Serving Persons of Modest Means. The cost of complying with requirements that would result from provisions in section 204 are difficult to assess because the NCUA would have to develop a new set of criteria to evaluate a credit union's service to members of modest means. Such rules are likely to differ substantially from those applicable to other depository institutions. Based on information from the NCUA and other regulatory agencies, CBO estimates that the costs of complying with those provisions would range from $25 million to $33 million in the year 2000 and would fall in the next year once the system is in place. Most of the incremental costs to credit unions would be for keeping additional records on member loans and share accounts to assist in monitoring services to low-income persons, marketing to all segments within the membership field, and undergoing more extensive periodic examinations. Costs could be higher if the NCUA determines that additional types of information would be necessary to monitor compliance with these provisions.

In general, federally insured credit unions would have to record additional information on households with respect to such member services as loans and, possibly, share accounts. The incremental costs of new recordkeeping requirements could range between $17 million and $25 million beginning in the year 2000, and would fall by 20 percent to 30 percent in the next years once the system is fully in place. Costs would then rise over time as the number of loans and share accounts grows. CBO estimates that the costs of marketing to all income strata within the field of membership would increase costs by $4 million to $5 million annually, which is less than 1 percent of the amount that credit unions currently spend on educational and promotional expenses. In addition to those incremental costs, credit unions would have to cover the costs of more extensive examinations by regulators. Based on information from the NCUA and banking regulators, CBO estimates that the increased costs for periodic examinations would be about $3 million a year by the year 2000.

Business Loans to Members. The restrictions on business loans to members would not impose a significant cost on the industry as a whole. Currently about 1,550 credit unions make business loans to their members. Of that group, only about 100 institutions are currently over the limit proposed in the act. According to the latest data, those institutions would be over the limit by almost $870 million in loans. However, many of the institutions that are over the limit would be able to qualify under the act for an exemption based on their history of making such loans. (In over 40 percent of the institutions that are currently over the limit, business loans make up 37 percent or more of their loan portfolio.)

Credit unions that do not qualify for an exemption would have 3 years to: allow loans to turn over (the turnover rate for all credit union loans averages about 22 months); try to sell loans on the market—only quality loans would attract a high percentage on the dollar; try to engage in ''participating loan'' programs, which allow institutions to share up to 90 percent of their loan portfolio with other credit unions; or try to ''call in'' loans under loan agreements that have a provision allowing such an action. Institutions with nonperforming loans or those that have a slow turnover in their portfolio may have to sell loans at a significant loss or write off loans at a total loss. Even institutions that are able to sell off business loans could experience a loss in interest income if they are unable to invest money from the sale of those loans at comparable interest rates. (Business loans typically garner a higher rate than other loans in a credit union's portfolio.)

Safety and Soundness Provisions. The near-term costs of new requirements under section 301 should be small for two reasons. First, the NCUA currently monitors the net worth of credit unions and administers several informal policies that are analogous to prompt corrective action procedures applicable to FDIC-insured institutions. Second, about 94 percent of all federally insured credit unions are currently well capitalized. Institutions with the lowest composite performance ratings given by regulators have accounted for only 3 percent or less of all credit unions over the last four years.

Under PCA, institutions that are not well capitalized would have to set aside funds that they could otherwise use to earn interest income. However, according to the NCUA, the .04 percent retention requirement is not significantly different from current earnings-retention requirements. The costs of examinations for credit unions would also increase slightly (by $1 million or so by the year 2001) for all credit unions under a system of prompt corrective action.

Other Mandate Costs. Under section 302, insured credit unions with more than $50 million in assets would have to remit assessments twice a year to the NCUSIF, thus losing the use of $60 million for six months, compared to the current system. Assuming credit unions would earn an annual yield of about 5.5 percent on those funds, they would lose income of $1.5 million to $2 million per year over the 1999–2003 period.

The costs of complying with the accounting provisions in H.R. 1151 would be small. According to recent data from the NCUA, all but one of the credit unions with over $500 million in assets already have an independent outside audit performed each year. The incremental costs of an audit would be less than $30,000 for an institution of that size. The costs of complying with GAAP would also be minor because most credit unions with assets over $10 million use accounting procedures that are largely consistent with GAAP. For institutions that currently use methods that are not consistent with GAAP (mostly cash accounting methods), the additional compliance costs of this mandate could include the costs to train employees in the application of GAAP accounting methods, and the costs of transferring records into a new system of accounting. However, the majority of institutions do not use cash accounting methods and would, therefore, only have to make minor changes to achieve compliance.

Previous CBO estimate: On June 2, 1998, CBO prepared a cost estimate for H.R. 1151, as passed by the House of Representatives on April 1, 1998. For the House version of H.R. 1151, CBO estimated that deposits in credit unions would grow by 6 percent annually by 2000, compared to projected annual growth of about 3 percent under current law. As a result, CBO estimated that net assessments paid to the NCUSIF would increase by $628 million over the period 1999–2003 period, and that the shift in deposits would reduce revenues to the federal government by $217 million through 2003. In contrast, for the Senate version of H.R. 1151, CBO estimates that deposits in credit unions would grow at a rate of about 2 percent annually by 2000, that net assessments would increase by $510 million over the 1999–2003 period, and that revenue losses would total $143 million through 2003.

CBO expects a lower annual rate of growth in deposits under the Senate version of H.R. 1151 for a number of reasons. The Senate version would specify net worth and capital requirements for credit unions and require regulators to restrict the growth of unhealthy institutions. In contrast, the House version would give the NCUA discretion to develop future standards affecting the safety and soundness of credit unions. The Senate version of H.R. 1151 also would simplify and ease procedures for converting a credit union to a mutual institution. Unlike the House version, the Senate provisions would not bar owners and members from earning profits if the newly created mutual institution subsequently converted to a publicly traded financial institution. CBO believes, therefore, that the Senate version of H.R. 1151 would provide a greater incentive to convert a credit union to a mutual or stock institution by allowing participants to realize greater economic benefits. This is consistent with the experience of many small thrifts and banks that recently have converted from mutual to stock ownership, thereby creating substantial value for the new shareholders.

Estimate prepared by: Federal Costs: Mary Maginniss; Revenues: Mark Booth; Impact on State, Local, and Tribal Governments: Marc Nicole; and Impact on the Private Sector: Patrice Gordon.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.●

ADDING SENATOR BINGAMAN AS A COSPONSOR TO THE VETERANS MEDICAL CARE AMENDMENT TO THE DEFENSE AUTHORIZATION BILL

● Mr. HARKIN. Mr. President, during the deliberations over the fiscal year 1999 Defense Authorization bill, I offered an amendment to increase spending for our nation's veterans medical needs. The amendment, offered on June 25th and numbered as 2982 would have allowed the transfer of $329 million from the defense budget to support the VA medical budget. The amendment would have transferred funds so as to avoid harming the readiness of the Armed Forces and the quality of life of military personnel and their families.

The amendment's description was incomplete as to the listing of cosponsors and I would like to correct the record at this time. Along with Senator WELLSTONE of Minnesota, Senator BINGAMAN of New Mexico, also a longtime champion of veterans, should have been included as a cosponsor.

Although the amendment did not receive the support of a majority of my colleagues, I appreciate the cosponsorship by Senator BINGAMAN and Senator WELLSTONE. I also appreciate the support of the 35 other Senators who voted in favor of increasing VA medical funding.●

COLUMBIA RIVER FISH MITIGATION FUNDING

● Mr. SMITH of Oregon. Mr. President, I rise today to urge my colleagues who are conferees for the Fiscal Year 1999 Energy and Water Development Appropriations bill to retain the Senate-passed funding level for the Army Corps of Engineers' fish and wildlife mitigation measures on the Columbia River.

The Senate approved $95 million for this program, which is vitally important to ongoing efforts to restore the