The measure creates a limited, seven-member federal commission to help plan and coordinate the national celebration of the 100th anniversary of the Wright brothers' historic first flight in 1903.

The commission is charged with coordinating celebration dates nationwide and maintaining a central clearinghouse for information on commemorative activities. It would also represent the United States in international commemorations for the Wright brothers.

The commission is similar to ones established by Congress to celebrate the anniversaries of the American Revolution, Constitution, discovery of America by Christopher Columbus, birth of Thomas Jefferson, and others.

H.R. 2305 is cosponsored by almost all the members of the Ohio and North Carolina delegations. This is fitting, because the Wright brothers carried out their famous flight in Kitty Hawk, North Carolina, and they lived and constructed their airplane in Dayton, Ohio.

Mr. Speaker, it is hard to imagine a technological achievement that affected our world more than the conquest of flight. The first flight by Orville and Wilbur Wright represents the fulfillment of the age-old dream of flying and it has dramatically changed the course of transportation, commerce, communication and warfare. It is therefore fitting that we honor the Wright brothers and their achievements in this fashion.

I wish to thank the chairman and ranking minority member of the Committee on Transportation and Infrastructure and the Subcommittee on Aviation for their support.

Mr. SHUSTER. Mr. Speaker, I urge passage of the bill, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Pennsylvania (Mr. SHUSTER) that the House suspend the rules and pass the bill, H.R. 4057, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. SHUSTER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous material on H.R. 4057, as amended.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

CREDIT UNION MEMBERSHIP ACCESS ACT

Mr. LEACH. Mr. Speaker, I move to suspend the rules and concur in the Senate amendment to the 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 Clerk read as follows:

Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Credit Union Membership Access Act''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings.
Sec. 3. Definitions.

TITLE I—CREDIT UNION MEMBERSHIP

Sec. 101. Fields of membership.
Sec. 102. Criteria for approval of expansion of membership of multiple common-bond credit unions.
Sec. 103. Geographical guidelines for community credit unions.

TITLE II—REGULATION OF CREDIT UNIONS

Sec. 201. Financial statement and audit requirements.
Sec. 202. Conversion of insured credit unions.
Sec. 203. Limitation on member business loans.
Sec. 204. National Credit Union Administration Board membership.
Sec. 205. Report and congressional review requirement for certain regulations.

TITLE III—CAPITALIZATION AND NET WORTH OF CREDIT UNIONS

Sec. 301. Prompt corrective action.
Sec. 302. National credit union share insurance fund equity ratio, available assets ratio, and standby premium charge.
Sec. 303. Access to liquidity.

TITLE IV—MISCELLANEOUS PROVISIONS

Sec. 401. Study and report on differing regulatory treatment.
Sec. 402. Update on review of regulations and paperwork reductions.
Sec. 403. Treasury report on reduced taxation and viability of small banks.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) The American credit union movement began as a cooperative effort to serve the productive and provident credit needs of individuals of modest means.

(2) Credit unions continue to fulfill this public purpose, and current members and membership groups should not face divestiture from the financial services institution of their choice as a result of recent court action.

(3) To promote thrift and credit extension, a meaningful affinity and bond among members, manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities, or the maintenance of an otherwise well-understood sense of cohesion or identity is essential to the fulfillment of the public mission of credit unions.

(4) Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means.

(5) Improved credit union safety and soundness provisions will enhance the public benefit that citizens receive from these cooperative financial services institutions.

SEC. 3. DEFINITIONS.

As used in this Act—

(1) the term ''Administration'' means the National Credit Union Administration;

(2) the term ''Board'' means the National Credit Union Administration Board;

(3) the term ''Federal banking agencies'' has the same meaning as in section 3 of the Federal Deposit Insurance Act;

(4) the terms ''insured credit union'' and ''State-chartered insured credit union'' have the same meanings as in section 101 of the Federal Credit Union Act; and

(5) the term ''Secretary'' means the Secretary of the Treasury.

TITLE I—CREDIT UNION MEMBERSHIP

SEC. 101. FIELDS OF MEMBERSHIP.

Section 109 of the Federal Credit Union Act (12 U.S.C. 1759) is amended—

(1) in the first sentence—

(A) by striking ''Federal credit union membership shall consist of'' and inserting ''(a) IN GENERAL.—Subject to subsection (b), Federal credit union membership shall consist of''; and

(B) by striking '', except that'' and all that follows through ''rural district''; and

(2) by adding at the end the following new subsections:

''(b) MEMBERSHIP FIELD.—Subject to the other provisions of this section, the membership of any Federal credit union shall be limited to the membership described in 1 of the following categories:

''(1) SINGLE COMMON-BOND CREDIT UNION.—1 group that has a common bond of occupation or association.

''(2) MULTIPLE COMMON-BOND CREDIT UNION.—More than 1 group—

''(A) each of which has (within the group) a common bond of occupation or association; and

''(B) the number of members of each of which (at the time the group is first included within the field of membership of a credit union described in this paragraph) does not exceed any numerical limitation applicable under subsection (d).

''(3) COMMUNITY CREDIT UNION.—Persons or organizations within a well-defined local community, neighborhood, or rural district.

''(c) EXCEPTIONS.—

''(1) GRANDFATHERED MEMBERS AND GROUPS.—

''(A) IN GENERAL.—Notwithstanding subsection (b)—

''(i) any person or organization that is a member of any Federal credit union as of the date of enactment of the Credit Union Membership Access Act may remain a member of the credit union after that date of enactment; and

''(ii) a member of any group whose members constituted a portion of the membership of any Federal credit union as of that date of enactment shall continue to be eligible to become a member of that credit union, by virtue of membership in that group, after that date of enactment.

''(B) SUCCESSORS.—If the common bond of any group referred to in subparagraph (A) is defined by any particular organization or business entity, subparagraph (A) shall continue to apply with respect to any successor to the organization or entity.

''(2) EXCEPTION FOR UNDERSERVED AREAS.—Notwithstanding subsection (b), in the case of a Federal credit union, the field of membership category of which is described in subsection (b)(2), the Board may allow the membership of the credit union to include any person or organization within a local community, neighborhood, or rural district if—

''(A) the Board determines that the local community, neighborhood, or rural district—

''(i) is an 'investment area', as defined in section 103(16) of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4703(16)), and meets such additional requirements as the Board may impose; and

''(ii) is underserved, based on data of the Board and the Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act), by other depository institutions (as defined in section 19(b)(1)(A) of the Federal Reserve Act); and

''(B) the credit union establishes and maintains an office or facility in the local community, neighborhood, or rural district at which credit union services are available.

''(d) MULTIPLE COMMON-BOND CREDIT UNION GROUP REQUIREMENTS.—

''(1) NUMERICAL LIMITATION.—Except as provided in paragraph (2), only a group with fewer than 3,000 members shall be eligible to be included in the field of membership category of a credit union described in subsection (b)(2).

''(2) EXCEPTIONS.—In the case of any Federal credit union, the field of membership category of which is described in subsection (b)(2), the numerical limitation in paragraph (1) of this subsection shall not apply with respect to—

''(A) any group that the Board determines, in writing and in accordance with the guidelines and regulations issued under paragraph (3), could not feasibly or reasonably establish a new single common-bond credit union, the field of membership category of which is described in subsection (b)(1) because—

''(i) the group lacks sufficient volunteer and other resources to support the efficient and effective operation of a credit union;

''(ii) the group does not meet the criteria that the Board has determined to be important for the likelihood of success in establishing and managing a new credit union, including demographic characteristics such as geographical location of members, diversity of ages and income levels, and other factors that may affect the financial viability and stability of a credit union; or

''(iii) the group would be unlikely to operate a safe and sound credit union;

''(B) any group transferred from another credit union—

''(i) in connection with a merger or consolidation recommended by the Board or any appropriate State credit union supervisor based on safety and soundness concerns with respect to that other credit union; or

''(ii) by the Board in the Board's capacity as conservator or liquidating agent with respect to that other credit union; or

''(C) any group transferred in connection with a voluntary merger, having received conditional approval by the Administration of the merger application prior to October 25, 1996, but not having consummated the merger prior to October 25, 1996, if the merger is consummated not later than 180 days after the date of enactment of the Credit Union Membership Access Act.

''(3) REGULATIONS AND GUIDELINES.—The Board shall issue guidelines or regulations, after notice and opportunity for comment, setting forth the criteria that the Board will apply in determining under this subsection whether or not an additional group may be included within the field of membership category of an existing credit union described in subsection (b)(2).

''(e) ADDITIONAL MEMBERSHIP ELIGIBILITY PROVISIONS.—

''(1) MEMBERSHIP ELIGIBILITY LIMITED TO IMMEDIATE FAMILY OR HOUSEHOLD MEMBERS.—No individual shall be eligible for membership in a credit union on the basis of the relationship of the individual to another person who is eligible for membership in the credit union, unless the individual is a member of the immediate family or household (as those terms are defined by the Board, by regulation) of the other person.

''(2) RETENTION OF MEMBERSHIP.—Except as provided in section 118, once a person becomes a member of a credit union in accordance with this title, that person or organization may remain a member of that credit union until the person or organization chooses to withdraw from the membership of the credit union.''.

SEC. 102. CRITERIA FOR APPROVAL OF EXPANSION OF MEMBERSHIP OF MULTIPLE COMMON-BOND CREDIT UNIONS.

Section 109 of the Federal Credit Union Act (12 U.S.C. 1759) is amended by adding at the end the following new subsection:

''(f) CRITERIA FOR APPROVAL OF EXPANSION OF MULTIPLE COMMON-BOND CREDIT UNIONS.—

''(1) IN GENERAL.—The Board shall—

''(A) encourage the formation of separately chartered credit unions instead of approving an application to include an additional group within the field of membership of an existing credit union whenever practicable and consistent with reasonable standards for the safe and sound operation of the credit union; and

''(B) if the formation of a separate credit union by the group is not practicable or consistent with the standards referred to in subparagraph (A), require the inclusion of the group in the field of membership of a credit union that is within reasonable proximity to the location of the group whenever practicable and consistent with reasonable standards for the safe and sound operation of the credit union.

''(2) APPROVAL CRITERIA.—The Board may not approve any application by a Federal credit union, the field of membership category of which is described in subsection (b)(2) to include any additional group within the field of membership of the credit union (or an application by a Federal credit union described in subsection (b)(1) to include an additional group and become a credit union described in subsection (b)(2)), unless the Board determines, in writing, that—

''(A) the credit union has not engaged in any unsafe or unsound practice (as defined in section 206(b)) that is material during the 1-year period preceding the date of filing of the application;

''(B) the credit union is adequately capitalized;

''(C) the credit union has the administrative capability to serve the proposed membership group and the financial resources to meet the need for additional staff and assets to serve the new membership group;

''(D) any potential harm that the expansion of the field of membership of the credit union may have on any other insured credit union and its members is clearly outweighed in the public interest by the probable beneficial effect of the expansion in meeting the convenience and needs of the members of the group proposed to be included in the field of membership; and

''(E) the credit union has met such additional requirements as the Board may prescribe, by regulation.''.

SEC. 103. GEOGRAPHICAL GUIDELINES FOR COMMUNITY CREDIT UNIONS.

Section 109 of the Federal Credit Union Act (12 U.S.C. 1759) is amended by adding at the end the following new subsection:

''(g) REGULATIONS REQUIRED FOR COMMUNITY CREDIT UNIONS.—

''(1) DEFINITION OF WELL-DEFINED LOCAL COMMUNITY, NEIGHBORHOOD, OR RURAL DISTRICT.—The Board shall prescribe, by regulation, a definition for the term 'well-defined local community, neighborhood, or rural district' for purposes of—

''(A) making any determination with regard to the field of membership of a credit union described in subsection (b)(3); and

''(B) establishing the criteria applicable with respect to any such determination.

''(2) SCOPE OF APPLICATION.—The definition prescribed by the Board under paragraph (1) shall apply with respect to any application to form a new credit union, or to alter or expand the field of membership of an existing credit union, that is filed with the Board after the date of enactment of the Credit Union Membership Access Act.''.

TITLE II—REGULATION OF CREDIT UNIONS

SEC. 201. FINANCIAL STATEMENT AND AUDIT REQUIREMENTS.

(a) IN GENERAL.—Section 202(a)(6) of the Federal Credit Union Act (12 U.S.C. 1782(a)(6)) is amended by adding at the end the following new subparagraphs:

''(C) ACCOUNTING PRINCIPLES.—

''(i) IN GENERAL.—Accounting principles applicable to reports or statements required to be filed with the Board by each insured credit union shall be uniform and consistent with generally accepted accounting principles.

''(ii) BOARD DETERMINATION.—If the Board determines that the application of any generally accepted accounting principle to any insured credit union is not appropriate, the Board may prescribe an accounting principle for application to the credit union that is no less stringent than generally accepted accounting principles.

''(iii) DE MINIMIS EXCEPTION.—This subparagraph shall not apply to any insured credit union, the total assets of which are less than $10,000,000, unless prescribed by the Board or an appropriate State credit union supervisor.

''(D) LARGE CREDIT UNION AUDIT REQUIREMENT.—

''(i) IN GENERAL.—Each insured credit union having total assets of $500,000,000 or more shall have an annual independent audit of the financial statements of the credit union, performed in accordance with generally accepted auditing standards by an independent certified public accountant or public accountant licensed by the appropriate State or jurisdiction to perform those services.

''(ii) VOLUNTARY AUDITS.—If a Federal credit union that is not required to conduct an audit under clause (i), and that has total assets of more than $10,000,000 conducts such an audit for any purpose, using an independent auditor who is compensated for his or her audit services with respect to that audit, the audit shall be performed consistent with the accountancy laws of the appropriate State or jurisdiction, including licensing requirements.''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 202(a)(6)(B) of the Federal Credit Union Act (12 U.S.C. 1782(a)(6)(B)) is amended by striking ''subparagraph (A)'' and inserting ''subparagraph (A) or (D)''.

SEC. 202. CONVERSION OF INSURED CREDIT UNIONS.

Section 205(b) of the Federal Credit Union Act (12 U.S.C. 1785(b)) is amended—

(1) in paragraph (1), by striking ''Except with the prior written approval of the Board, no insured credit union shall'' and inserting ''Except as provided in paragraph (2), no insured credit union shall, without the prior approval of the Board'';

(2) by redesignating paragraph (2) as paragraph (3); and

(3) by inserting after paragraph (1) the following new paragraph:

''(2) CONVERSION OF INSURED CREDIT UNIONS TO MUTUAL SAVINGS BANKS.—

''(A) IN GENERAL.—Notwithstanding paragraph (1), an insured credit union may convert to a mutual savings bank or savings association (if the savings association is in mutual form), as those terms are defined in section 3 of the Federal Deposit Insurance Act, without the prior approval of the Board, subject to the requirements and procedures set forth in the laws and regulations governing mutual savings banks and savings associations.

''(B) CONVERSION PROPOSAL.—A proposal for a conversion described in subparagraph (A) shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on that date or by written ballot to be filed on or before that date), by a majority of the directors of the insured credit union. Approval of the proposal for conversion shall be by the affirmative vote of a majority of the members of the insured credit union who vote on the proposal.

''(C) NOTICE OF PROPOSAL TO MEMBERS.—An insured credit union that proposes to convert to a mutual savings bank or savings association under subparagraph (A) shall submit notice to each of its members who is eligible to vote on the matter of its intent to convert—

''(i) 90 days before the date of the member vote on the conversion;

''(ii) 60 days before the date of the member vote on the conversion; and

''(iii) 30 days before the date of the member vote on the conversion.

''(D) NOTICE OF PROPOSAL TO BOARD.—The Board may require an insured credit union that proposes to convert to a mutual savings bank or

savings association under subparagraph (A) to submit a notice to the Board of its intent to convert during the 90-day period preceding the date of the completion of the conversion.

''(E) INAPPLICABILITY OF ACT UPON CONVERSION.—Upon completion of a conversion described in subparagraph (A), the credit union shall no longer be subject to any of the provisions of this Act.

''(F) LIMIT ON COMPENSATION OF OFFICIALS.—

''(i) IN GENERAL.—No director or senior management official of an insured credit union may receive any economic benefit in connection with a conversion of the credit union as described in subparagraph (A), other than—

''(I) director fees; and

''(II) compensation and other benefits paid to directors or senior management officials of the converted institution in the ordinary course of business.

''(ii) SENIOR MANAGEMENT OFFICIAL.—For purposes of this subparagraph, the term 'senior management official' means a chief executive officer, an assistant chief executive officer, a chief financial officer, and any other senior executive officer (as defined by the appropriate Federal banking agency pursuant to section 32(f) of the Federal Deposit Insurance Act).

''(G) CONSISTENT RULES.—

''(i) IN GENERAL.—Not later than 6 months after the date of enactment of the Credit Union Membership Access Act, the Administration shall promulgate final rules applicable to charter conversions described in this paragraph that are consistent with rules promulgated by other financial regulators, including the Office of Thrift Supervision and the Office of the Comptroller of the Currency. The rules required by this clause shall provide that charter conversion by an insured credit union shall be subject to regulation that is no more or less restrictive than that applicable to charter conversions by other financial institutions.

''(ii) OVERSIGHT OF MEMBER VOTE.—The member vote concerning charter conversion under this paragraph shall be administered by the Administration, and shall be verified by the Federal or State regulatory agency that would have jurisdiction over the institution after the conversion. If either the Administration or that regulatory agency disapproves of the methods by which the member vote was taken or procedures applicable to the member vote, the member vote shall be taken again, as directed by the Administration or the agency.''.

SEC. 203. LIMITATION ON MEMBER BUSINESS LOANS.

(a) IN GENERAL.—The Federal Credit Union Act (12 U.S.C. 1701 et seq.) is amended by inserting after section 107 the following new section:

''SEC. 107A. LIMITATION ON MEMBER BUSINESS LOANS.

''(a) 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 lesser of—

''(1) 1.75 times the actual net worth of the credit union; or

''(2) 1.75 times the minimum net worth required under section 216(c)(1)(A) for a credit union to be well capitalized.

''(b) EXCEPTIONS.—Subsection (a) does not apply in the case of—

''(1) an insured credit union chartered for the purpose of making, or that has a history of primarily making, member business loans to its members, as determined by the Board; or

''(2) an insured credit union that—

''(A) serves predominantly low-income members, as defined by the Board; or

''(B) is a community development financial institution, as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994.

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

''(1) the term 'member business loan'—

''(A) means any loan, line of credit, or letter of credit, the proceeds of which will be used for a commercial, corporate or other business investment property or venture, or agricultural purpose; and

''(B) does not include an extension of credit—

''(i) that is fully secured by a lien on a 1- to 4-family dwelling that is the primary residence of a member;

''(ii) that is fully secured by shares in the credit union making the extension of credit or deposits in other financial institutions;

''(iii) that is described in subparagraph (A), if it was made to a borrower or an associated member that has a total of all such extensions of credit in an amount equal to less than $50,000;

''(iv) the repayment of which is fully insured or fully guaranteed by, or where there is an advance commitment to purchase in full by, any agency of the Federal Government or of a State, or any political subdivision thereof; or

''(v) that is granted by a corporate credit union (as that term is defined by the Board) to another credit union.

''(2) the term 'net worth'—

''(A) with respect to any insured credit union, means the credit union's retained earnings balance, as determined under generally accepted accounting principles; and

''(B) with respect to a credit union that serves predominantly low-income members, as defined by the Board, includes secondary capital accounts that are—

''(i) uninsured; and

''(ii) subordinate to all other claims against the credit union, including the claims of creditors, shareholders, and the Fund; and

''(3) the term 'associated member' means any member having a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower.

''(d) EFFECT ON EXISTING LOANS.—An insured credit union that has, on the date of enactment of this section, a total amount of outstanding member business loans that exceeds the amount permitted under subsection (a) shall, not later than 3 years after that date of enactment, reduce the total amount of outstanding member business loans to an amount that is not greater than the amount permitted under subsection (a).

''(e) CONSULTATION AND COOPERATION WITH STATE CREDIT UNION SUPERVISORS.—In implementing this section, the Board shall consult and seek to work cooperatively with State officials having jurisdiction over State-chartered insured credit unions.''.

(b) STUDY AND REPORT.—

(1) STUDY.—The Secretary shall conduct a study of member business lending by insured credit unions, including—

(A) an examination of member business lending over $500,000 and under $50,000, and a breakdown of the types and sizes of businesses that receive member business loans;

(B) a review of the effectiveness and enforcement of regulations applicable to insured credit union member business lending;

(C) whether member business lending by insured credit unions could affect the safety and soundness of insured credit unions or the National Credit Union Share Insurance Fund;

(D) the extent to which member business lending by insured credit unions helps to meet financial services needs of low- and moderate-income individuals within the field of membership of insured credit unions;

(E) whether insured credit unions that engage in member business lending have a competitive advantage over other insured depository institutions, and if any such advantage could affect the viability and profitability of such other insured depository institutions; and

(F) the effect of enactment of this Act on the number of insured credit unions involved in member business lending and the overall amount of commercial lending.

(2) NCUA COOPERATION.—The National Credit Union Administration shall, upon request, provide such information as the Secretary may require to conduct the study required under paragraph (1).

(3) REPORT.—Not later than 12 months after the date of enactment of this Act, the Secretary shall submit a report to the Congress on the results of the study conducted under paragraph (1).

SEC. 204. NATIONAL CREDIT UNION ADMINISTRATION BOARD MEMBERSHIP.

Section 102(b) of the Federal Credit Union Act (12 U.S.C. 1752a(b)) is amended—

(1) by striking ''(b) The Board'' and inserting ''(b) MEMBERSHIP AND APPOINTMENT OF BOARD.—

''(1) IN GENERAL.—The Board''; and

(2) by adding at the end the following new paragraph:

''(2) APPOINTMENT CRITERIA.—

''(A) EXPERIENCE IN FINANCIAL SERVICES.—In considering appointments to the Board under paragraph (1), the President shall give consideration to individuals who, by virtue of their education, training, or experience relating to a broad range of financial services, financial services regulation, or financial policy, are especially qualified to serve on the Board.

''(B) LIMIT ON APPOINTMENT OF CREDIT UNION OFFICERS.—Not more than 1 member of the Board may be appointed to the Board from among individuals who, at the time of the appointment, are, or have recently been, involved with any insured credit union as a committee member, director, officer, employee, or other institution-affiliated party.''.

SEC. 205. REPORT AND CONGRESSIONAL REVIEW REQUIREMENT FOR CERTAIN REGULATIONS.

A regulation prescribed by the Board shall be treated as a major rule for purposes of chapter 8 of title 5, United States Code, if the regulation defines, or amends the definition of—

(1) the term ''immediate family or household'' for purposes of section 109(e)(1) of the Federal Credit Union Act (as added by section 101 of this Act); or

(2) the term ''well-defined local community, neighborhood, or rural district'' for purposes of section 109(g) of the Federal Credit Union Act (as added by section 103 of this Act).

TITLE III—CAPITALIZATION AND NET WORTH OF CREDIT UNIONS

SEC. 301. PROMPT CORRECTIVE ACTION.

(a) IN GENERAL.—Title II of the Federal Credit Union Act (12 U.S.C. 1781 et seq.) is amended by adding at the end the following new section:

''SEC. 216. PROMPT CORRECTIVE ACTION.

''(a) RESOLVING PROBLEMS TO PROTECT FUND.—

''(1) PURPOSE.—The purpose of this section is to resolve the problems of insured credit unions at the least possible long-term loss to the Fund.

''(2) PROMPT CORRECTIVE ACTION REQUIRED.—The Board shall carry out the purpose of this section by taking prompt corrective action to resolve the problems of insured credit unions.

''(b) REGULATIONS REQUIRED.—

''(1) INSURED CREDIT UNIONS.—

''(A) IN GENERAL.—The Board shall, by regulation, prescribe a system of prompt corrective action for insured credit unions that is—

''(i) consistent with this section; and

''(ii) comparable to section 38 of the Federal Deposit Insurance Act.

''(B) COOPERATIVE CHARACTER OF CREDIT UNIONS.—The Board shall design the system required under subparagraph (A) to take into account that credit unions are not-for-profit cooperatives that—

''(i) do not issue capital stock;

''(ii) must rely on retained earnings to build net worth; and

''(iii) have boards of directors that consist primarily of volunteers.

''(2) NEW CREDIT UNIONS.—

''(A) IN GENERAL.—In addition to regulations under paragraph (1), the Board shall, by regulation, prescribe a system of prompt corrective

action that shall apply to new credit unions in lieu of this section and the regulations prescribed under paragraph (1).

''(B) CRITERIA FOR ALTERNATIVE SYSTEM.—The Board shall design the system prescribed under subparagraph (A)—

''(i) to carry out the purpose of this section;

''(ii) to recognize that credit unions (as cooperatives that do not issue capital stock) initially have no net worth, and give new credit unions reasonable time to accumulate net worth;

''(iii) to create adequate incentives for new credit unions to become adequately capitalized by the time that they either—

''(I) have been in operation for more than 10 years; or

''(II) have more than $10,000,000 in total assets;

''(iv) to impose appropriate restrictions and requirements on new credit unions that do not make sufficient progress toward becoming adequately capitalized; and

''(v) to prevent evasion of the purpose of this section.

''(c) NET WORTH CATEGORIES.—

''(1) IN GENERAL.—For purposes of this section the following definitions shall apply:

''(A) WELL CAPITALIZED.—An insured credit union is 'well capitalized' if—

''(i) it has a net worth ratio of not less than 7 percent; and

''(ii) it meets any applicable risk-based net worth requirement under subsection (d).

''(B) ADEQUATELY CAPITALIZED.—An insured credit union is 'adequately capitalized' if—

''(i) it has a net worth ratio of not less than 6 percent; and

''(ii) it meets any applicable risk-based net worth requirement under subsection (d).

''(C) UNDERCAPITALIZED.—An insured credit union is 'undercapitalized' if—

''(i) it has a net worth ratio of less than 6 percent; or

''(ii) it fails to meet any applicable risk-based net worth requirement under subsection (d).

''(D) SIGNIFICANTLY UNDERCAPITALIZED.—An insured credit union is 'significantly undercapitalized'—

''(i) if it has a net worth ratio of less than 4 percent; or

''(ii) if—

''(I) it has a net worth ratio of less than 5 percent; and

''(II) it—

''(aa) fails to submit an acceptable net worth restoration plan within the time allowed under subsection (f); or

''(bb) materially fails to implement a net worth restoration plan accepted by the Board.

''(E) CRITICALLY UNDERCAPITALIZED.—An insured credit union is 'critically undercapitalized' if it has a net worth ratio of less than 2 percent (or such higher net worth ratio, not to exceed 3 percent, as the Board may specify by regulation).

''(2) ADJUSTING NET WORTH LEVELS.—

''(A) IN GENERAL.—If, for purposes of section 38(c) of the Federal Deposit Insurance Act, the Federal banking agencies increase or decrease the required minimum level for the leverage limit (as those terms are used in that section 38), the Board may, by regulation, and subject to subparagraph (B) of this paragraph, correspondingly increase or decrease 1 or more of the net worth ratios specified in subparagraphs (A) through (D) of paragraph (1) of this subsection in an amount that is equal to not more than the difference between the required minimum level most recently established by the Federal banking agencies and 4 percent of total assets (with respect to institutions regulated by those agencies).

''(B) DETERMINATIONS REQUIRED.—The Board may increase or decrease net worth ratios under subparagraph (A) only if the Board—

''(i) determines, in consultation with the Federal banking agencies, that the reason for the increase or decrease in the required minimum level for the leverage limit also justifies the adjustment in net worth ratios; and

''(ii) determines that the resulting net worth ratios are sufficient to carry out the purpose of this section.

''(C) TRANSITION PERIOD REQUIRED.—If the Board increases any net worth ratio under this paragraph, the Board shall give insured credit unions a reasonable period of time to meet the increased ratio.

''(d) RISK-BASED NET WORTH REQUIREMENT FOR COMPLEX CREDIT UNIONS.—

''(1) IN GENERAL.—The regulations required under subsection (b)(1) shall include a risk-based net worth requirement for insured credit unions that are complex, as defined by the Board based on the portfolios of assets and liabilities of credit unions.

''(2) STANDARD.—The Board shall design the risk-based net worth requirement to take account of any material risks against which the net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection.

''(e) EARNINGS-RETENTION REQUIREMENT APPLICABLE TO CREDIT UNIONS THAT ARE NOT WELL CAPITALIZED.—

''(1) IN GENERAL.—An insured credit union that is not well capitalized shall annually set aside as net worth an amount equal to not less than 0.4 percent of its total assets.

''(2) BOARD'S AUTHORITY TO DECREASE EARNINGS-RETENTION REQUIREMENT.—

''(A) IN GENERAL.—The Board may, by order, decrease the 0.4 percent requirement in paragraph (1) with respect to a credit union to the extent that the Board determines that the decrease—

''(i) is necessary to avoid a significant redemption of shares; and

''(ii) would further the purpose of this section.

''(B) PERIODIC REVIEW REQUIRED.—The Board shall periodically review any order issued under subparagraph (A).

''(f) NET WORTH RESTORATION PLAN REQUIRED.—

''(1) IN GENERAL.—Each insured credit union that is undercapitalized shall submit an acceptable net worth restoration plan to the Board within the time allowed under this subsection.

''(2) ASSISTANCE TO SMALL CREDIT UNIONS.—The Board (or the staff of the Board) shall, upon timely request by an insured credit union with total assets of less than $10,000,000, and subject to such regulations or guidelines as the Board may prescribe, assist that credit union in preparing a net worth restoration plan.

''(3) DEADLINES FOR SUBMISSION AND REVIEW OF PLANS.—The Board shall, by regulation, establish deadlines for submission of net worth restoration plans under this subsection that—

''(A) provide insured credit unions with reasonable time to submit net worth restoration plans; and

''(B) require the Board to act on net worth restoration plans expeditiously.

''(4) FAILURE TO SUBMIT ACCEPTABLE PLAN WITHIN TIME ALLOWED.—

''(A) FAILURE TO SUBMIT ANY PLAN.—If an insured credit union fails to submit a net worth restoration plan within the time allowed under paragraph (3), the Board shall—

''(i) promptly notify the credit union of that failure; and

''(ii) give the credit union a reasonable opportunity to submit a net worth restoration plan.

''(B) SUBMISSION OF UNACCEPTABLE PLAN.—If an insured credit union submits a net worth restoration plan within the time allowed under paragraph (3) and the Board determines that the plan is not acceptable, the Board shall—

''(i) promptly notify the credit union of why the plan is not acceptable; and

''(ii) give the credit union a reasonable opportunity to submit a revised plan.

''(5) ACCEPTING PLAN.—The Board may accept a net worth restoration plan only if the Board determines that the plan is based on realistic assumptions and is likely to succeed in restoring the net worth of the credit union.

''(g) RESTRICTIONS ON UNDERCAPITALIZED CREDIT UNIONS.—

''(1) RESTRICTION ON ASSET GROWTH.—An insured credit union that is undercapitalized shall not generally permit its average total assets to increase, unless—

''(A) the Board has accepted the net worth restoration plan of the credit union for that action;

''(B) any increase in total assets is consistent with the net worth restoration plan; and

''(C) the net worth ratio of the credit union increases at a rate that is consistent with the net worth restoration plan.

''(2) RESTRICTION ON MEMBER BUSINESS LOANS.—Notwithstanding section 107A(a), an insured credit union that is undercapitalized may not make any increase in the total amount of member business loans (as defined in section 107A(c)) outstanding at that credit union at any one time, until such time as the credit union becomes adequately capitalized.

''(h) MORE STRINGENT TREATMENT BASED ON OTHER SUPERVISORY CRITERIA.—With respect to the exercise of authority by the Board under regulations comparable to section 38(g) of the Federal Deposit Insurance Act—

''(1) the Board may not reclassify an insured credit union into a lower net worth category, or treat an insured credit union as if it were in a lower net worth category, for reasons not pertaining to the safety and soundness of that credit union; and

''(2) the Board may not delegate its authority to reclassify an insured credit union into a lower net worth category or to treat an insured credit union as if it were in a lower net worth category.

''(i) ACTION REQUIRED REGARDING CRITICALLY UNDERCAPITALIZED CREDIT UNIONS.—

''(1) IN GENERAL.—The Board shall, not later than 90 days after the date on which an insured credit union becomes critically undercapitalized—

''(A) appoint a conservator or liquidating agent for the credit union; or

''(B) take such other action as the Board determines would better achieve the purpose of this section, after documenting why the action would better achieve that purpose.

''(2) PERIODIC REDETERMINATIONS REQUIRED.—Any determination by the Board under paragraph (1)(B) to take any action with respect to an insured credit union in lieu of appointing a conservator or liquidating agent shall cease to be effective not later than the end of the 180-day period beginning on the date on which the determination is made, and a conservator or liquidating agent shall be appointed for that credit union under paragraph (1)(A), unless the Board makes a new determination under paragraph (1)(B) before the end of the effective period of the prior determination.

''(3) APPOINTMENT OF LIQUIDATING AGENT REQUIRED IF OTHER ACTION FAILS TO RESTORE NET WORTH.—

''(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), the Board shall appoint a liquidating agent for an insured credit union if the credit union is critically undercapitalized on average during the calendar quarter beginning 18 months after the date on which the credit union became critically undercapitalized.

''(B) EXCEPTION.—Notwithstanding subparagraph (A), the Board may continue to take such other action as the Board determines to be appropriate in lieu of appointment of a liquidating agent if—

''(i) the Board determines that—

''(I) the insured credit union has been in substantial compliance with an approved net worth restoration plan that requires consistent improvement in the net worth of the credit union since the date of the approval of the plan; and

''(II) the insured credit union has positive net income or has an upward trend in earnings that the Board projects as sustainable; and

''(ii) the Board certifies that the credit union is viable and not expected to fail.

''(4) NONDELEGATION.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the Board may not delegate the authority of the Board under this subsection.

''(B) EXCEPTION.—The Board may delegate the authority of the Board under this subsection with respect to an insured credit union that has less than $5,000,000 in total assets, if the Board permits the credit union to appeal any adverse action to the Board.

''(j) REVIEW REQUIRED WHEN FUND INCURS MATERIAL LOSS.—For purposes of determining whether the Fund has incurred a material loss with respect to an insured credit union (such that the inspector general of the Board must make a report), a loss is material if it exceeds the sum of—

''(1) $10,000,000; and

''(2) an amount equal to 10 percent of the total assets of the credit union at the time at which the Board initiated assistance under section 208 or was appointed liquidating agent.

''(k) APPEALS PROCESS.—Material supervisory determinations, including decisions to require prompt corrective action, made pursuant to this section by Administration officials other than the Board may be appealed to the Board pursuant to the independent appellate process required by section 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 (or, if the Board so specifies, pursuant to separate procedures prescribed by regulation).

''(l) CONSULTATION AND COOPERATION WITH STATE CREDIT UNION SUPERVISORS.—

''(1) IN GENERAL.—In implementing this section, the Board shall consult and seek to work cooperatively with State officials having jurisdiction over State-chartered insured credit unions.

''(2) EVALUATING NET WORTH RESTORATION PLAN.—In evaluating any net worth restoration plan submitted by a State-chartered insured credit union, the Board shall seek the views of the State official having jurisdiction over the credit union.

''(3) DECIDING WHETHER TO APPOINT CONSERVATOR OR LIQUIDATING AGENT.—With respect to any decision by the Board on whether to appoint a conservator or liquidating agent for a State-chartered insured credit union—

''(A) the Board shall—

''(i) seek the views of the State official having jurisdiction over the credit union; and

''(ii) give that official an opportunity to take the proposed action;

''(B) the Board shall, upon timely request of an official referred to in subparagraph (A), promptly provide the official with—

''(i) a written statement of the reasons for the proposed action; and

''(ii) reasonable time to respond to that statement;

''(C) if the official referred to in subparagraph (A) makes a timely written response that disagrees with the proposed action and gives reasons for that disagreement, the Board shall not appoint a conservator or liquidating agent for the credit union, unless the Board, after considering the views of the official, has determined that—

''(i) the Fund faces a significant risk of loss with respect to the credit union if a conservator or liquidating agent is not appointed; and

''(ii) the appointment is necessary to reduce—

''(I) the risk that the Fund would incur a loss with respect to the credit union; or

''(II) any loss that the Fund is expected to incur with respect to the credit union; and

''(D) the Board may not delegate any determination under subparagraph (C).

''(m) CORPORATE CREDIT UNIONS EXEMPTED.—This section does not apply to any insured credit union that—

''(1) operates primarily for the purpose of serving credit unions; and

''(2) permits individuals to be members of the credit union only to the extent that applicable law requires that such persons own shares.

''(n) OTHER AUTHORITY NOT AFFECTED.—This section does not limit any authority of the Board or a State to take action in addition to (but not in derogation of) that required under this section.

''(o) DEFINITIONS.—For purposes of this section the following definitions shall apply:

''(1) FEDERAL BANKING AGENCY.—The term 'Federal banking agency' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

''(2) NET WORTH.—The term 'net worth'—

''(A) with respect to any insured credit union, means retained earnings balance of the credit union, as determined under generally accepted accounting principles; and

''(B) with respect to a low-income credit union, includes secondary capital accounts that are—

''(i) uninsured; and

''(ii) subordinate to all other claims against the credit union, including the claims of creditors, shareholders, and the Fund.

''(3) NET WORTH RATIO.—The term 'net worth ratio' means, with respect to a credit union, the ratio of the net worth of the credit union to the total assets of the credit union.

''(4) NEW CREDIT UNION.—The term 'new credit union' means an insured credit union that—

''(A) has been in operation for less than 10 years; and

''(B) has not more than $10,000,000 in total assets.''.

(b) CONSERVATORSHIP AND LIQUIDATION AMENDMENTS TO FACILITATE PROMPT CORRECTIVE ACTION.—

(1) CONSERVATORSHIP.—Section 206(h) of the Federal Credit Union Act (12 U.S.C. 1786(h)) is amended—

(A) in paragraph (1)—

(i) in subparagraph (D), by striking ''or'' at the end;

(ii) in subparagraph (E), by striking the period at the end and inserting a semicolon; and

(iii) by adding at the end the following new subparagraphs:

''(F) the credit union is significantly undercapitalized, as defined in section 216, and has no reasonable prospect of becoming adequately capitalized, as defined in section 216; or

''(G) the credit union is critically undercapitalized, as defined in section 216.''; and

(B) in paragraph (2)—

(i) in subparagraph (A), by striking ''In the case'' and inserting ''Except as provided in subparagraph (C), in the case''; and

(ii) by adding at the end the following new subparagraph:

''(C) In the case of a State-chartered insured credit union, the authority conferred by subparagraphs (F) and (G) of paragraph (1) may not be exercised unless the Board has complied with section 216(l).''.

(2) LIQUIDATION.—Section 207(a) of the Federal Credit Union Act (12 U.S.C. 1787(a)) is amended—

(A) in paragraph (1)(A), by striking ''himself'' and inserting ''itself''; and

(B) by adding at the end the following new paragraph:

''(3) LIQUIDATION TO FACILITATE PROMPT CORRECTIVE ACTION.—The Board may close any credit union for liquidation, and appoint itself or another (including, in the case of a State-chartered insured credit union, the State official having jurisdiction over the credit union) as liquidating agent of that credit union, if—

''(A) the Board determines that—

''(i) the credit union is significantly undercapitalized, as defined in section 216, and has no reasonable prospect of becoming adequately capitalized, as defined in section 216; or

''(ii) the credit union is critically undercapitalized, as defined in section 216; and

''(B) in the case of a State-chartered insured credit union, the Board has complied with section 216(l).''.

(c) CONSULTATION REQUIRED.—In developing regulations to implement section 216 of the Federal Credit Union Act (as added by subsection (a) of this section), the Board shall consult with the Secretary, the Federal banking agencies, and the State officials having jurisdiction over State-chartered insured credit unions.

(d) DEADLINES FOR REGULATIONS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Board shall—

(A) publish in the Federal Register proposed regulations to implement section 216 of the Federal Credit Union Act (as added by subsection (a) of this section) not later than 270 days after the date of enactment of this Act; and

(B) promulgate final regulations to implement that section 216 not later than 18 months after the date of enactment of this Act.

(2) RISK-BASED NET WORTH REQUIREMENT.—

(A) ADVANCE NOTICE OF PROPOSED RULEMAKING.—Not later than 180 days after the date of enactment of this Act, the Board shall publish in the Federal Register an advance notice of proposed rulemaking, as required by section 216(d) of the Federal Credit Union Act, as added by this Act.

(B) FINAL REGULATIONS.—The Board shall promulgate final regulations, as required by that section 216(d) not later than 2 years after the date of enactment of this Act.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), section 216 of the Federal Credit Union Act (as added by this section) shall become effective 2 years after the date of enactment of this Act.

(2) RISK-BASED NET WORTH REQUIREMENT.—Section 216(d) of the Federal Credit Union Act (as added by this section) shall become effective on January 1, 2001.

(f) REPORT TO CONGRESS REQUIRED.—When the Board publishes proposed regulations pursuant to subsection (d)(1)(A), or promulgates final regulations pursuant to subsection (d)(1)(B), the Board shall submit to the Congress a report that specifically explains—

(1) how the regulations carry out section 216(b)(1)(B) of the Federal Credit Union Act (as added by this section), relating to the cooperative character of credit unions; and

(2) how the regulations differ from section 38 of the Federal Deposit Insurance Act, and the reasons for those differences.

(g) CONFORMING AMENDMENTS.—

(1) AMENDMENTS RELATING TO ENFORCEMENT OF PROMPT CORRECTIVE ACTION.—Section 206(k) of the Federal Credit Union Act (12 U.S.C. 1786(k)) is amended—

(A) in paragraph (1), by inserting ''or section 216'' after ''this section'' each place it appears; and

(B) in paragraph (2)(A)(ii), by inserting '', or any final order under section 216'' before the semicolon.

(2) CONFORMING AMENDMENT REGARDING APPOINTMENT OF STATE CREDIT UNION SUPERVISOR AS CONSERVATOR.—Section 206(h)(1) of the Federal Credit Union Act (12 U.S.C. 1786(h)(1)) is amended by inserting ''or another (including, in the case of a State-chartered insured credit union, the State official having jurisdiction over the credit union)'' after ''appoint itself''.

(3) AMENDMENT REPEALING SUPERSEDED PROVISION.—Section 116 of the Federal Credit Union Act (12 U.S.C. 1762) is repealed.

SEC. 302. NATIONAL CREDIT UNION SHARE INSURANCE FUND EQUITY RATIO, AVAILABLE ASSETS RATIO, AND STANDBY PREMIUM CHARGE.

(a) IN GENERAL.—Section 202 of the Federal Credit Union Act (12 U.S.C. 1782) is amended—

(1) by striking subsection (b) and inserting the following:

''(b) CERTIFIED STATEMENT.—

''(1) STATEMENT REQUIRED.—

''(A) IN GENERAL.—For each calendar year, in the case of an insured credit union with total assets of not more than $50,000,000, and for each semi-annual period in the case of an insured credit union with total assets of $50,000,000 or

more, an insured credit union shall file with the Board, at such time as the Board prescribes, a certified statement showing the total amount of insured shares in the credit union at the close of the relevant period and both the amount of its deposit or adjustment of deposit and the amount of the insurance charge due to the Fund for that period, both as computed under subsection (c).

''(B) EXCEPTION FOR NEWLY INSURED CREDIT UNION.—Subparagraph (A) shall not apply with respect to a credit union that became insured during the reporting period.

''(2) FORM.—The certified statements required to be filed with the Board pursuant to this subsection shall be in such form and shall set forth such supporting information as the Board shall require.

''(3) CERTIFICATION.—The president of the credit union or any officer designated by the board of directors shall certify, with respect to each statement required to be filed with the Board pursuant to this subsection, that to the best of his or her knowledge and belief the statement is true, correct, complete, and in accordance with this title and the regulations issued under this title.'';

(2) in subsection (c)(1)(A), by striking clause (iii) and inserting the following:

''(iii) PERIODIC ADJUSTMENT.—The amount of each insured credit union's deposit shall be adjusted as follows, in accordance with procedures determined by the Board, to reflect changes in the credit union's insured shares:

''(I) annually, in the case of an insured credit union with total assets of not more than $50,000,000; and

''(II) semi-annually, in the case of an insured credit union with total assets of $50,000,000 or more.'';

(3) in subsection (c), by striking paragraphs (2) and (3) and inserting the following:

''(2) INSURANCE PREMIUM CHARGES.—

''(A) IN GENERAL.—Each insured credit union shall, at such times as the Board prescribes (but not more than twice in any calendar year), pay to the Fund a premium charge for insurance in an amount stated as a percentage of insured shares (which shall be the same for all insured credit unions).

''(B) RELATION OF PREMIUM CHARGE TO EQUITY RATIO OF FUND.—The Board may assess a premium charge only if—

''(i) the Fund's equity ratio is less than 1.3 percent; and

''(ii) the premium charge does not exceed the amount necessary to restore the equity ratio to 1.3 percent.

''(C) PREMIUM CHARGE REQUIRED IF EQUITY RATIO FALLS BELOW 1.2 PERCENT.—If the Fund's equity ratio is less than 1.2 percent, the Board shall, subject to subparagraph (B), assess a premium charge in such an amount as the Board determines to be necessary to restore the equity ratio to, and maintain that ratio at, 1.2 percent.

''(3) DISTRIBUTIONS FROM FUND REQUIRED.—

''(A) IN GENERAL.—The Board shall effect a pro rata distribution to insured credit unions after each calendar year if, as of the end of that calendar year—

''(i) any loans to the Fund from the Federal Government, and any interest on those loans, have been repaid;

''(ii) the Fund's equity ratio exceeds the normal operating level; and

''(iii) the Fund's available assets ratio exceeds 1.0 percent.

''(B) AMOUNT OF DISTRIBUTION.—The Board shall distribute under subparagraph (A) the maximum possible amount that—

''(i) does not reduce the Fund's equity ratio below the normal operating level; and

''(ii) does not reduce the Fund's available assets ratio below 1.0 percent.

''(C) CALCULATION BASED ON CERTIFIED STATEMENTS.—In calculating the Fund's equity ratio and available assets ratio for purposes of this paragraph, the Board shall determine the aggregate amount of the insured shares in all insured credit unions from insured credit unions certified statements under subsection (b) for the final reporting period of the calendar year referred to in subparagraph (A).'';

(4) in subsection (c), by adding at the end the following new paragraph:

''(4) TIMELINESS AND ACCURACY OF DATA.—In calculating the available assets ratio and equity ratio of the Fund, the Board shall use the most current and accurate data reasonably available.''; and

(5) by striking subsection (h) and inserting the following:

''(h) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

''(1) AVAILABLE ASSETS RATIO.—The term 'available assets ratio', when applied to the Fund, means the ratio of—

''(A) the amount determined by subtracting—

''(i) direct liabilities of the Fund and contingent liabilities for which no provision for losses has been made, from

''(ii) the sum of cash and the market value of unencumbered investments authorized under section 203(c), to

''(B) the aggregate amount of the insured shares in all insured credit unions.

''(2) EQUITY RATIO.—The term 'equity ratio', when applied to the Fund, means the ratio of—

''(A) the amount of Fund capitalization, including insured credit unions' 1 percent capitalization deposits and the retained earnings balance of the Fund (net of direct liabilities of the Fund and contingent liabilities for which no provision for losses has been made); to

''(B) the aggregate amount of the insured shares in all insured credit unions.

''(3) INSURED SHARES.—The term 'insured shares', when applied to this section, includes share, share draft, share certificate, and other similar accounts as determined by the Board, but does not include amounts exceeding the insured account limit set forth in section 207(c)(1).

''(4) NORMAL OPERATING LEVEL.—The term 'normal operating level', when applied to the Fund, means an equity ratio specified by the Board, which shall be not less than 1.2 percent and not more than 1.5 percent.''.

(b) EFFECTIVE DATE.—This section and the amendments made by this section shall become effective on January 1 of the first calendar year beginning more than 180 days after the date of enactment of this Act.

SEC. 303. ACCESS TO LIQUIDITY.

Section 204 of the Federal Credit Union Act (12 U.S.C. 1784) is amended by adding at the end the following new subsections:

''(f) ACCESS TO LIQUIDITY.—The Board shall—

''(1) periodically assess the potential liquidity needs of each insured credit union, and the options that the credit union has available for meeting those needs; and

''(2) periodically assess the potential liquidity needs of insured credit unions as a group, and the options that insured credit unions have available for meeting those needs.

''(g) SHARING INFORMATION WITH FEDERAL RESERVE BANKS.—The Board shall, for the purpose of facilitating insured credit unions' access to liquidity, make available to the Federal reserve banks (subject to appropriate assurances of confidentiality) information relevant to making advances to such credit unions, including the Board's reports of examination.''.

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. STUDY AND REPORT ON DIFFERING REGULATORY TREATMENT.

(a) STUDY.—The Secretary shall conduct a study of—

(1) the differences between credit unions and other federally insured financial institutions, including regulatory differences with respect to regulations enforced by the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Administration; and

(2) the potential effects of the application of Federal laws, including Federal tax laws, on credit unions in the same manner as those laws are applied to other federally insured financial institutions.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary shall submit a report to the Congress on the results of the study required by subsection (a).

SEC. 402. UPDATE ON REVIEW OF REGULATIONS AND PAPERWORK REDUCTIONS.

Not later than 1 year after the date of enactment of this Act, the Federal banking agencies shall submit a report to the Congress detailing their progress in carrying out section 303(a) of the Riegle Community Development and Regulatory Improvement Act of 1994, since their submission of the report dated September 23, 1996, as required by section 303(a)(4) of that Act.

SEC. 403. TREASURY REPORT ON REDUCED TAXATION AND VIABILITY OF SMALL BANKS.

The Secretary shall, not later than 1 year after the date of enactment of this Act, submit a report to the Congress containing—

(1) recommendations for such legislative and administrative action as the Secretary deems appropriate, that would reduce and simplify the tax burden for—

(A) insured depository institutions having less than $1,000,000,000 in assets; and

(B) banks having total assets of not less than $1,000,000,000 nor more than $10,000,000,000; and

(2) any other recommendations that the Secretary deems appropriate that would preserve the viability and growth of small banking institutions in the United States.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Iowa (Mr. LEACH) and the gentleman from New York (Mr. LAFALCE) each will control 20 minutes.

The Chair recognizes the gentleman from Iowa (Mr. LEACH).

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LEACH asked and was given permission to revise and extend his remarks.)

□ 1145

Mr. LEACH. Mr. Speaker, before the House today is the Senate amendment to H.R. 1151, the Credit Union Membership Access Act. If the House concurs in the Senate amendment, a step I strongly encourage, this important legislation will be cleared for the President for his expected signature, thereby ensuring that millions of Americans will not be forced out of the financial institution of their choice.

This body originally approved the credit union bill on April 1 by a vote of 411–8 and the Senate last week acted by vote of 92–6. This legislation is in response to a 5–4 Supreme Court decision earlier this year which overturned the National Credit Union Administration's interpretation of the 1934 Federal Credit Union Act on what the appropriate common bond should be for Federal credit unions. If the Supreme Court decision were to stand, not only could millions of credit union members be kicked out of their financial institution, but the safety and soundness of the entire credit union system would have been jeopardized.

The Senate amendment generally incorporates the House approach to the credit union issue, especially as it relates to the common bond issue, but

there are four major differences between the House and the Senate versions. First, the Senate amendment does not impose community reinvestment-like requirements on State and federally chartered credit unions. The House version would have. Second, the Senate amendment limits the total amount of member business loans to approximately 12 percent of a credit union's assets. The House bill would have frozen current NCUA restrictions on commercial lending for one year. Third, the Senate amendment expands upon the prompt corrective action provisions contained in the House bill, which generally would have called on the regulator to issue regulations comparable to those imposed on banks and thrifts under the FDIC Act. The Senate version provides somewhat greater detail. Finally, the Senate amendment struck the House provisions limiting the economic benefit directors or officers could receive from a conversion of the credit union to a stock form of company. These Senate changes, while not in all instances improvements to the House position, are generally acceptable given that the broad approach of the House has been maintained.

The Supreme Court case was brought by the banking industry because of a perceived difference in the regulatory and tax treatment of credit unions. There is particular angst among bankers that this legislation does not repeal the tax exempt status of credit unions. However, this issue was not broached in the Supreme Court and the Banking Committee from which this bill originated has no jurisdiction over Federal tax laws. Beyond this, this Congress has little appetite for imposing new taxes. But taxes aside, the competitive regulatory playing field between banks and credit unions is pretty well evened out under this legislation. For instance, the new capital standards and prompt corrective regulatory requirements imposed on credit unions under this bill are similar to those imposed on banks and will ensure the continued safety and soundness of operation of credit unions.

In a financial services world where the big are getting bigger from the top down, consumers are increasingly showing their desire to maintain the option of being served by community-controlled institutions, whether they be community banks, savings and loans or credit unions.

It is therefore critical that this Congress do everything in its power to ensure that smaller, community-controlled institutions are provided the means to compete and prosper in the marketplace.

Credit unions, just one part on the cooperative movement side which have so advantaged American society, represent democracy at work in the marketplace. In protecting them, in legitimizing them, this legislation deserves support. I would strongly suggest a ''yes'' vote on accepting the Senate amendment. I would also strongly urge that the President sign this important legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. LAFALCE. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LAFALCE asked and was given permission to revise and extend his remarks.)

Mr. LAFALCE. Mr. Speaker, in February, the Supreme Court challenged the Congress to answer a difficult policy question, whether to uphold the narrow interpretation of the 60-year-old Federal Credit Union Act or expand the scope of the act to permit credit unions to serve a broader segment of the American public. Today we are giving a definitive answer to that question. I am pleased to say the answer is a resounding ''yes'' to credit union expansion, ''yes'' to preserving the membership rights of all current credit union members, and ''yes'' to making credit union services available to even greater numbers of American families.

The Senate-passed bill we are considering today incorporates virtually every single one of the key elements of the bipartisan compromise that we passed on April 1 in the House of Representatives with an overwhelming 411–8 vote. First and foremost it protects the membership of every current credit union member and every group within a credit union. It also permits common bonds credit unions to continue to expand their field of membership by including new occupation and association based groups. The bill limits this expansion, however, first by requiring the creation of new separate common bond credit unions wherever feasible; secondly, by limiting the size of new groups to under 3,000 members; and, third, by requiring that these smaller groups be included within a credit union that is located within reasonable proximity to the group, thus reinforcing a geographic common bond. This proximity requirement is extremely important, one that I insisted upon, to ensure that we could maintain to the maximum extent feasible the closest practicable geographic common bond. These core elements of this legislation, I am proud to say, follow the basic outline of a set of proposals I circulated last November to encourage discussion of a compromise on the field of membership issue. And like my original proposal, this legislation balances expansion of credit union membership with preservation of the traditional credit union values of common bond and common community.

While this legislation answers the question raised by the court and resolves several other key credit union issues, it does include two Senate changes that House Members should be aware of. It deletes House language reaffirming the credit union's obligation to serve persons of modest means within their field of membership. Let me emphasize that this House provision only restated a long-understood obligation of credit unions to serve all potential members, and it attempted to provide greater parity in regulatory treatment between credit unions and other financial institutions. The provision should not have been dropped, but the regulators should enforce its existing law, understanding that we simply attempted to reaffirm existing law.

A second change in the Senate amendment is the weakening of current regulatory and voting requirements for credit union conversions to mutual savings institutions. Currently a credit union cannot convert its charter without an affirmative vote of the majority of all its members. The Senate changed this to require only a majority of the members who participate in a conversion vote. The Senate made no provision to assure adequate and effective notice for a conversion vote. Thus under the Senate provision, it is conceivable for a small fraction of a credit union's membership either by manipulation or inadequate notice to convert a credit union and deprive the overwhelming majority of members of their ownership rights and credit union services. This is an inappropriate change that could without very strict regulation and supervision facilitate the slow undoing of our credit union system. I intend to work with the gentleman from Iowa (Mr. LEACH) to address this issue within another context, and I call for the maximum reasonable regulation and supervision permissible by the regulator.

While these aspects of the bill continue to concern me, they are clearly outweighed by the significant improvements the bill makes in the Credit Union Act and by the need for immediate action to resolve the pressing issues raised by the Supreme Court. I believe this is one of the most important bills Congress will consider this year, an important victory for the credit unions and most importantly a tremendous victory for the American consumers.

Mr. Speaker, I reserve the balance of my time.

Mr. LEACH. Mr. Speaker, I yield 2 minutes to the honorable gentleman from Ohio (Mr. LATOURETTE) whose leadership on this issue has been unparalleled. It is his bill and to him a principal amount of the credit for its being brought to the floor is due.

Mr. LATOURETTE. I thank the gentleman for yielding me this time. Mr. Speaker, today's floor activity brings to conclusion hopefully a long journey for H.R. 1151, the Credit Union Membership Access Act, although I suppose in legislative or dog years it is rather a quick journey. For that I take to the floor today and I want to thank a number of people, the gentleman from Georgia (Mr. GINGRICH), the Speaker of the House, for getting behind this bill, the gentleman from Iowa (Mr. LEACH) for his guidance and leadership throughout the course of this legislative process, the gentleman from New York (Mr. LAFALCE), the gentlewoman from New Jersey (Mrs. ROUKEMA) and

also the gentleman from Minnesota (Mr. VENTO) for all of their hard work, and without a doubt the original cosponsor of this bill the gentleman from Pennsylvania (Mr. KANJORSKI).

In the early part of the year, those were lonely times. Although we were aided by powerful allies on both sides of the aisle, the minority whip the gentleman from Michigan (Mr. BONIOR) on his side and such powerhouses on our side as the gentleman from New York (Mr. SOLOMON), the chairman of the Committee on Rules, and the gentleman from Louisiana (Mr. LIVINGSTON), the chairman of the Committee on Appropriations, it was a long process.

Credit unions should also be thankful for the quick action, Mr. Speaker, taken by the more deliberative body on the other side of the Capitol which has a history of not moving as quickly as it has in this particular instance. I am particularly thankful to the chairman of the Senate Banking Committee. Although the rules of the House prohibit me from naming him by name, I would suggest that his surname rhymes with ''tomato.''

Although every bill has blemishes, Mr. Speaker, upon which each of us might wish to apply some astringent, H.R. 1151 in its current form is a good bill that needs to move forward before the end of this session. The reason that baseball is America's pastime is that it has no clock. It is over when the 27th out is recorded. Football and basketball have a clock. The clock is ticking on this session of the Congress. We need to get this bill on the President's desk. The millions of depositors and share account owners of credit unions need this matter resolved today.

Concerns about CRA type requirements and charter conversions can be addressed in other legislation. The gentleman from New York (Mr. LAFALCE) has already so eloquently addressed that in his statement. But today is the day, Mr. Speaker, that Clarence the angel who helped George Bailey in It's A Wonderful Life should get his wings and credit union members across this country should get relief.

Mr. LAFALCE. Mr. Speaker, I yield 3½ minutes to the distinguished gentleman from Pennsylvania (Mr. KANJORSKI), the principal author of the original version of H.R. 1151.

Mr. KANJORSKI. Mr. Speaker, in order to ensure that provisions of this legislation are understood and future lawsuits are prevented, I would like to engage in a colloquy with my distinguished colleague from Iowa.

Is it the gentleman's understanding that the definition of a single common bond credit union does not preclude a credit union from having subgroups in its field of membership as long as the subgroups share the same common bond of association or occupation?

Mr. LEACH. Mr. Speaker, will the gentleman yield?

Mr. KANJORSKI. I yield to the gentleman from Iowa.

Mr. LEACH. The gentleman is correct. The definition of a single common bond credit union does not preclude subgroups, but all such subgroups must have the same common bond of occupation or association.

Mr. KANJORSKI. The bill includes language grandfathering persons and groups which were members of a credit union or eligible for membership in a credit union prior to the Supreme Court decision. Is it my understanding that these grandfather provisions apply to community credit unions as well as to multi-group and single group credit unions?

Mr. LEACH. That is correct. Let me just add one thought, that I want to thank the gentleman personally for his leadership on this issue. He played a very extraordinary role.

Mr. KANJORSKI. I thank the gentleman. I have a colloquy I would like to engage in with my colleague from New York. It is my understanding that if a business sells off or spins off an operating unit or subsidiary, both current and future employees of the operating unit or subsidiary remain eligible for membership in a credit union, is that correct?

Mr. LAFALCE. Mr. Speaker, will the gentleman yield?

Mr. KANJORSKI. I yield to the gentleman from New York.

Mr. LAFALCE. That is my understanding, yes, I believe the gentleman is correct. The definition of a single common bond credit union does not preclude subgroups, but all such subgroups must have the same common bond of occupation or association. Furthermore, nothing in H.R. 1151 was intended to preclude new employees of companies that have been spun off from a credit union's original sponsoring group from becoming eligible for membership in the original parent company's credit union.

Mr. KANJORSKI. Mr. Speaker, I rise today to thank all of my colleagues and most especially the gentleman from Ohio (Mr. LATOURETTE). It is very seldom in this House that through the participation in the process of legislation, one forms a friendship and a common bond and not unlike a friendship I developed with a colleague many years ago in first coming to this House, I have found the beginning of that type of friendship with the gentleman from Ohio. I cherish it, I cherish the process and the experience we have had.

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I also want to thank the chairman of the committee, the gentleman from Iowa (Mr. LEACH), the ranking member, the gentleman from New York (Mr. LAFALCE), the subcommittee chairman, the gentlewoman from New Jersey (Mrs. ROUKEMA), and the ranking member, the gentleman from Minnesota (Mr. VENTO). With all these individuals, and many more, it was their work product that brought this legislation forth today.

It would be remiss of me also not to make mention of the chairman and ranking member of the Senate. They took our text basically as their markup vehicle, worked from it and kept 75 percent of it, and the portions they added were good portions except for the two minor parts that the gentleman from New York (Mr. LAFalce) identified, and we will work with him in the future to correct them.

Finally, Madam Speaker, the people who really should be thanked the most are the 70 million members of the credit movement across this country. Truly in a very cooperative effort they came together, contacted their representatives in this body and the Senate, and prevailed upon them to pass this enlightening legislation. I would say it was a victory of David over Goliath. Indeed it proves that a cooperative effort in America can win, and I would like to apologize to Abraham Lincoln, but I would like to say that today in the spirit of credit unions, it is of the people, by the people and for the people, that they, through this legislation, shall not perish from the earth.

Mr. Speaker, in order to expedite consideration of this important legislation, it is being considered today under suspension of the rules, which limits total debate time to 20 minutes on each side of the aisle. As a result, it is not possible to address all of the issues we would like to address if we had additional time.

I have already expressed my deep appreciation and thanks to my colleague from Ohio (Mr. LATOURETTE) who had the courage to join me in sponsoring this legislation when many of our colleagues thought we were titling against windmills.

I have also expressed my appreciation to the distinguished Chairman of the Committee, (Mr. LEACH) who was at all times fair, courteous and supportive. I also want to thank the ranking Democratic Member (Mr. LAFALCE), the Chairwoman of the Financial Institutions Subcommittee (Mrs. ROUKEMA), the ranking Democratic Member of the Subcommittee (Mr. VENTO), and all of their staffs, who worked long and hard to help produce the bipartisan legislation we are considering today. All of their leadership is greatly appreciated.

Also making a major contribution today's bill is Assistant Secretary of the Treasury Rick Carnell who helped perfect the title of the bill strengthening capital requirements for credit unions, the credit union share insurance fund, and the authority of the National Credit Union Administration to take prompt corrective action against troubled credit unions.

National Credit Union Administration Chairman Norm D'Amours, and the members of the board, also provided their unwavering support for our legislation.

The members of the other body, particularly the chairman and ranking Democratic member of the Banking Committee, must also be commended for acting so promptly on the House-passed bill, and for making only a few changes in it.

And last, and certainly not least, I want to thank the millions of Americans across our national who took the time to explain to their Congressmen and Senators how important their credit union was to them.

It is their hard work that made this victory possible.

It is their hard work that demonstrates what being a member of a voluntary, not-for-profit, cooperative means.

It is their hard work that demonstrates the strength of the cooperative movement.

Mr. Speaker, the court decision we overturn today threatened financial accounts held by tens of millions of average American working families. It also jeopardized the safety and soundness of thousands of credit unions and the National Credit Union Share Insurance Fund.

In my home state of Pennsylvania alone the safety and soundness of 367 credit unions serving nearly two million members and their family were endangered by the court decision.

In addition, if allowed to stand the court decision would have discriminated against the employees of small businesses who would have been effectively denied the right to choose a credit union for their financial services. Yet employees of small businesses are among the persons of small means most likely to benefit from credit union membership.

Mr. Speaker, as the co-author of the Credit Union Membership Access Act, there are a number of technical provisions contained in it which need elaboration, particularly since there will be no formal conference report on the bill.

One amendment added by the other body provides a specific retroactive exception from the multiple common bond requirements for a specific voluntary merger that was in progress when the court decision took effect.

I want to make it clear that in granting this specific retroactive exception from the multiple common bond requirements we are not in any way diminishing the existing authority of the National Credit Union authority under section 205 of the Federal Credit Union Act to grant or withhold approval for voluntary mergers of credit unions.

All of the federal banking regulators, including the National Credit Union Administration, have broad authority to approve and disapprove mergers of institutions under their jurisdiction, and this legislation is not intended to obstruct that authority in any way.

Another important provision in this bill explicitly authorizes multiple group credit unions to include underserved areas in their field of membership. This is a provision which incorporates the principles of legislation originally introduced by the gentleman from Texas (Mr. FROST).

Providing service to underserved areas, which are defined in the bill and by NCUA regulations, helps all credit unions fulfill their mandate to serve persons of small means. It is integral to the spirit of the credit union movement.

By including explicit language authorizing multiple group credit unions to include underserved areas in their field of membership, we are not in any way restricting the ability of the National Credit Union Administration to allow community and single group credit unions to include underserved areas in their fields of membership.

Precluding community credit unions from serving underserved areas would be contrary to their reason for existence.

Similarly, precluding single group credit unions from serving underserved areas makes no sense and would only add paperwork and regulatory burden for both credit unions and the NCUA since virtually any single group credit union can apply to add an additional group to its field of membership, thus becoming a multiple group credit union. Single group credit unions are a subset of multiple group credit unions and it was never intended, and would make no sense, for multiple group credit unions to have this authority, and for single group credit unions not to have similar authority.

In the area of member business loans, the Senate amendments also provide an important exception to the limitation on member business loans for credit unions that are chartered for the purpose of, or have a history of, primarily making member business loans to their members as determined by the National Credit Union Administration.

Under the bill the NCUA has broad authority to determine whether a credit union is chartered for the purpose of, or has a history of primarily making, member business loans to its members. This broad authority is important because member business loans need not be the largest category of loans in order for a credit union to qualify for this exception.

Member business lending merely needs to constitute a significant portion of the portfolio or a significant number of loans in order for the NCUA to determine that a credit union is eligible for this exception.

Secretary of the Treasury Robert Rubin has confirmed to us that member business loans by credit unions are not a safety and soundness problem. Quite to the contrary, member business loans are an important authority for community credit unions, and all credit unions, as they attempt to meet all of the credit needs of their members and their communities. More competition in this area, where many persons of small means have difficulty obtaining credit, must be encouraged by the Congress and the National Credit Union Administration.

Finally, Mr. Chairman, there are two changes made by the Senate amendment which I hope we will be able to revisit at some point in the future. By a relatively narrow margin the other body voted to delete from bill provisions strengthening the obligation of credit unions to meet the financial services needs of persons of modest means. This deletion was unfortunate because this provision in the House bill helped to keep credit unions focused on their primary purpose.

Similarly, I was extremely disappointed by the deletion of the provisions drafted by Chairman LEACH designed to prevent insider self-dealing when a credit union converts to a mutual savings bank and from a mutual savings bank to a stock institution. This same amendment also greatly weakened the safeguards that exist in current law to prevent quickie conversions without approval by a reasonable, and informed, proportion of the membership.

These changes open the door to the kind of fraud and abuse that we saw all too often during the savings and loan debacle. I hope that federal and state banking regulators will use their oversight authority over any proposed conversions to ensure that consumers are not defrauded and insiders are not enriched. I also look forward to working with the Chairman and ranking Democratic member to correct these provisions in future legislation.

Mr. LEACH. Madam Speaker, I yield 2 minutes to the gentleman from New York (Mr. SOLOMON), our distinguished chairman of the Committee on Rules.

Mr. SOLOMON. Madam Speaker, I thank the gentleman from Iowa for yielding me this time, and I certainly salute him for his stewardship over this legislation; and I want to salute the gentleman from Ohio (Mr. LATOURETTE) and the gentleman from Pennsylvania (Mr. KANJORSKI) for having the courage to introduce this legislation, first of all, and then drive this legislation through the Congress. It was a time when many, in my opinion rather arrogantly, tried to keep this legislation from even reaching the floor, and I was pleased to assist these two fine gentlemen in making sure that that did not happen.

Madam Speaker, following the Supreme Court's February ruling relating to membership in the Nation's credit unions this issue has been among the most pressing this Congress has had to address in many years, and I am pleased that the Congress has acted in a bipartisan fashion to preserve current and future memberships in credit unions. Credit union members have looked to this Congress for a long time now to end any uncertainty which may have resulted from the Supreme Court decision. This legislation guarantees that millions of credit union members, including me and probably you, Madam Speaker, will not be turned away from their credit unions.

And, Madam Speaker, these cooperative organizations count some 70 million Americans as members. There are over 200,000 members in the Hudson Valley of New York State alone, where I happen to reside and represent.

As chairman of the House Committee on Rules, I am often suspicious of the other body and its lack of rules, but in this case, Madam Speaker, the other body I think has improved the legislation. The Senate has produced a consensus product which removes the unfair CRA-like provisions but puts restrictions on business lending, and that is as it should be. And, Madam Speaker, compromise is critical in this legislative process, and I believe that this legislation is an appropriate and fair compromise, and I hope Members will come over and unanimously support it. It is a good piece of legislation.

Mr. LAFALCE. Madam Speaker, I yield 2 minutes to the distinguished gentleman from Minnesota (Mr. VENTO), the ranking Democrat on the Subcommittee on Financial Institutions and Consumer Credit.

Mr. VENTO. Madam Speaker, I thank the gentleman for yielding this time to me and for his work on this measure, as well as the chairman, the gentleman from Iowa (Mr. LEACH), and of course congratulate the principal sponsors, the gentleman from Ohio (Mr. LATOURETTE) and the gentleman from Pennsylvania (Mr. KANJORSKI) for their marshaling of effort and their willingness to work with others to bring us to hopefully final passage and sending this to President's desk today.

This is an urgent problem. This spring, when the court case came out, I think all of us were aware that there had been a back and forth disagreement about what the meaning of the

1934 law is. But what worked in the 1930's in terms of credit unions, and other financial institutions, for that matter, does not fit the needs of the 1990's, of this decade 60 years later. We need to modernize our financial institution laws.

Now there is obviously this law, and the effect of the court decision affected up to 20 million members of credit unions who would have been adversely impacted in terms of having to change memberships and divest and go through that process. So it became of paramount importance that we act quickly to eliminate any uncertainty because these lines of credit are fundamental to our economy.

As was mentioned by our chairman of the Committee on Rules, 70 million credit union members are a viable part of providing for the services and the needs of people across this Nation, especially in locations that are often remote, often not served by other financial service entities. In fact, of course, people have a strong affection for any of those that are able to give them credit because they, of course, facilitate our successful attainment of ownership of cars, of being able to provide a college education, being able to do many of the things that we need through credit extension in our mixed economy today.

This bill is a fine work product. I regret that the Community Reinvestment Act provisions, or similar provisions that were put on in the House, were taken off. But frankly most of the other work that we achieved in the House in terms of the Committee on Banking and Financial Services and the principal Members, the gentlewoman from New Jersey (Mrs. ROUKEMA) who also worked with us there, is retained in this, so they used our foundation. We are happy to send it along and to have this good measure serve the needs of the people of this country.

Mr. LEACH. Madam Speaker, I yield 2 minutes to the gentlewoman from New Jersey (Mrs. ROUKEMA), our distinguished chairman of the Subcommittee on Financial Institutions and Consumer Credit.

(Mrs. ROUKEMA asked and was given permission to revise and extend her remarks.)

Mrs. ROUKEMA. Madam Speaker, I think I will make three direct points:

First, I think this is a good example of how this Congress can work forthrightly and diligently and on a bipartisan basis to deal with a pressing economic issue and avoid partisan bickering, and I want to commend all my colleagues for that. We have really worked hard on this.

Secondly, there are 20 million credit union members at thousands of credit unions across the country that have been wondering since late February this year whether or not they would be thrown out of their credit unions. We got to say here, at last, we are protecting those innocent people. I am proud to say that the bill makes it very clear that they can remain in the institution of their choice, and that is very important.

And then, too, we are putting, and it is important to me, in place many of the Treasury Department's recommendations on safety and soundness. These changes are extremely important. Credit unions will have prompt corrective action applied to them, and that means that bank-like capital and net worth requirements will be applied to credit unions. That is very important.

In addition, large credit unions will be required to have annual audits performed by licensed CPAs, just like banks and savings associations have. Other safety and soundness provisions improvements are important and are made to the share insurance fund which will ensure the solvency and safety of the fund for years to come.

Finally, Madam Speaker, I want to recognize that the CRA provisions were lifted from the credit union bill, and I think that was the correct choice. No question about that. I do look forward to attempting to provide small community banks and savings associations with similar relief at the appropriate time, but this is not the time today.

We are commending the work of this Congress and the other body for all those millions and millions of credit union people.

Mr. Chairman, thank you very much.

I rise today in strong support of this Credit Union bill.

I want to make 3 points.

First, we have worked forthrightly and diligently to work in a bi-partisan way to deal with this pressing economic issue and avoided partisan bickering.

Secondly, we are protecting innocent people. 20 million credit union members at 3,600 Federal Credit unions have been wondering since late February of this year whether they will be thrown out of their credit union. I am proud to say that this bill makes it clear that they can remain members of their financial institution of choice.

Thirdly, we are putting in place many of the Treasury Department's recommendations on safety and soundness. These changes are extremely important. Credit Unions will have prompt corrective action applied to them—this means that bank like capital and net worth requirements will be applied to credit unions. In addition, large credit unions will be required to have annual audits performed by licensed CPAs just like large banks and savings associations. Other safety and soundness improvements are made to the share insurance fund which will ensure the solvency and safety of the fund for years to come. These new requirements, along with the limits on commercial lending, will assure that credit unions are safe in the years to come. The Senate improved the bill in this area.

Finally, Mr. Chairman, I recognize some members and groups may be disappointed with the final product. I know that some are upset that the CRA provisions were lifted from the Credit Unions. I believe that was the correct choice, and look forward to attempting to provide small community banks and savings associations with similar relief at the appropriate time. In addition, I would have liked to see tighter restrictions on the expansion of multiple common bond credit unions. I believe that we should promote the formation of new credit unions whenever possible as opposed to permitting large, multiple common bond credit unions to expand. That is the correct public policy.

Mr. Chairman, I know that we have made an honest attempt to be fair in this legislation. I urge my colleagues to support this bill.

Mr. LAFALCE. Madam Speaker, I yield 2 minutes to the distinguished Independent gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. Madam Speaker, first I want to congratulate the gentleman from Iowa (Mr. LEACH) and the ranking member, the gentleman from New York (Mr. LAFALCE) for their very hard work on this important legislation.

As a member of the Committee on Banking and Financial Services and an original cosponsor of this bill, I rise in strong support of H.R. 1151, legislation which will nullify a recent Supreme Court decision by ensuring that Federal credit unions can serve multiple groups and that no current credit union members will be forced out of their accounts.

Large corporate banks have been trying for years to shut out their credit union competition. In recent years they have filed 19 separate lawsuits in 12 States, and now five Supreme Court Justices say the law is on their side. Very simply, we must change the law and ensure that Americans have choices in banking, and today we will do just that.

At a time of increasing bank fees, ATM surcharges, high credit card fees, increasing minimum balance requirements and the loss of many locally-owned banks to large, multi-billion dollar corporate institutions, credit unions today are more important than they have ever been. I have been a long-time supporter of credit unions because they are managed by their members and not by a high-priced board of directors. Credit unions, therefore, are more concerned about the financial needs of their own membership and not the profits of the owners of the institution. Credit union profits do not go to pay high executive salaries; they are directed back to customers in the form of lower fees and higher rates of return.

In Vermont, where 170,000 people are members of credit unions and where the membership has played a very, very active role in determining that this legislation will be passed, credit unions provide important benefits such as lower loan rates, lower minimum balances, free ATM use and free credit cards.

Madam Speaker, it is incumbent upon Congress to pass this important legislation, and I urge all of our Members to support it.

Mr. LEACH. Madam Speaker, I yield 2 minutes to the distinguished gentleman from Texas (Mr. ARCHER),

chairman of the Committee on Ways and Means.

Mr. ARCHER. I thank the gentleman for yielding this time to me, Madam Speaker, and I reluctantly rise in opposition to this bill.

I voted for the first bill that came through the House, and I am not here to in any way criticize the detailed compromises made with the Senate, but what I am here to state as, I think, a fatal flaw in this bill is it is scored as losing $150 million in revenue over the next 5 years which is not paid for. We are supposed to operate under rules that no suspension can be brought on the floor if it involves over $100 million. This $150 million of scored revenue loss is the result of expansion of credit unions operating on a tax-free basis and therefore costing revenue to the Treasury. It has been used already, this money has been used already to pay for the health bill that passed this House. It redounds to our score card on Ways and Means as a tax loss, and therefore on the score card will reduce the amount of revenue that we have already used to offset the health care bill.

Madam Speaker, this is not the way this House should do business, and I must oppose this bill so that it can come back in a form where it is appropriately paid for.

Mr. LAFALCE. Madam Speaker, I yield 2 minutes to the gentleman from New York (Mr. HINCHEY).

Mr. HINCHEY. Madam Speaker, I, too, want to strongly support H.R. 1151, the Credit Union Membership Act of which I am an original prime sponsor.

The credit union movement has distinguished itself over the years by providing its members with good quality, low cost financial services. As nonprofit cooperatives managed by their members, credit unions excel at providing the services families and small businesses need most. Study after study shows that from home mortgages to student loans to start-up financing for small businesses, credit unions beat the competition in terms of service and customer satisfaction.

Credit unions have also taken the lead in communities that are all but ignored by the banking industry. In many distressed urban and rural areas a community development credit union is often the only conventional financial institution to be found. In my district a group of public housing tenants formed a credit union when they were unable to interest a bank in their financial goals. We need to encourage these types of institutions to bring more low-income individuals into the financial mainstream.

The credit union movement deserves much of the praise for this legislation. Like everyone here, I heard from people in my district who are passionate about their credit unions, not just the officers and directors and employees, but the men and women and families and businesses who are affiliated with these institutions. Not only did they take the time to call and write, but they also came here to Washington and to my district offices to tell me in person how important their credit unions are to them.

So, Madam Speaker, on behalf of the 3.3 million New Yorkers who are credit union members, I urge the suspension of the rules and the passage of H.R. 1151.

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Mr. LEACH. Madam Speaker, I yield myself 1 minute.

Madam Speaker, I would simply respond to a previous intervention. Let me just say the CBO has estimated a revenue loss of $143 million for this bill, but it is important to note that there will be a $510 million increase in revenues to the credit union fund. But because of budget rules, the $510 million cannot be used as an offset to this revenue loss. Instead, the $143 million revenue loss must be absorbed through other tax accounts under the budget rules.

I will say in the Senate, the Senate balanced this revenue loss with their IRS reform bill. We have formally by letter informed the Committee on Ways and Means of this circumstance, but I recognize it does produce certain difficulties for the distinguished chairman of the Committee on Ways and Means.

All I can say is this is not a surprise. It has been dealt with appropriately in the Senate, it has been flagged here in the House, and there is an offset of approximately three times the revenue loss, but it occurs in another account of the Federal budget.

Mr. LAFALCE. Madam Speaker, I yield 3 minutes to the gentleman from Massachusetts (Mr. KENNEDY) in opposition to the bill.

Mr. KENNEDY of Massachusetts. Madam Speaker, I rise today as a strong supporter of nonprofits, as a strong supporter of credit unions, but a strong opponent of this bill.

The truth of the matter is that the politics that went on in the formation of this bill would make the bankers, the insurance industry and all of the special interests that normally come before the Committee on Banking salivate. They went into the back room of the Senate and they knocked out all of the provisions that are supposed to protect the consumer, particularly the poor consumer.

These credit unions come into our offices and pretend they are taking care of the poor. They pretend that the Congress established them to go into underserved areas, where bankers would not go. The fact of the matter is, if you look at their records, the credit unions have an abominable record of lending to the poor, the worst record of any of the banks, of any of the S&L's. They have a worse record in lending to people of color, the minorities, blacks.

In the Navy Credit Union, the Navy, which prides itself on bringing in minorities into the Nation's service, you are 11 times more likely coming from the same neighborhood with the same income levels to be turned down for a home mortgage loan if the color of your skin was black versus if it was white.

The truth of the matter is the credit unions ought to be held to the Community Reinvestment Act. We could not get that through. But what we could get through is the fact that they would have to publicly report exactly what their record of lending to the minority communities and the low income communities have been. It is 5.4 percent today, with the information we get, much lower than any of the other financial services industries that we collect data on, and 16.5 percent in terms of the minority community loans.

Madam Speaker, these numbers are an indictment of an industry that comes before each and every Member of Congress, parades before us a bunch of little folks that have deposits in credit unions, and then tells us there is a terrible attack taking place on credit unions by the big banks and insurance companies, so therefore we should give them everything they want.

That is not how it is supposed to work. We are supposed to stand for some principles. And if these folks that run these credit unions, particularly the very large ones, which are much bigger than many banks, think they can just come in and roll right over the Congress of the United States, roll right over the United States Senate, have everybody come marching on up here saying what a great job they do, and sweep under the rug how they treat the poor, how they treat minorities, we ought to be ashamed of ourselves.

We have to stand up every once in awhile and try to do what is right. We are not asking the credit unions to lose money. What we are saying is that if somebody who is a member of that credit union comes in and the color of their skin happens to be black, they ought to be treated the same way as somebody who is a member of that credit union whose color of their skin happens to be white, and that does not happen in today's America. It ought to happen. We ought to defeat this bill. We ought to stand up to the credit unions and do what is right.

Mr. LEACH. Madam Speaker, I yield 2 minutes to my distinguished colleague, the gentleman from Texas (Mr. PAUL).

(Mr. PAUL asked and was given permission to revise and extend his remarks.)

Mr. PAUL. Madam Speaker, I thank the gentleman for yielding me time.

Madam Speaker, today I rise in support of this bill. I do not support legislation casually here, and have thought this through. I voted against this bill the first time it went through, and I was one of a few. But it is a better bill now than it was before.

I am a supporter of the free market, and I do not believe you can achieve equity by raising taxes and putting

more regulations on those who do not have regulations and who do not have taxes.

For this reason, I argued the case that instead of equity being achieved by taxing credit unions or making it more difficult for them to survive with more regulations, the best thing we should do now is talk about at least the smaller banks that compete with credit unions, to lower their taxes, get rid of their taxes and get rid of the regulation.

Precisely because we dealt with the CRA function in the Senate is the reason that I can support this bill. CRA does great deal of harm to the very people who claim they want CRA to be in the bill. CRA attacks the small, marginal bank that is operating in communities that have poor people in them. But if you compel them to make loans that are not prudent and to make loans that are risky, you are doing precisely the opposite of what we should do for these companies.

We should work to lower taxes, not only on the credit unions, and lower regulations. We must do the same thing for the banks. We must lower the taxes and get rid of these regulations in order for the banks to remain solvent and that we do not have to bail the banks out like we have in the past. But the regulations do not achieve this.

This is a bill that I think really comes around to achieving and taking care of a problem and protecting everybody interested. But I am quite convinced that this is still not a fair bill, a fair approach, because we have not yet done enough for our community bankers. We must eventually apply these same principles of less regulations and less taxes to the small banker. Then we will provide a greater service to the people that are their customers, and we will certainly be allowing the poor people a greater chance to achieve a loan.

Since I strongly support the expansion of the field of membership for credit unions and was the first one in this congress to introduce multiple common bonds for credit unions in the Financial Freedom Act, H.R. 1121, I am happy to speak in support of the passage of H.R. 1151 here today. Having argued forcefully against the imposition of new regulations imposed upon credit unions, I congratulate the senate for not increasing the regulatory burden on credit unions in an attempt to ''level the playing field'' with banks and other financial institutions.

A better approach is to lead the congress toward lower taxes and less regulation—on credit unions, banks and other financial institutions. H.R. 1151, The Credit Union Membership Access Act, as amended by the senate, takes us one step in the right direction of less government regulation restricting individual choice. We must continue on the path of fewer regulations and lower taxes.

These regulations add to the costs of operations of financial institutions. This cost is passed on to consumers in the form of higher interest rates and additional fees. These regulations impose a disproportionate burden on smallers institutions, stifles the possibility of new entrants into the financial sector, and contributes to a consolidation and fewer market participants of the industry. Consumers need additional choices, not congressionally-imposed limits on choices.

The estimated, aggregate cost of bank regulation (noninterest expenses) on commercial banks was $125.9 billion in 1991, according to The Cost of Bank Regulation: A Review of the Evidence, Board of Governors of the Federal Reserve System (Staff Study 171 by Gregory Elliehausen, April 1998). It reports that studies estimate that this figure amounts to 12 percent to 13 percent of noninterest expenses. These estimates only include a fraction of the ''most burdensome'' regulations that govern the industry, it adds, ''The total cost of all regulation can only be larger . . . The basic conclusion is similar for all of the studies of economies of scale: Average compliance costs for regulations are substantially greater for banks at low levels of output than for banks at moderate or high levels of output,'' the Staff Study concludes.

Smaller banks face the highest compliance cost in relation to total assets, equity capital and net income before taxes, reveals Regulatory Burden: The Cost to Community Banks, a study prepared for the Independent Bankers Association of America by Grant Thornton, January 1993. For each $1 million in asset, banks under $30 million in assets incur almost three times the compliance cost of banks between $30–65 million in assets. This regulation almost quadruples costs on smaller institutions to almost four times when compared to banks over $65 million in assets. These findings are consistent for both equity capital and net income measurements, according to the report.

We need to work together now to reduce the regulatory burden on all financial institutions. The IBAA study identified the Community Reinvestment Act as the most burdensome regulation with the estimated cost of complying with CRA exceeding the next most burdensome regulation by approximately $448 million or 77%. Respondents to the IBAA study rated the CRA as the least beneficial and useful of the thirteen regulatory areas surveyed. We need to reduce the most costly, and least beneficial and useful regulation on the banks.

Let's all work together now, credit unions, banks and other financial institutions, to reduce their regulatory burden. Credit unions have demonstrated that fewer regulations contribute to lower costs passed on to consumers and greater consumer choice. Let's extend that model for banks and other financial institutions.

Mr. LAFALCE. Madam Speaker, I yield 1 minute to the gentleman from California (Mr. FILNER).

Mr. FILNER. Madam Speaker, I rise today also to herald the final passage of H.R. 1151, the Credit Union Membership Access Act. Our vote today for H.R. 1151 is a vote of confidence in the 71 million Americans who are member-owners of more than 11,000 credit unions throughout the Nation.

I do not often differ with the gentleman from Massachusetts, but I represent a fairly low income district in Southern California, 75 percent of which are people of color. My district supports the credit unions. They are working in our neighborhoods and supporting our neighborhoods.

I want to praise the grassroots efforts of millions of credit union members for rising to the defense of their credit unions and fighting the battle until it was won. This bill is needed to protect them, and it provides guidance on how they can expand.

We are guaranteeing credit union members, every day workers in our Nation, the ability to choose low-cost higher returns and greater convenience. With final passage, we will be giving credit union members, everyday Americans who believe in democracy, the victory they so richly deserve.

Marla, this one's for you.

Mr. LEACH. Madam Speaker, I yield 1 minute to the distinguished gentleman from New York (Mr. QUINN).

Mr. QUINN. Madam Speaker, I want to congratulate the gentleman from Iowa (Mr. LEACH), and my good friend, the gentleman from Buffalo (Mr. LAFALCE), on their work on this, and I want to speak about this great American success story that we heard about this morning, the Nation's credit unions.

Of course, credit unions are far different from banks. They are democratically owned and primarily engaged in consumer loans, and, Madam Speaker, I believe it is this simplicity that is the secret to their success.

Credit unions are not in the business to buy other banks, they are not there to sell insurance or to acquire commercial affiliates. More importantly, they are not for profit. Credit unions have all of the revenues funneled back into the members for low cost loans.

I am a proud sponsor of the Credit Union Membership Access Act to preserve credit unions in their current status. The many differences between credit unions and banks are what make credit unions so valuable. Even bankers admit that there is a certain percentage of the population that banks cannot serve. Low wage workers oftentimes cannot afford high bank fees or loan rates. Without credit unions, these people would be forced to turn to check cashers or to pawn brokers or any number of different kinds of facilities.

I know that my district in western New York, thousands of people have come to rely on credit unions. I have constituents tell me all the time how much they mean to them, and many claim they would not be able to afford their own home, a loan to start a new business, or, in my case, attend college. It is clear to me credit unions are critical for thousands of Americans, and I urge Congress to help credit unions play an important role, now and in the future.

Mr. LAFALCE. Madam Speaker, I yield 1¼ seconds to the gentleman from Michigan (Mr. DINGELL), the distinguished ranking member of the Committee on Commerce.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

Mr. DINGELL. Madam Speaker, I rise to, first of all, commend the leadership on both sides, the distinguished gentleman from Iowa and the distinguished gentleman from New York, for this legislation.

I rise to offer my unequivocal support for the legislation, and also to praise credit unions, which are dedicated to the communities and the people they serve. These institutions provide low-cost consumer credit to American families and small businesses, and they provide a fine opportunity for the American people to work together for their own common good. I urge support of H.R. 1151.

As a freshman Congressman in 1934, my dad worked on the Federal Credit Union Act. The committee in its report on that legislation, which happened in one of the darkest times in American financial history, said this: That the credit unions have, and I now quote, ''come through the depression without failures, when the banks have failed so notably, is a tribute to the worth of cooperative credit.''

That is as clear today as it was then. Credit unions are a vital part of our community and our Nation. They serve the people, and they serve them well.

Strong consumer support for credit unions does not surprise me. Over the past year, people have come to me at town hall meetings, pancake breakfasts and other events, and said to me, ''Congressman, you have to help the credit unions, because they work for us.''

While some of the provisions in the House bill are different than I would have had, H.R. 1151 is a good bill. It will help credit unions continue to provide high-quality low-cost services to the members and to the communities which have made them so popular with the families across America.

I urge support of the legislation, and I commend my colleagues who have worked on it.

Mr. LEACH. Madam Speaker, I yield 30 seconds to the gentleman from New York (Mr. LAFALCE).

Mr. LAFALCE. Madam Speaker, I thank the gentleman very much for this time.

Madam Speaker, I want to take this opportunity to thank the chairman, to thank majority and minority Members, to thank the majority and minority staff. This has been truly a bipartisan, a collegial effort.

I think we have an excellent bill before us today. It is not 100 percent that either the chairman or I would like, but it is pretty close. I would have preferred that we had a slightly different process of going to conference with the Senate, but there were circumstances which made that difficult, and it was expedient to obtain final passage before the recess. I certainly understand the judgment that was made.

I hope that we can go forward in a similar fashion on other legislation, whether it is the IMF legislation, whether it is the financial services modernization. I hope in financial services modernization we will not receive something from the Senate the day before we are about to leave, so that we have to consider that on a take-it-or-leave-it basis also. But I look forward on all of these issues to working with the chairman, as we have on this particular bill.

Mr. LEACH. Madam Speaker, I yield myself the balance of my time.

Madam Speaker, I thank the gentleman from New York (Mr. LAFALCE). Let me just say a couple comments about the process. For a deliberative body, we have moved quickly on this legislation. Within two weeks of the Supreme Court ruling, our Committee on Banking and Financial Services had a comprehensive hearing on the subject. Two weeks later we marked up a bill, and one week later brought it to the floor. Once the Senate has acted, we have responded again within a two week time frame.

This is testament, I believe, to cooperation between the parties, as the gentleman from New York (Mr. LAFALCE) has mentioned. I think it is very important that I particularly extend my appreciation to the gentleman from Ohio (Mr. LATOURETTE), the gentleman from Pennsylvania (Mr. KANJORSKI), the gentleman from New York (Mr. LAFALCE) and the gentleman from Minnesota (Mr. VENTO), who have played just an extraordinarily critical role in the legislation. But this is not abstract legislation.

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It is, most of all, a testament to the role of credit unions in American society and the allegiance which they have obtained.

What we have here is an industry that has served its members, served its members well. It has brought services at a competitive rate to people who have controlled their own financial destiny in ways they never have been able to before. It has also brought competition to other kinds of private sector institutions that are not part of the cooperative movement.

This is a very fundamental role of cooperatives, to serve members and people who are nonmembers, because of the competition that is implicit within this particular kind of cooperative structure.

Finally, I would also stress that this body should above all respect choice, the choice of the individual Americans. Approaches that are designed to deny choice to the individual American in finance, to force Americans by default into institutions that may be beyond their control, is a mistake.

What the credit union movement symbolizes is an option for the average American, an option that is a community-controlled circumstance, an option that has served the public historicly exceptionally well. I am confident it will in the future. I am proud of this legislation. I believe it is common sense. I also believe that it is deeply legitimizing of a movement that deserves every aspect of legitimacy that it can muster. I urge my colleagues to support this legislation, and I also urge the President to promptly sign it.

Ms. KAPTUR. Mr. Speaker, I rise in support of H.R. 1151, the Credit Union Membership Act.

This has truly been a classic ''David-versus-Goliath'' confrontation between widely different interests. The ''Davids'' in this instance are the thousands of not-for-profit small credit unions throughout the nation, such as Little Flower Parish Federal Credit Union in Toledo. Little Flower has 1,700 members, with total assets of $5 million. I'm proud to be one of those members.

This is a confrontation that pits member-owned credit unions that are not-for-profit cooperatives against banks that often place the interests of shareholders and profits over and above the need of consumers and communities. With higher fees becoming more prevalent and banking options shrinking for many consumers, there can be little doubt that credit unions have helped to keep banks in check by being viable financial alternatives for millions of Americans. America's consumers will now be guaranteed more options and alternatives when it comes to conducting their financial business and transactions.

As was stated in an editorial in the Toledo Blade earlier this year, ''Credit unions are about local folks helping local folks.'' I'll continue to support the ''local folks'' who place community and family over profits only and will continue to fully support America's credit unions and the rights of all Americans to join and belong to their local credit union.

Mr. Speaker, H.R. 1151 is right for all Americans.

Mr. CUNNINGHAM. Mr. Speaker, I rise once again in support of the Credit Union Membership Access Act (H.R. 1151). While the Senate has made a couple of minor changes to the legislation the House passed earlier this year, the substance of this legislation remains the same.

H.R. 1151 will reverse the February 25, 1998, Supreme Court ruling (AT&T Family Federal Credit Union et al. v. First National Bank & Trust Co.) which sent shockwaves through this nation's 70 million credit union members. That decision threatened the future financial safety of our nation's credit unions. The 51st District in California, which I represent, is served by more than 230 different credit unions with more than 305,000 members. By passing this legislation, we will ensure that not a single credit union member will lose their choice of financial service provider.

This legislation affirms the commitment of this Republican Congress to keep a healthy, competitive financial service industry in America. I call on all my colleagues to join me in support of credit union members and to vote for H.R. 1151, with the Senate Amendments.

Mr. BENTSEN. Mr. Speaker, I rise today in support of H.R. 1151, the Credit Union Membership Access Act. This legislation is necessary to ensure that credit unions can continue to accept new members and consumers continue to have the freedom to select the financial institutions of their choice. I am pleased that Congress has acted so quickly to reverse the February Supreme Court decision ruling that credit unions were illegally allowed to form bonds between unrelated groups.

As a member of the House Banking Committee, where this legislation originated, I am pleased that Congress has acted in a prudent manner to ensure that credit unions can continue to accept new members. For many consumers, credit unions offer low-cost, well-managed financial institutions to serve their needs including checking and savings accounts. I believe that many Texans will benefit from this legislation.

This legislation would overturn this Supreme Court ruling and allow credit unions to serve all consumers. This measure would establish three different types of credit unions, including single common bond, multiple common-bond, and community credit unions. Single common bond credit unions would be formed around one single company. Multiple common-bond credit unions would include groups of up to 3,000 that are in ''reasonable proximity'' to each other. Larger groups could also join multiple common-bond credit unions, as could persons in under served areas, through a formal review process at the National Credit Union Association (NCUA), the federal agency responsible for overseeing credit unions. Community credit unions would be based on a distinct community.

This measure would also limit the amount that credit unions can provide for commercial business loans to their members. The bill includes a provision to limit commercial business loans to 12.25% of the credit union's assets. Any credit unions that currently exceed these limits would have three years to come into compliance. For any undercapitalized credit unions, new loans would be restricted until their capital levels are increased to proper levels.

This legislation would also provide important new protections to ensure that credit unions are financially sound. These provisions include a requirement that credit unions larger than $10 million in assets must prepare a financial statement based upon generally accepted accounting principles and that credit unions larger than $500 million or more in assets must have an independent audit of their financial statements. This legislation also establishes new credit union capital requirements that would determine the financial status of credit unions. The legislation also requires that the National Credit Union Share Insurance Fund (NCUSIF), the federal deposit insurance fund for credit unions, must maintain a minimum of 1.2 percent of insured deposits in order to save for future losses at credit unions. If the NCUSIF drops below this level, this legislation would require the NCUA to increase assessments to reach this level.

As a supporter of the House version of this bill on April 1, 1998, I am pleased that the Senate has also acted to approve this bill. The bill being considered today would resolve this matter and ensure that credit unions can continue to grow and prosper. I urge my colleagues to support this critical banking legislation.

Mr. LAFALCE. Mr. Speaker, in February the Supreme Court challenged Congress to answer a difficult policy question—whether to uphold its narrow interpretation of the 60-year-old Federal Credit Union Act or overturn the Court and expand the scope of the Act to permit credit unions to serve a broader segment of the American public.

Today, we are giving a definitive answer to that question. I'm pleased to say the answer is a resounding ''yes'' to credit union expansion, ''yes'' to preserving the membership rights of all current credit union members, and ''yes'' to making credit union services available to even greater numbers of American families.

The Senate-passed bill we are considering today incorporates virtually every single key element of the bipartisan compromise that passed the House on April 1st with an overwhelming 411-to-8 vote. First and foremost, it protects the membership of every current credit union member and every group within a credit union. It also permits common bond credit unions to continue to expand their field of membership by including new occupation and association-based groups. The bill limits this expansion, however—first, by requiring the creation of new, separate common-bond credit unions wherever feasible; second, by limiting the size of new groups to under 3,000 members; and third, by requiring that these small groups be included within a credit union that is located within reasonable proximity to the group—thus reinforcing a geographic ''common bond''.

This ''proximity'' requirement is extremely important, and I insisted on its inclusion in the bill to ensure that we maintain, to the maximum extent practicable, the closest feasible geographic common bond. It was my intent in offering this provision that NCUA give a conservative interpretation to the term ''reasonable proximity'', allowing credit unions located in a larger city to incorporate only common bonds groups located within nearby sections of that city. This would mean, for example in my own Congressional district, that a credit union located in Rochester could incorporate an eligible common bond within the Rochester area. It should not be able to incorporate groups in outlying counties or in a nearby city such as Buffalo, except in instances where there is no local credit union capable of expanding its services to serve these groups. Similarly, credit unions based in smaller cities or towns, like Lockport or Niagara Falls in my district, also should be able to incorporate new groups only from within, or in close proximity to, those jurisdictions. However they should also have priority in serving local groups ahead of any credit union based outside the area. This is an area where NCUA will not to provide detailed guidance to credit unions.

The core elements of this legislation, I'm proud to say, follow the basic outline of a set of proposals I circulated last November to encourage discussion of a compromise on the field of membership issue. Like my original proposal, this legislation balances expansion of credit union membership with preservation of the traditional credit union values of common bond and community.

While this legislation adequately answers the questions raised by the Court and resolves several over key credit union issues, it includes two Senate changes that House Members should be aware of. It deletes House language reaffirming the credit unions' obligation to serve persons of modest means within their field of membership. Let me emphasize that this House provision only restated a long-understood obligation in current law that credit unions must serve all potential members, and it attempted to provide greater parity in regulatory treatment between credit unions and other financial institutions. This provision should not have been dropped. I strongly encourage NCUA to continue enforcing current law with the understanding that this legislation merely attempted to reaffirm and clarify this existing obligation . . . it does not negate or eliminate it.

A second change in the Senate amendments is the weakening of current regulatory and voting requirements for credit union conversions to mutual savings institutions. Currently, a credit union can not convert its charter without an affirmative vote of a majority of its members. The Senate changed this to require only a majority of the members who participate in a conversion vote. The Senate made no provision to assure adequate and effective notice for conversion vote. Thus, under the Senate provision it is entirely possible for a small fraction of a credit union's membership, either by manipulation or inadequate notice, to convert a credit union and deprive the overwhelming majority of members of their ownership rights and credit union services. This is an inappropriate change that could, without very strict regulation and supervision, facilitate the slow undoing of our credit union system. I intend to work with Chairman LEACH to address this issue within another context. In the meantime, I urge NCUA to exercise the maximum feasible regulation of credit union conversions permissible under this legislation.

While these aspects of the bill continue to concern me, they are outweighed by the significant improvements the bill makes in the Credit Union Act and by the need for immediate action to resolve the pressing issues raised by the Supreme Court. I believe this is one of the most important bills Congress will consider this year. It is an important victory for the credit unions and, most important, it is a tremendous victory for American consumers.

I am proud of the significant work and bipartisan cooperation that went into the development of this legislation. It is good public policy. I urge the House to suspend the rules and adopt H.R. 1151.

Mr. THOMPSON. Mr. Speaker, I rise today in support of the final passage of H.R.1151, the ''Credit Union Membership Access Act.'' I was proud to be an early co-sponsor of the original House version of this bill, and I am glad to see the final product we will send to the President's desk includes most of the provisions in that bill.

Last year the Supreme Court ruled the members of a federal credit union must be organized on the basis of a common occupational bond, which threatened the viability of federal credit unions across the nation. This suit was filed by one of the largest banks in the nation out of fear that credit unions were encroaching on business services which traditionally have been offered by banks. I find this fear irrational, especially when one takes into account the overall characteristics of the two industries. For example, the $5.4 trillion U.S. banking industry grew by more than $300 billion last year, an amount almost as great as the total assets of all American credit unions combined. Moreover, the average credit union has less than $28 million in assets—less than one sixteenth the size of the average banking institution.

The bill we are voting on today expressly protects the structure of all existing credit unions and permits future credit unions to gather members from multiple groups. Despite the previous disagreements between the banking and credit union industries, I believe this design will permit both credit unions and

banks to continue to prosper by correcting the flaws in existing law the Supreme Court has unearthed. Most importantly, the bill will ensure each working American is free to obtain services from whatever type of financial institution he or she considers best.

I am pleased to join with my colleagues on both sides of the aisle in support of the Credit Union Membership Access Act, and I look forward to watching the President sign it into law.

Mr. DAVIS of Illinois. Mr. Speaker I rise today to express my concerns regarding H.R. 1155, The Credit Union Membership Access Act, as amended by the Senate on July 27, 1998. While I recognize the important and necessary role credit unions play in our economy, it is my understanding that their creation was expressly premised upon the dire need to serve low-income communities and groups. It was out of recognition of this unique obligation that I worked to preserve the tax-exempt status for credit unions. The inclusion of an express requirement that credit unions serve economically disadvantaged groups appears to be a consistent, if not superfluous, corollary to these originally stated goals. Unfortunately, changing times has not ushered in an era where the need for financial institutions that serve underserved communities has dissipated.

In fact, the need to provide financial services to low-income communities is as compelling today as it has ever been. There are endless accounts of individuals with limited financial means who have been unable to purchase a home, unable to buy a car, unable to by other necessities of life simply because they cannot find financing in the private sector. Obviously, it is proper and fitting to require credit unions—who receive a subsidy from the government by virtue of their tax-exempt status—to serve these underserved communities and groups.

It is quite ironic that the rationales offered in debate on the House floor in support of H.R. 1151 were based upon the unique obligation credit unions have to serve lower-income groups. Yet, this version of H.R. 1151 deletes any express requirement that credit unions serve these communities or groups. This irony is further underscored by the fact that it has been an unwritten policy of the National Credit Union Administration that credit unions must significantly endeavor to serve low-income groups. Nevertheless, I am hopeful that this unwritten policy will continue.

Mr. VENTO. Mr. Speaker, I rise today in support of this urgently needed legislation for current credit unions and their members who have been jeopardized by the Supreme Court's decision in February. The House passed this bill in April and the other body finally sent our bill back to us last week with some changes.

This bill will protect the ten to twenty million credit union members that could be affected by the Supreme Court ruling this past Spring. H.R. 1151 as passed by the House earlier and now as passed by the Senate with amendment should also assist future credit unions and their members by providing additional statutory direction that can hopefully immunize the credit union industry from future law suits.

Following the lead provided by our good work in the House Banking Committee, the Senate made limited and mostly positive amendments to H.R. 1151. I support the changes made to the Prompt Corrective Action provisions of the bill along with the strengthening of the capital standards for credit unions. I am concerned, however, and want to note here for the record that the Community Reinvestment Act (CRA)-like requirements were stricken from the bill. These were a positive addition to the bill and one that I believe would have served credit unions and their members well. The loss of this provision, however, should not jeopardize the work of the NCUA in providing some kind of community service test in regulation for credit unions that are community based by their very name. Such a regulatory test, focused on actual performance in their own community is important when credit unions form in order to serve specific communities and is a fair test of the strength of a community credit union's charter. Despite my reservations about the loss of the CRA-like provision, I recognize the importance of acting and acting now to resolve the membership issues for credit unions and do not want to hold up the good in pursuit of the better.

Mr. Speaker, credit unions are a vital part of so many communities, neighborhoods, workplaces and towns across this great land. They provide needed financial services sometimes in special locations and places where affordable, good services and credit is scarce. For all of those communities and members, Congress needs to modernize the 1934 credit union law and field of membership definitions which certainly do not fit the socio-economic reality of the 1990's. Credit unions have been in a straight-jacket even before the February court ruling because of the caution their regulator had to take in light of all the court actions.

We have reached a point when credit union law must move credit unions from the strict interpretation of the ''common bond'' and ''field of membership'' law so that the economic realities of the world of business and employment today: divestitures, mergers or closings of businesses, doesn't result in the double whammy of the loss of financial services through credit unions. The model that served in the 1980's does not fit the 1990's anymore than the laws governing other financial institutions fit.

By creating a new mechanism for adding so-called select employee groups, basically allowing multiple common-bond credit unions, we are revamping and facilitating the federal credit union law and empowering credit unions to adapt to the 1990's market place. Once law, the provisions of H.R. 1151 will provide clear direction to the National Credit Union Administration (NCUA) including a 3,000 field of membership guideline and a reasonable proximity test. It also affords the regulator with flexibility to accommodate groups that may not meet this test but that would find it difficult to form a single-bond credit union of their own.

We will now have a significantly strengthened regulatory foundation for credit unions, the regulator and the insurance fund by adding capital and net worth requirements to be established by the National Credit Union Administration. The NCUA will be empowered with important prompt corrective action powers, like those that have been established to govern the banks and thrifts. These important safety and soundness provisions should not be overlooked.

The Senate has added a further limitation on member business loans, based on a net worth for a well-capitalized credit union so that total member loans for business purposes would be limited to 12.25%. Importantly, however, exceptions are provided along with a three year transition period for credit unions who do not immediately comply and special exception for credit unions established for such expressed purpose as fits the entity activities. For example commercially, fisherman loans for their enterprise remain an appropriate activity.

Mr. Speaker and Members of this House, we need to pass this bill today so that this corrective legislation with regards to credit unions can make its way to the President as soon as possible and become law.

Credit unions have been faced by the same competitive pressures, changing technology, and the evolution in products and services that other financial institutions are facing. In order to meet the challenges of the 21st Century, credit union law, regulation and operation must modernize and grow responsibly. I urge my Colleagues to support H.R. 1151, the Credit Union Membership Access Act.

Mrs. MINK of Hawaii. Mr. Speaker, today is a great day for credit unions and the concept of grassroots movements in this nation. With this bill, H.R. 1151, we are beating back efforts of the big banks to limit access to nonprofit, community-oriented credit unions.

With the unanimous support this bill received in the House, I have no doubt that this Senate version will pass today, and very soon the President will sign it into law.

H.R. 1151 is necessary because in February of this year, credit unions were dealt a severe blow by the Supreme Court, which upheld a ruling prohibiting the practice of multiple-group federal credit unions. In multiple-group credit unions, membership can consist of more than one distinct group so long as each group has its own common bond. This practice maintains the long standing practice of a credit union that its members have a common bond, yet allow credit union membership to continue to grow and thrive in our communities throughout the nation.

H.R. 1151, overturns the Supreme Court ruling and allows credit unions to expand membership outside of their original group, as along as new members share common bond with each other.

This is a particular victory for smaller communities and organizations that cannot maintain a credit union on their own. This bill will allow them to join existing credit unions. This is especially important in the rural areas of my state where groups may be too small to start their own credit union. Financial institution options are often limited in rural communities; this bill will help assure that individuals and families in rural communities have access to credit union alternatives.

I was told that without this bill up to 69 of Hawaii's 113 credit unions could have been affected by the Court decision to limit credit union membership.

Credit Unions are unique financial institutions built upon the idea of members in a community helping one another. It is the concept that collectively we can do more for each other than on our own. We need to preserve this unique nature of credit unions and support membership access to our credit unions.

I urge my colleagues to join me in supporting the Credit Union Membership Access Bill. Let's send this bill to the President today!

Mr. LEACH. Madam Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mrs. EMERSON). The question is on the motion offered by the gentleman from Iowa (Mr. LEACH) that the House suspend the rules and concur in the Senate amendment to the bill, H.R. 1151.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate amendment was concurred in.

A motion to reconsider was laid on the table.

SENSE OF CONGRESS THAT ELIMINATION OF TRADE RESTRICTIONS ON IMPORTATION OF U.S. AGRICULTURAL PRODUCTS SHOULD BE TOP PRIORITY

Mr. CRANE. Madam Speaker, I move to suspend the rules and agree to the concurrent resolution (H. Con. Res. 213) expressing the sense of the Congress that the European Union is unfairly restricting the importation of United States agricultural products and the elimination of such restrictions should be a top priority in trade negotiations with the European Union, as amended.

The Clerk read as follows:

H. CON. RES. 213

Whereas on a level playing field, United States producers are the most competitive suppliers of agricultural products in the world;

Whereas United States agricultural exports reached a level of $57,000,000,000 in 1997, compared to a total United States merchandise trade deficit of $198,000,000,000;

Whereas the future well-being of the Unites States agricultural sector depends, to a large degree, on the elimination of trade barriers and the development of new export opportunities throughout the world;

Whereas increased United States agricultural exports are critical to the future of the agricultural, rural, and overall economy of the United States;

Whereas the opportunities for increased agricultural exports are undermined by unfair subsidies provided by trading partners of the United States, and by various tariff and nontariff trade barriers imposed on highly competitive United States agricultural products;

Whereas the Foreign Agricultural Service estimates that United States agricultural exports are reduced by $4,700,000,000 annually due to the unjustifiable imposition of sanitary and phytosanitary measures that deny or limit market access to United States products;

Whereas Asian markets account for more than 40 percent of United States agricultural exports worldwide, but the financial crisis in Asia has caused a severe drop in demand for U.S. agricultural products and a consequent drop in world commodity prices;

Whereas multilateral trade negotiations under the auspices of the World Trade Organization and the Asia Pacific Economic Cooperation Forum and trade negotiations for a Free Trade Area of the Americas represent significant opportunities to reduce and eliminate tariff and nontariff trade barriers on agricultural products;

Whereas negotiations for country accessions to the World Trade Organization, particularly China, present important opportunities to reduce and eliminate these barriers;

Whereas the United States is currently engaged in a number of outstanding trade disputes regarding agricultural trade;

Whereas disputes with the European Union regarding agriculture matters involve the most intractable issues between the United States and the European Union, including—

(1) the failure to finalize a veterinary equivalency program, which jeopardizes an estimated $3,000,000,000 in trade in livestock products between the United States and the European Union;

(2) the ruling by the World Trade Organization that the European Union has no scientific basis for banning the importation of beef produced in the United States using growth promoting hormones, and that the European Union must remove by May 13, 1999, its import ban on beef produced using growth promoting hormones;

(3) the failure to use science, as in the beef hormone case, which raises concerns about the European Union fulfilling its obligations under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures;

(4) the promulgation by the European Union of regulations regarding the use of specified risk materials for livestock products which have a disputed scientific basis and which serve to impede the importation of United States livestock products, despite the fact that no cases of bovine spongisorm encephalopathy (mad cow disease) have been documented in the United States;

(5) the ruling by the World Trade Organization in favor of the United States that the European import regime restricting the importation of bananas violates numerous disciplines established by the General Agreement on Tariffs and Trade and the General Agreement on Trade in Services, and that the European Union must be in full compliance with the decision of the World Trade Organization by January 1, 1999;

(6) the hindering of trade in products grown with the benefit of biogenetics through a politicized approval process that is nontransparent and lacks a basis in science; and

(7) continuing disputes regarding European Union subsidies for dairy and canned fruit, and a number of impediments with respect to wine: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that—

(1) many nations, including the European Union, unfairly restrict the importation of United States agricultural products;

(2) the restrictions imposed on United States agricultural exports are among the most vexing problems facing United States exporters;

(3) the elimination of restrictions imposed on United States agricultural exports should be a top priority of any current or future trade negotiation;

(4) the President should develop a trade agenda which actively addresses agricultural trade barriers in multilateral and bilateral trade negotiations and steadfastly pursues full compliance with dispute settlement decisions of the World Trade Organization;

(5) in such negotiations, the United States should seek to obtain competitive opportunities for United States exports of agricultural products in foreign markets substantially equivalent to the competitive opportunities afforded to foreign exports in United States markets, and to achieve fairer and more open conditions of trade;

(6) because of the significance of the issues concerning agricultural trade with the European Union, the United States Trade Representative should not engage in any trade negotiation with the European Union if the Trade Representative determines that such negotiations would undermine the ability of the United States to achieve a successful result in the World Trade Organization negotiations on agriculture set to begin in December 1999; and

(7) the President should consult with the Congress in a meaningful and timely manner concerning trade negotiations in agriculture.

The SPEAKER pro tempore (Mrs. EMERSON). Pursuant to the rule, the gentleman from Illinois (Mr. CRANE) and the gentleman from California (Mr. MATSUI) each will control 20 minutes.

The Chair recognizes the gentleman from Illinois (Mr. CRANE).

GENERAL LEAVE

Mr. CRANE. Madam Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on House Concurrent Resolution 213, as amended.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. CRANE. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, as amended by the Committee on Ways and Means, House Concurrent Resolution 213 calls on the President to first develop a trade agenda which actively addresses agricultural trade barriers and trade negotiations; secondly, seek competitive opportunities for U.S. exporters that are substantially equivalent to those opportunities foreign products enjoy in the U.S. market; and finally, aggressively pursue full compliance by our trading partners with dispute settlement decisions of the World Trade Organization.

The United States possesses the most efficient and competitive agriculture sectors in the world. Agricultural goods accounted $93.1 billion in total two-way trade during 1997, up 40 percent or $26.6 billion, from 1992. U.S. agricultural exports alone stood at about $56 billion in 1997. However, this number is projected to fall by about $4 billion in 1998.

My own State of Illinois is the third largest agricultural exporting State, shipping nearly $4 billion in agricultural exports abroad, or 6.7 percent of the U.S. total in 1996. The largest export categories, feed, grain, and soybeans, accounted for over 75 percent of Illinois' agricultural exports in 1996.

The resolution notes that agricultural markets in Asia, accounting for more than 40 percent of U.S. agricultural exports worldwide, have been severely affected in a negative way by the Asian financial crisis. Because of this economic downturn, combined with the fact that domestic food consumption is projected to remain relatively stable, the further elimination of trade barriers and development of new export opportunities is essential to the economic health of U.S. agricultural producers.

The Administration's inaction on the fast track issue means we are missing