that airport, in South Dakota and across our nation, Americans understand that Officer Chestnut and Detective Gibson sacrificed their lives to guard and protect something that is sacred to all of us.

This Capitol truly *is* ''the people's house'', a symbol of freedom and democracy, recognized the world over.

That is one of the reasons Officer Chestnut and Detective Gibson loved it so, and were so proud to work here.

It is difficult, unless you have worked here, to understand what a close-knit family the Capitol community is. We come to work every day, pass each other in the halls. We ask about each others' families, joke with each other.

And today, we try to comfort each other.

Whenever you suffer a death in the family, as we have in the Capitol Hill family, there is at first a sort of unreality about it.

That is especially true when the person is taken suddenly, or too young, as Officer Chestnut and Detective Gibson were.

But then, you come to where they should be and there is a hole in the world and you begin to understand that it's true.

Coming back to work today, we have all experienced that void.

Inside the Capitol, another officer stands where Officer Chestnut should be.

And the door over the House Majority Whip's office, where Detective Gibson was stationed, is draped in black bunting.

Everywhere, the voices are quieter than usual. Tears rim the eyes of many people. Outside, the flag over the Capitol flies mournfully at half-staff.

Below it, on the white marble steps, lay flowers and cards left by a grateful public to honor two fallen heroes.

Then, there is perhaps the saddest sight of all: the black bands stretched like a gash over the badges of the Capitol Police officers.

These are the inadequate tributes we pay to these two extraordinary men whose professionalism, courage and selfless dedication last Friday afternoon surely saved many innocent lives.

But the real tribute is not what is different about the Capitol today. The real tribute is what is the same.

The halls of ''the people's house'' are filled today—as they are every day—with vacationing families, school children, Scout troops and thousands of others who have come to see their government in action. They walk these majestic halls and marvel—as they do every day—at the beauty of this building, at its history and its openness.

That is the real tribute to Officer Chestnut and Detective Gibson.

Because they made us feel so safe, we may not have understood fully the risks they took each day when they put on their badges and came to work. But they understood.

They knowingly risked their lives because they loved this building and