

110TH CONGRESS  
2D SESSION

# H. R. 5519

To advance credit union efforts to promote economic growth, modify credit union regulatory standards and reduce burdens, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2008

Mr. KANJORSKI (for himself and Mr. ROYCE) introduced the following bill;  
which was referred to the Committee on Financial Services

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## A BILL

To advance credit union efforts to promote economic growth, modify credit union regulatory standards and reduce burdens, and for other purposes.

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

3       **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Credit Union Regulatory Relief Act of 2008”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Investments in securities by Federal credit unions.
- Sec. 3. Increase in investment limit in credit union service organizations.
- Sec. 4. Member business loan exclusion for loans to nonprofit religious organizations.

- Sec. 5. Authority of NCUA to establish longer maturities for certain credit union loans.
- Sec. 6. Providing the National Credit Union Administration with greater flexibility in responding to market conditions.
- Sec. 7. Conversions of certain credit unions to a community charter.
- Sec. 8. Credit union participation in the SBA section 504 program.
- Sec. 9. Amendments relating to credit union service to underserved areas.
- Sec. 10. Short-term payday loan alternatives within field of membership.
- Sec. 11. Credit union governance.
- Sec. 12. Encouraging small business development in underserved urban and rural communities.
- Sec. 13. Exemption from pre-merger notification requirement of the Clayton Act.

1 **SEC. 2. INVESTMENTS IN SECURITIES BY FEDERAL CREDIT**  
 2 **UNIONS.**

3 Section 107 of the Federal Credit Union Act (12  
 4 U.S.C. 1757) is amended—

5 (1) by striking “A Federal credit union” and  
 6 inserting “(a) IN GENERAL.—A Federal credit  
 7 union”; and

8 (2) by adding at the end the following new sub-  
 9 section:

10 “(b) INVESTMENT FOR THE CREDIT UNION’S OWN  
 11 ACCOUNT.—

12 “(1) IN GENERAL.—In addition to the invest-  
 13 ments authorized in subsection (a), a Federal credit  
 14 union may purchase and hold for its own account  
 15 such investment securities of investment grade as  
 16 the Board may authorize by regulation, subject to  
 17 such limitations and restrictions as the Board may  
 18 prescribe in the regulations.

19 “(2) PERCENTAGE LIMITATIONS.—

1           “(A) SINGLE OBLIGOR.—In no event may  
2           the total amount of investment securities of any  
3           single obligor or maker held by a Federal credit  
4           union for the credit union’s own account exceed  
5           at any time an amount equal to 10 percent of  
6           the net worth of the credit union.

7           “(B) AGGREGATE INVESTMENTS.—In no  
8           event may the aggregate amount of investment  
9           securities held by a Federal credit union for the  
10          credit union’s own account exceed at any time  
11          an amount equal to 10 percent of the assets of  
12          the credit union.

13          “(3) INVESTMENT SECURITY DEFINED.—

14                 “(A) IN GENERAL.—For purposes of this  
15                 subsection, the term ‘investment security’  
16                 means marketable obligations evidencing the in-  
17                 debtedness of any person in the form of bonds,  
18                 notes, or debentures and other instruments  
19                 commonly referred to as investment securities.

20                 “(B) FURTHER DEFINITION BY BOARD.—

21                 The Board may further define the term ‘invest-  
22                 ment security’.

23                 “(4) INVESTMENT GRADE DEFINED.—The term  
24                 ‘investment grade’ means with respect to an invest-  
25                 ment security purchased by a credit union for its

1 own account, an investment security that at the time  
2 of such purchase is rated in one of the 4 highest rat-  
3 ing categories by at least 1 nationally recognized  
4 statistical rating organization.

5 “(5) CLARIFICATION OF PROHIBITION ON  
6 STOCK OWNERSHIP.—No provision of this subsection  
7 shall be construed as authorizing a Federal credit  
8 union to purchase shares of stock of any corporation  
9 for the credit union’s own account, except as other-  
10 wise permitted by law.”.

11 **SEC. 3. INCREASE IN INVESTMENT LIMIT IN CREDIT UNION**  
12 **SERVICE ORGANIZATIONS.**

13 Section 107(a)(7)(I) of the Federal Credit Union Act  
14 (12 U.S.C. 1757(7)(I)) (as so redesignated by section  
15 2(1)) is amended by striking “up to 1 per centum of the  
16 total paid” and inserting “up to 3 percent of the total  
17 paid”.

18 **SEC. 4. MEMBER BUSINESS LOAN EXCLUSION FOR LOANS**  
19 **TO NONPROFIT RELIGIOUS ORGANIZATIONS.**

20 Section 107A(a) of the Federal Credit Union Act (12  
21 U.S.C. 1757a(a)) is amended by inserting “, excluding  
22 loans made to nonprofit religious organizations,” after  
23 “total amount of such loans”.

1 **SEC. 5. AUTHORITY OF NCUA TO ESTABLISH LONGER MA-**  
2 **TURITIES FOR CERTAIN CREDIT UNION**  
3 **LOANS.**

4 Section 107(a)(5) of the Federal Credit Union Act  
5 (12 U.S.C. 1757(5)) (as so redesignated by section 2(1))  
6 is amended in the matter preceding subparagraph (A), by  
7 striking “except as otherwise provided herein” and insert-  
8 ing “or any longer maturity as the Board may allow, in  
9 regulations, except as otherwise provided in this Act”.

10 **SEC. 6. PROVIDING THE NATIONAL CREDIT UNION ADMIN-**  
11 **ISTRATION WITH GREATER FLEXIBILITY IN**  
12 **RESPONDING TO MARKET CONDITIONS.**

13 Section 107(a)(5)(A)(vi)(I) of the Federal Credit  
14 Union Act (12 U.S.C. 1757(5)(A)(vi)(I)) (as so redesign-  
15 ated by section 2(1)) is amended by striking “six-month  
16 period and that prevailing interest rate levels” and insert-  
17 ing “6-month period or that prevailing interest rate lev-  
18 els”.

19 **SEC. 7. CONVERSIONS OF CERTAIN CREDIT UNIONS TO A**  
20 **COMMUNITY CHARTER.**

21 Section 109(g) of the Federal Credit Union Act (12  
22 U.S.C. 1759(g)) is amended by inserting after paragraph  
23 (2) the following new paragraph:

24 “(3) CRITERIA FOR CONTINUED MEMBERSHIP  
25 OF CERTAIN MEMBER GROUPS IN COMMUNITY CHAR-  
26 TER CONVERSIONS.—In the case of a voluntary con-

1 version of a common-bond credit union described in  
2 paragraph (1) or (2) of subsection (b) into a com-  
3 munity credit union described in subsection (b)(3),  
4 the Board shall prescribe, by regulation, the criteria  
5 under which the Board may determine that a mem-  
6 ber group or other portion of a credit union’s exist-  
7 ing membership, that is located outside the well-de-  
8 fined local community, neighborhood, or rural dis-  
9 trict that shall constitute the community charter,  
10 can be satisfactorily served by the credit union and  
11 remain within the community credit union’s field of  
12 membership.”.

13 **SEC. 8. CREDIT UNION PARTICIPATION IN THE SBA SEC-**  
14 **TION 504 PROGRAM.**

15 Section 107(a)(5)(A)(iii) of the Federal Credit Union  
16 Act (12 U.S.C. 1757(5)(A)(iii)) (as so redesignated by  
17 section 2(1)) is amended by inserting “, and applicable  
18 regulations,” after “specified in the law”.

19 **SEC. 9. AMENDMENTS RELATING TO CREDIT UNION SERV-**  
20 **ICE TO UNDERSERVED AREAS.**

21 (a) IN GENERAL.—Paragraph (2) of section 109(c)  
22 of the Federal Credit Union Act (12 U.S.C. 1759(c)(2))  
23 is amended to read as follows:

24 “(2) EXCEPTION FOR UNDERSERVED AREAS.—

1           “(A) IN GENERAL.—Notwithstanding sub-  
2 section (b), the Board may approve an applica-  
3 tion by a Federal credit union to allow the  
4 membership of such credit union to include any  
5 person or organization whose principal resi-  
6 dence or place of business is located within a  
7 local community, neighborhood, or rural district  
8 if—

9           “(i) the Board determines—

10           “(I) at any time after August 7,  
11 1998, that all of the local community,  
12 neighborhood, or rural district taken  
13 into account for purposes of this para-  
14 graph is an underserved area (as de-  
15 fined in section 101(10)); and

16           “(II) at the time of such ap-  
17 proval, that the credit union is well  
18 capitalized or adequately capitalized  
19 (as defined in section 216(e)(1)); and

20           “(ii) before the end of the 24-month  
21 period beginning on the date of such ap-  
22 proval, the credit union has established  
23 and maintains an office or facility in the  
24 local community, neighborhood, or rural

1 district at which credit union services are  
2 available.

3 “(B) TERMINATION OF APPROVAL.—Any  
4 failure of a Federal credit union to meet the re-  
5 quirement of clause (ii) of subparagraph (A) by  
6 the end of the 24-month period referred to in  
7 such clause shall constitute a termination, as a  
8 matter of law, of any approval of an application  
9 under this paragraph by the Board with respect  
10 to the membership of such credit union.

11 “(C) ANNUAL CREDIT UNION REPORTING  
12 REQUIREMENT.—Any Federal credit union  
13 which has an application approved under this  
14 paragraph shall submit an annual report to the  
15 Administration on the number of members of  
16 the credit union who are members by reason of  
17 such application and the number of offices or  
18 facilities maintained by the credit union in the  
19 local community, neighborhood, or rural district  
20 taken into account by the Board in approving  
21 such application.

22 “(D) PUBLICATION BY ADMINISTRA-  
23 TION.—The Administration shall publish annu-  
24 ally a report containing—



1                   “(i) a list of all the applications ap-  
2                   proved under this paragraph prior to the  
3                   publication of the report;

4                   “(ii) the number and locations of the  
5                   underserved areas taken into account in  
6                   approving such applications; and

7                   “(iii) the total number of members of  
8                   credit unions who are members by reason  
9                   of the approval of such applications.”.

10           (b) **UNDERSERVED AREA DEFINED.**—Section 101 of  
11 the Federal Credit Union Act (12 U.S.C. 1752) is amend-  
12 ed—

13           (1) by striking “and” at the end of paragraph  
14           (8);

15           (2) by striking the period at the end of para-  
16           graph (9) and inserting “; and”; and

17           (3) by adding at the end the following new  
18           paragraph:

19           “(10) the term ‘underserved area’ means a geo-  
20           graphic area consisting of a single census tract or a  
21           group of census tracts, each of which meets the cri-  
22           teria for—

23           “(A) a low income community, as defined  
24           in section 45D(e) of the Internal Revenue Code  
25           of 1986; or

1           “(B) an investment area, as defined and  
2           designated under section 103(16) of the Com-  
3           munity Development Banking and Financial In-  
4           stitutions Act of 1994.”.

5 **SEC. 10. SHORT-TERM PAYDAY LOAN ALTERNATIVES WITH-**  
6 **IN FIELD OF MEMBERSHIP.**

7           Section 107(a)(12)(B) of the Federal Credit Union  
8 Act (12 U.S.C. 1757(12)(B)) (as so redesignated by sec-  
9 tion 2(1)) is amended by inserting “and provide short-  
10 term loans as an alternative to payday loans” after “do-  
11 mestic electronic fund transfers”.

12 **SEC. 11. CREDIT UNION GOVERNANCE.**

13           (a) **EXPULSION OF MEMBERS FOR JUST CAUSE.—**  
14 Subsection (b) of section 118 of the Federal Credit Union  
15 Act (12 U.S.C. 1764(b)) is amended to read as follows:

16           “(b) **POLICY AND ACTIONS OF BOARDS OF DIREC-**  
17 **TORS OF FEDERAL CREDIT UNIONS.—**

18           “(1) **EXPULSION OF MEMBERS FOR NON-**  
19 **PARTICIPATION OR FOR JUST CAUSE.—**The board of  
20 directors of a Federal credit union may, by majority  
21 vote of a quorum of directors, adopt and enforce a  
22 policy with respect to expulsion from membership,  
23 by a majority vote of such board of directors, based  
24 on just cause, including disruption of credit union

1 operations, or on nonparticipation by a member in  
2 the affairs of the credit union.

3 “(2) WRITTEN NOTICE OF POLICY TO MEM-  
4 BERS.—If a policy described in paragraph (1) is  
5 adopted, written notice of the policy as adopted and  
6 the effective date of such policy shall be provided  
7 to—

8 “(A) each existing member of the credit  
9 union not less than 30 days prior to the effec-  
10 tive date of such policy; and

11 “(B) each new member prior to or upon  
12 applying for membership.”.

13 (b) TERM LIMITS AUTHORIZED FOR BOARD MEM-  
14 BERS OF FEDERAL CREDIT UNIONS.—Section 111(a) of  
15 the Federal Credit Union Act (12 U.S.C. 1761(a)) is  
16 amended by adding at the end the following new sentence:  
17 “The bylaws of a Federal credit union may limit the num-  
18 ber of consecutive terms any person may serve on the  
19 board of directors of such credit union.”.

20 **SEC. 12. ENCOURAGING SMALL BUSINESS DEVELOPMENT**  
21 **IN UNDERSERVED URBAN AND RURAL COM-**  
22 **MUNITIES.**

23 Section 107A(c)(1)(B) of the Federal Credit Union  
24 Act (12 U.S.C. 1757a(c)(1)(B)) is amended—

1           (1) by striking “or” after the semicolon at the  
2 end of clause (iv);

3           (2) by redesignating clause (v) as clause (vi);  
4 and

5           (3) by inserting after clause (iv) the following  
6 new clause:

7                   “(v) that is made to a member, the  
8 proceeds of which are to be used for com-  
9 mercial, corporate, business, farm or agri-  
10 cultural purposes in an underserved area if  
11 such extension of credit—

12                           “(I) is made to a person or orga-  
13 nization whose principal residence or  
14 place of business is located within an  
15 underserved area (as defined in sec-  
16 tion 101(10)) served by the credit  
17 union; or

18                           “(II) is secured by real property  
19 located within, or is intended to oper-  
20 ate as part of a business located with-  
21 in, such underserved area; or”.

22 **SEC. 13. EXEMPTION FROM PRE-MERGER NOTIFICATION**  
23 **REQUIREMENT OF THE CLAYTON ACT.**

24           Section 7A(c)(7) of the Clayton Act (15 U.S.C.  
25 18a(e)(7)) is amended by inserting “section 205(b)(3) of

1 the Federal Credit Union Act (12 U.S.C. 1785(b)(3)),”  
2 before “or section 3”.

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