

111TH CONGRESS
1ST SESSION

H. R. 3171

To help stabilize and restore the economy by providing for greater access to credit for the underbanked, the unbanked, and consumers with low credit scores through the establishment of bridging bank depository institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 10, 2009

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

A BILL

To help stabilize and restore the economy by providing for greater access to credit for the underbanked, the unbanked, and consumers with low credit scores through the establishment of bridging bank depository institutions, 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.**

4 This Act may be cited as the “Bridging Bank to Re-
5 covery Act of 2009”.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (1) FINDINGS.—The Congress finds that—

3 (A) the current financial crisis has had a
4 disproportionate impact on the underbanked,
5 the unbanked and consumers with credit scores
6 at or below 660;

7 (B) the underbanked, the unbanked and
8 consumers with credit scores at or below 660
9 already have extreme difficulty gaining access
10 to comprehensive banking services, including
11 access to appropriate credit;

12 (C) the underbanked, the unbanked, con-
13 sumers with credit scores at or below 660 and
14 the United States economy would benefit from
15 programs that provide a means by which the
16 underbanked, the unbanked and consumers
17 with credit scores at or below 660 could be
18 transitioned into mainstream banking;

19 (D) developing programs to assist con-
20 sumers with credit scores at or below 660 reha-
21 bilitate their credit scores and gain a greater
22 understanding of the credit process would ben-
23 efit this consumer group and assist in stabi-
24 lizing and restoring the United States economy;

25 (E) assisting consumers with credit scores
26 at or below 660 stay in their homes and avoid

1 foreclosures which would significantly reduce
2 the number of foreclosures and thereby assist in
3 stabilizing and restoring the current housing
4 market;

5 (F) while many traditional banks have pro-
6 grams targeted towards transitioning the
7 underbanked and the unbanked into main-
8 stream banking, only a limited number of banks
9 have programs designed to assist consumers
10 with credit scores at or below 660;

11 (G) consumers with credit scores at or
12 below 660 have substantially increased due to
13 economic conditions, and the capacity of these
14 consumers to manage their financial obligations
15 has worsened;

16 (H) there is a need to create a financial in-
17 stitution whose primary purpose is to assist the
18 underbanked, the unbanked and consumers
19 with credit scores at or below 660; and

20 (I) the new financial institution could be-
21 come a bridge by which the underbanked, the
22 unbanked and consumers with credit scores at
23 or below 660 gain greater access to credit and
24 other financial services and build or rebuild
25 their credit history and credit scores in order to

1 become a more integral part of the financial
2 mainstream and contribute more to the eco-
3 nomic growth of the United States.

4 (2) PURPOSE.—The purpose of this Act is to
5 create a bridging bank depository institution as a
6 special purpose financial institution primarily dedi-
7 cated to serving the underbanked and the unbanked
8 consumers and consumers with credit scores at or
9 below 680, enabling those consumers to more easily
10 transition to or back to the financial mainstream
11 through a program of comprehensive banking serv-
12 ices, including, but not limited to, access to credit
13 products, financial and credit training, loan
14 restructurings and other tailored financial products
15 and services designed to meet the needs of such con-
16 sumers.

17 **SEC. 3. DEFINITIONS.**

18 For purposes of this Act, the following definitions
19 shall apply:

20 (1) APPROPRIATE BANKING AGENCY.—The
21 term “appropriate banking agency” means any ap-
22 propriate Federal banking agency and State bank
23 supervisor (as such terms are defined in section 3 of
24 the Federal Deposit Insurance Act) and, in the case

1 of any insured credit union, the National Credit
2 Union Administration Board.

3 (2) BRIDGING BANK DEPOSITORY INSTITU-
4 TION.—

5 (A) IN GENERAL.—The term “bridging
6 bank depository institution” means a de novo
7 bank chartered by the Comptroller of the Cur-
8 rency, a de novo savings association chartered
9 by the Director of the Office of Thrift Super-
10 vision, a de novo insured credit union chartered
11 by the National Credit Union Administration or
12 a de novo bank chartered by a State bank su-
13 pervisor created pursuant to this Act that—

14 (i) has a primary mission of providing
15 a comprehensive array of financial services
16 to the underbanked, the unbanked and
17 consumers with credit scores at or below
18 680 in order to provide a vehicle to transi-
19 tion consumers into the financial main-
20 stream;

21 (ii) serves as a vehicle for providing
22 access to credit products predominately to
23 consumers with a credit score at or below
24 680;

1 (iii) provides financial and credit
2 training, loan restructurings and other tai-
3 lored financial products and services de-
4 signed to meet their needs;

5 (iv) provides a full range of financial
6 products and services (including, but not
7 limited to, traditional retail products such
8 as savings and debit products, credit prod-
9 ucts such as mortgage loans, automobile
10 loans, credit cards and bill payment serv-
11 ices as well as specialized services such as
12 home repair, weatherization and energy ef-
13 ficient upgrades) to meet the needs of the
14 underbanked, the unbanked and consumers
15 with credit scores at or below 680;

16 (v) provides programs designed to as-
17 sure financial literacy and product-based,
18 individualized financial education such as
19 budgeting, financial planning, the mort-
20 gage process and financial disclosures, the
21 credit scoring process, communications
22 with financial institutions and rights of ob-
23 ligations of borrowers and lenders;

24 (vi) provides savings and other depos-
25 its and deposit products to the under-

banked, the unbanked, consumers with a credit score of 680 or below and a broader range of customers the interest on which is free from Federal income tax; and

(vii) has limits placed on its profits equal to a 20 percent return on equity (on a generally accepted accounting principles basis) per annum, and returns excess profits to decrease the costs of loans and other financial products and services for the underbanked, the unbanked and consumers with credit scores at or below 680.

(B) EXCEPTIONS.—No entity may be treated as a bridging bank depository institution for purposes of this Act unless the entity is—

(i) is either an insured depository institution or an insured credit union; and

(ii) is a member of a Federal Reserve bank or is a depository institution (as defined in section 19(b)(1)(A) of the Federal Reserve Act).

(3) INCLUDED TERMS.—The terms “insured depository institution”, “national bank”, “savings association”, and “State bank” have the same mean-

1 ing as in section 3 of the Federal Deposit Insurance
2 Act.

3 (4) INSURED CREDIT UNION.—The term “in-
4 sured credit union” has the same meaning as in sec-
5 tion 101(7) of the Federal Credit Union Act.

6 (5) UNBANKED.—The term “unbanked” means
7 individuals or families who do not have an account
8 with an insured depository institution or an insured
9 credit union or a transaction account with a money
10 market mutual fund or brokerage firm.

11 (6) UNDERBANKED.—The term “underbanked”
12 means individuals or families who have a deposit ac-
13 count with an insured depository institution or an
14 insured credit union and have limited or no ability
15 to access nondepository services from insured deposi-
16 tory institutions or insured credit unions.

17 **SEC. 4. CHARTERING OF BRIDGING BANK DEPOSITORY IN-**
18 **STITUTIONS.**

19 (a) DE NOVO BRIDGING BANK.—Only de novo bridg-
20 ing bank depository institutions may be created pursuant
21 to this Act. A de novo bridging bank depository institution
22 may become a bridging bank depository institution by ob-
23 taining a charter as such from its appropriate banking
24 agency.

1 (b) LICENSING REQUIREMENTS.—Any person desir-
2 ing to establish a bridging bank depository institution
3 shall submit an application and obtain prior appropriate
4 banking agency approval.

5 (c) SCOPE.—This section describes the procedures
6 and requirements governing appropriate banking agency
7 review and approval of an application to establish a bridg-
8 ing bank depository institution.

9 (d) DEFINITIONS.—For purposes of this section, the
10 following definitions shall apply:

11 (1) CONTROL.—The term “control” has the
12 same meaning as in section 2 of the Bank Holding
13 Company Act.

14 (2) FINAL APPROVAL.—The term “final ap-
15 proval”, in connection with a bridging bank deposi-
16 tory institution, means the appropriate banking
17 agency action issuing a charter certificate and au-
18 thorizing a bridging bank depository institution to
19 open for business.

20 (3) HOLDING COMPANY.—The term “holding
21 company” means any company that controls or pro-
22 poses to control a bridging bank depository institu-
23 tion whether or not the company is a bank holding
24 company under the Bank Holding Company Act of
25 1956.

1 (4) ORGANIZING GROUP.—The term “orga-
2 nizing group” or “organizer” means 5 or more per-
3 sons acting on their own behalf who apply to the ap-
4 propriate banking agency for a bridging bank depos-
5 itory institution charter.

6 (5) PRELIMINARY APPROVAL.—The term “pre-
7 liminary approval” means a decision by the appro-
8 priate banking agency permitting an organizing
9 group to go forward with the organization of the
10 proposed bridging bank depository institution.

11 (6) WELL CAPITALIZED.—The term “well cap-
12 italized”, when used in connection with a bridging
13 bank depository institution means the bridging bank
14 depository institution—

15 (A) has a total risk-based capital ratio of
16 10 percent or greater;

17 (B) has a Tier 1 risk-based capital ratio of
18 6 percent or greater;

19 (C) has a leverage ratio of 5 percent or
20 greater; and

21 (D) is not subject to any written agree-
22 ment, order, capital directive or prompt correc-
23 tive action directive from an appropriate bank-
24 ing agency.

25 (e) STATUTORY REQUIREMENTS.—

1 (1) IN GENERAL.—The name of a proposed
2 bridging bank depository institution shall include the
3 word “bridge” or “bridging”. In determining wheth-
4 er to approve an application to establish a bridging
5 bank depository institution, the appropriate banking
6 agency shall verify that the proposed bridging bank
7 depository institution has complied with the require-
8 ments contained in this chapter, including the fol-
9 lowing requirements. A bridging bank depository in-
10 stitution shall—

11 (A) draft and file articles of association,
12 articles of incorporation, or other appropriate
13 organizational documents with the appropriate
14 banking agency;

15 (B) draft and file an organization certifi-
16 cate containing specified information with the
17 appropriate banking agency;

18 (C) ensure that all capital stock is paid in
19 prior to commencing business;

20 (D) have at least five elected directors; and

21 (E) submit to the appropriate banking
22 agency for approval a business plan which,
23 among other things, provides in reasonable de-
24 tail evidence of the knowledge, understanding
25 and experience of the board of directors of the

1 bridging bank depository institution and the
2 senior management of the bridging bank deposi-
3 tory institution of the unique underwriting re-
4 quirements not typically adequately addressed
5 by analytics and processes used for under-
6 writing extensions of credit for consumers with
7 credit scores at or above 680 for initially ex-
8 tending credit to the underbanked, the
9 unbanked and consumers with credit scores at
10 or below 680, and ongoing account management
11 practices that take into account the attributes
12 of risks specific to a consumers group which
13 has derogatory events in its credit history and
14 is likely to have subsequent derogatory events
15 in its efforts to graduate to a credit band with
16 a higher credit score and better credit profile.

17 (2) COMMUNITY REINVESTMENT ACT OF 1977.—

18 The appropriate banking agency shall take into ac-
19 count a proposed bridging bank depository institu-
20 tion’s description of how it will meet its Community
21 Reinvestment Act of 1977 objectives in the same
22 way that a national bank is required to meet its
23 Community Reinvestment Act objectives.

24 (3) GRADUATION PROGRAM.—The appropriate
25 banking agency shall take into account a proposed

1 bridging bank depository institution's program to
2 develop and implement a phased approach to moving
3 consumers with credit scores at or below 680 from
4 their current credit score into higher bands of credit
5 scores and the implementation of specialized policies
6 and procedures, practices and technology to encour-
7 age and support the success of the customer Grad-
8 uation Program. The Graduation Program shall in-
9 clude an education component which provides in rea-
10 sonable detail what a consumer shall do to move
11 from 1 credit scoring band to a higher credit scoring
12 band, including providing opportunities for the con-
13 sumer to develop a favorable credit history with the
14 bridging bank depository institution.

15 (f) POLICY.—

16 (1) IN GENERAL.—The marketplace is normally
17 the best regulator of economic activity, and competi-
18 tion within the marketplace promotes efficiency and
19 better customer service. Accordingly, the appropriate
20 banking agency's policy shall be to approve pro-
21 posals to establish bridging bank depository institu-
22 tions that have a reasonable chance of success and
23 that will be operated in a safe and sound manner.
24 It shall not be the policy of the appropriate banking
25 agency to ensure that a proposal to establish a

1 bridging bank depository institution is without risk
2 to the organizers or to protect existing institutions
3 from healthy competition from a new bridging bank
4 depository institution.

5 (2) POLICY CONSIDERATIONS.—In evaluating
6 an application to establish a bridging bank depository
7 institution, the appropriate banking agency
8 shall consider whether the proposed bridging bank
9 depository institution—

10 (A) has organizers who are familiar with
11 applicable Federal and State banking laws and
12 regulations, and the credit and training needs
13 of the underbanked, the unbanked and consumers
14 with credit scores at or below 680;

15 (B) has competent management, including
16 a board of directors, with ability and experience
17 relevant to the types of services to be provided,
18 especially the ability and experience to design
19 and provide financial services to the under-
20 banked, the unbanked and consumers with
21 credit scores at or below 680;

22 (C) has minimum capital of at least
23 \$10,000,000 and that is sufficient to support
24 the projected volume and type of banking business
25 that focuses on the needs of the under-

1 banked, the unbanked and consumers with
2 credit scores at or below 680;

3 (D) can reasonably be expected to achieve
4 and maintain profitability within a reasonable
5 time;

6 (E) will be operated in a safe and sound
7 manner; and

8 (F) will be well capitalized for the first
9 three years after opening for business.

10 (g) ADDITIONAL FACTORS.—The appropriate bank-
11 ing agency may also consider additional factors listed in
12 section 6 of the Federal Deposit Insurance Act, including
13 the risk to the Deposit Insurance Fund, and whether the
14 proposed bridging bank depository institution’s corporate
15 powers are consistent with the purposes of the Federal De-
16 posit Insurance Act and this Act.

17 (h) APPROPRIATE BANKING AGENCY EVALUA-
18 TION.—The appropriate banking agency shall evaluate as
19 a whole a proposed bridging bank depository institution’s
20 organizing group and its business plan or operating plan.
21 An organizing group and its business plan or operating
22 plan shall be stronger in markets where economic condi-
23 tions are marginal or competition is intense.

24 (i) ORGANIZING GROUP.—

1 (1) IN GENERAL.—Strong organizing groups
2 generally include diverse business and financial in-
3 terests and community involvement. An organizing
4 group shall have the experience, competence, willing-
5 ness, and ability to be active in directing the pro-
6 posed bridging bank depository institution’s affairs
7 in a safe and sound manner. The bridging bank de-
8 pository institution’s initial board of directors gen-
9 erally should be comprised of many, if not all, of the
10 organizers. The business plan or operating plan and
11 other information supplied in the application shall
12 demonstrate an organizing group’s collective ability
13 to establish and operate a successful bridging bank
14 depository institution in the economic and competi-
15 tive conditions of the market to be served. Each or-
16 ganizer should be knowledgeable about the business
17 plan or operating plan.

18 (2) MANAGEMENT SELECTION.—The initial
19 board of directors shall select competent senior exec-
20 utive officers before the appropriate banking agency
21 may grant final approval. As a condition of the char-
22 ter approval, the appropriate banking agency shall
23 have the right to object to and preclude the hiring
24 of any officer, or the appointment or election of any

1 director, for a 2-year period from the date the bridg-
2 ing bank depository institution commences business.

3 (j) FINANCIAL RESOURCES.—

4 (1) Each organizer shall have a history of re-
5 sponsibility, personal honesty, and integrity. Per-
6 sonal wealth is not a prerequisite to become an orga-
7 nizer or director of a bridging bank depository insti-
8 tution.

9 (2) Any financial or other business arrange-
10 ment, direct or indirect, between the organizing
11 group or other insider and the proposed bridging
12 bank depository institution shall be on nonpref-
13 erential terms.

14 (k) ORGANIZATIONAL EXPENSES.—Organizers are
15 expected to contribute time and expertise to the organiza-
16 tion of the bridging bank depository institution. Orga-
17 nizers should not bill excessive charges to the bridging
18 bank depository institution for professional and consulting
19 services or unduly rely upon these fees as a source of in-
20 come.

21 (l) NO CONTINGENCY FEES.—A proposed bridging
22 bank depository institution shall not pay any fee that is
23 contingent upon an appropriate banking agency decision.
24 Organizational expenses for denied applications are the
25 sole responsibility of the organizing group.

1 (m) BUSINESS PLAN OR OPERATING PLAN.—

2 (1) IN GENERAL.—

3 (A) SUBMISSION REQUIRED.—Organizers
4 of a proposed bridging bank depository institu-
5 tion shall submit a business plan or operating
6 plan that adequately addresses the appropriate
7 statutory and policy considerations. The plan
8 shall reflect sound banking principles and dem-
9 onstrate realistic assessments of risk in light of
10 economic and competitive conditions in the mar-
11 ket for serving the underbanked, the unbanked
12 and consumers with credit scores at or below
13 680.

14 (B) OFFSETTING DEFICIENCIES.—The ap-
15 propriate banking agency shall offset defi-
16 ciencies in 1 factor by strengths in 1 or more
17 other factors so long as the ability to serve the
18 underbanked, the unbanked and consumers
19 with credit scores at or below 680 is the most
20 important factor and entitled to the greatest
21 weight.

22 (2) EARNINGS PROSPECTS.—The organizing
23 group shall submit pro forma balance sheets and in-
24 come statements as part of the business plan or op-
25 erating plan.

1 (3) MANAGEMENT.—

2 (A) EVALUATION OF MANAGERIAL ABIL-
3 ITY.—The organizing group shall include in the
4 business plan or operating plan information suf-
5 ficient to permit the appropriate banking agen-
6 cy to evaluate the overall management ability of
7 the organizing group, especially the ability to
8 provide financial services to the underbanked,
9 the unbanked, and consumers with credit scores
10 at or below 680.

11 (B) AGENCY OBJECTION TO PROPOSED OF-
12 FICER OR DIRECTOR.—The organizing group
13 may not hire an officer or elect or appoint a di-
14 rector if the appropriate banking agency objects
15 to that person at any time prior to the date the
16 bridging bank depository institution commences
17 business.

18 (4) CAPITAL.—A proposed bridging bank de-
19 pository institution shall have initial capital of at
20 least \$10,000,000.

21 (5) COMMUNITY SERVICE.—

22 (A) The business plan or operating plan
23 shall indicate the organizing group's knowledge
24 of and plans for serving the underbanked, the
25 unbanked and consumers with credit scores at

1 or below 680. The organizing group shall evalu-
2 ate the banking needs of the underbanked, the
3 unbanked and consumers with credit scores at
4 or below 680. The business plan or operating
5 plan shall demonstrate how the proposed bridg-
6 ing bank depository institution responds to
7 those needs consistent with the safe and sound
8 operation of the bridging bank depository insti-
9 tution.

10 (B) As part of its business plan or oper-
11 ating plan, the organizing group shall submit a
12 statement that demonstrates its plans to
13 achieve Community Reinvestment Act objec-
14 tives.

15 (C) Because community support is impor-
16 tant to the long-term success of a bridging
17 bank depository institution, the organizing
18 group shall include plans for attracting and
19 maintaining community support.

20 (6) SAFETY AND SOUNDNESS.—The business
21 plan or operating plan shall demonstrate that the or-
22 ganizing group is aware of, and understands, Fed-
23 eral and State banking laws and regulations, and
24 safe and sound banking operations and practices in
25 the context of serving the needs of the underbanked,

1 the unbanked and consumers with credit scores at or
2 below 680.

3 (7) PROCEDURES.—

4 (A) PREFILING MEETING.—The appro-
5 priate banking agency shall require a prefiling
6 meeting with the organizers of a proposed
7 bridging bank depository institution before the
8 organizers file an application.

9 (B) BUSINESS PLAN OR OPERATING
10 PLAN.—An organizing group shall file a busi-
11 ness plan or operating plan that addresses the
12 requirements of the appropriate banking agen-
13 cy.

14 (C) CONTACT PERSON.—The organizing
15 group shall designate a contact person to rep-
16 resent the organizing group in all contacts with
17 the appropriate banking agency. The contact
18 person shall be an organizer and proposed di-
19 rector of the new bridging bank depository in-
20 stitution or another person approved by the ap-
21 propriate banking agency.

22 (8) DECISION NOTIFICATION.—The appropriate
23 banking agency shall notify the contact person in
24 writing of its decision on an application.

25 (9) ACTIVITIES.—

1 (A) ESTABLISHMENT.—Before the appro-
2 priate banking agency grants final approval, a
3 proposed bridging bank depository institution
4 shall be established as a legal entity. A pro-
5 posed bridging bank depository institution may
6 offer and sell securities prior to appropriate
7 banking agency preliminary approval of the pro-
8 posed bridging bank depository institution’s
9 charter application, provided that the proposed
10 bridging bank depository institution has filed
11 articles of association, articles of incorporation,
12 or other appropriate organizational documents,
13 an organization certificate, and a completed
14 charter application and the proposed bridging
15 bank depository institution complies with the
16 securities offering regulations of the Comp-
17 troller of the Currency, 12, Code of Federal
18 Regulations, 16 and any applicable State secu-
19 rities law.

20 (B) ELECTION OF BOARD.—In addition,
21 the organizing group shall elect a board of di-
22 rectors.

23 (C) PUBLIC OFFERING.—For all capital
24 obtained through a public offering a proposed
25 bridging bank depository institution shall use

1 an offering circular that complies with the secu-
2 rities offering regulations of the Comptroller of
3 the Currency, 12, Code of Federal Regulations,
4 16 and any applicable State securities law.

5 (D) CAPITAL.—A bridging bank depository
6 institution in organization shall raise its capital
7 before it commences business. Preliminary ap-
8 proval expires if a bridging bank depository in-
9 stitution in organization does not raise the re-
10 quired capital within 12 months from the date
11 the appropriate banking agency grants prelimi-
12 nary approval. Approval expires if the bridging
13 bank depository institution does not commence
14 business within 18 months from the date the
15 appropriate banking agency grants preliminary
16 approval.

17 **SEC. 5. LIMITATION ON POWERS OF APPROPRIATE BANK-**
18 **ING AGENCY.**

19 Notwithstanding any other law or regulation, no
20 bridging bank depository institution may be required to
21 use risk weights or other capital adequacy measures which
22 make the bridging bank depository institution unable to
23 properly price its products and services or otherwise serve
24 the underbanked, the unbanked and consumers with credit
25 scores at or below 680, and no banking authority may re-

1 quire the use of risk weights or capital adequacy measures
2 for a bridging bank depository institution that makes the
3 bridging bank depository institution uncompetitive, makes
4 its products and services too expensive for the under-
5 banked, the unbanked or consumers with a credit score
6 at or below 680 or otherwise prevents the bridging bank
7 depository institution from serving the underbanked, the
8 unbanked and consumers with a credit score at or below
9 680. Neither the Federal Deposit Insurance Corporation
10 nor the National Credit Union Administration Board shall
11 discriminate in its insurance premium charges against
12 bridging bank depository institutions and shall charge
13 bridging bank depository institutions the same premium
14 that it would otherwise charge a traditional community
15 bank or traditional credit union, as appropriate, which
16 does not serve the underbanked, the unbanked or con-
17 sumers with a credit score at 680 or below.

18 **SEC. 6. COORDINATION AND PROMOTION OF THE COMMU-**
19 **NITY REINVESTMENT ACT OF 1977.**

20 To strengthen the effectiveness of the Community
21 Reinvestment Act of 1977 and to encourage financial in-
22 stitutions subject to the Community Reinvestment Act of
23 1977 to support the efforts of bridging bank depository
24 institutions, the appropriate banking agencies shall grant
25 the highest level of weighted Community Reinvestment

1 Act of 1977 credit to financial institutions subject to such
2 Act in each case, as appropriate, under the lending test
3 where a loan is made to a bridging bank depository insti-
4 tution, under the investment test where an investment is
5 made in a bridging bank depository institution, under the
6 service test where a service is provided to a bridging bank
7 depository institution and under the community develop-
8 ment test when a donation is made to a bridging bank
9 depository institution.

10 **SEC. 7. ADDITIONAL POWERS OF A BRIDGING BANK DEPOS-**
11 **ITORY INSTITUTION.**

12 In addition to the powers granted herein and in any
13 regulations issued by the appropriate banking agency,
14 each bridging bank depository institution shall have all the
15 powers otherwise applicable to a national bank, if the
16 bridging bank depository institution is chartered by the
17 Comptroller of the Currency, to a savings association, if
18 the bridging bank depository institution is chartered by
19 the Director of the Office of Thrift Supervision, to an in-
20 sured credit union, if the bridging bank depository institu-
21 tion is chartered by the National Credit Union Adminis-
22 tration, or to a State bank, if the bridging bank depository
23 institution is chartered by a State bank supervisor, and,
24 except as provided in this Act or in any regulations issued
25 pursuant to the authority granted in section 106, shall be

1 subject to the regulations otherwise applicable to such na-
2 tional bank, savings association, insured credit union or
3 State bank, as the case may be.

4 **SEC. 8. REPORTS TO THE CONGRESS.**

5 Before the expiration of the 120-day period beginning
6 on the date of the first issuance of a charter pursuant
7 to this Act, and annually thereafter, each appropriate Fed-
8 eral banking agency shall report to the appropriate com-
9 mittees of the Congress, with respect to each such pe-
10 riod—

11 (1) an overview of actions taken by each such
12 Federal banking agency in furtherance of the pur-
13 poses of this Act;

14 (2) an overview of actions taken by bridging
15 bank depository institutions to serve the needs of the
16 underbanked, the unbanked, and consumers with
17 credit scores at or below 680;

18 (3) a description of the impact of the exercise
19 of such authority on the financial system, supported,
20 to the extent possible, by specific data;

21 (4) an analysis of the effectiveness of the Grad-
22 uation Program, including an analysis of any
23 progress made from 1 credit scoring band to a high-
24 er credit scoring band and the number of consumers

1 who moved from 1 credit scoring band to a higher
2 credit scoring band;

3 (5) a description of challenges that remain in
4 the financial system for the underbanked, the
5 unbanked, and consumers with a credit score of 680
6 or below; and

7 (6) recommendations on additional actions that
8 should be taken to further the purposes of this Act.

9 **SEC. 9. REGULATIONS.**

10 (a) **REGULATIONS REQUIRED.**—Before the end of the
11 180-day period beginning on the date of the enactment
12 of this Act, each appropriate Federal banking agency,
13 after consultation with each other appropriate Federal
14 banking agency, and public notice and an opportunity for
15 comment, shall prescribe regulations to carry out the pur-
16 poses and provisions of this chapter, including regulations
17 for the chartering of bridging bank depository institutions
18 and prescribing the form and content of any application
19 to be filed with such appropriate Federal banking agency
20 in connection therewith.

21 (b) **EFFECTIVE DATE OF REGULATIONS.**—The regu-
22 lations prescribed under subsection (a) shall take effect
23 not later than 1 month after the publication in final form.

24 (c) **EXPEDITED CONSIDERATION.**—Each appropriate
25 Federal banking agency with chartering authority shall ex-

1 pedite its consideration of applications for the chartering
 2 of bridging bank depository institutions. The Federal De-
 3 posit Insurance Corporation and the National Credit
 4 Union Administration Board shall expedite its consider-
 5 ation of applications for deposit insurance with respect to
 6 applications to form de novo bridging bank depository in-
 7 stitutions. The Board of Governors of the Federal Reserve
 8 System shall expedite its consideration of membership to
 9 the Federal Reserve System by bridging bank depository
 10 institutions.

11 **SEC. 10. CORRESPONDING CHANGES TO INTERNAL REV-**
 12 **ENUE CODE OF 1986.**

13 (a) The Internal Revenue Code of 1986 is amended
 14 by inserting after section 103 the following new section:

15 **“§ 103A. Interest on bridging bank depository institu-**
 16 **tion deposits**

17 “Interest on savings and other interest bearing de-
 18 posits paid by bridging bank depository institutions (with-
 19 in the meaning of the Bridging Bank to Recovery Act of
 20 2009) shall be exempt from income taxation now or here-
 21 after imposed by the United States or by any State, terri-
 22 torial, or local taxing authority.”.

23 (b) Section 108 of the Internal Revenue Code of 1986
 24 (relating to income from discharge of indebtedness) is

1 amended by adding at the end the following new sub-
2 section:

3 “(l) BRIDGING BANK DEPOSITORY INSTITUTIONS.—

4 “(1) IN GENERAL.—Notwithstanding section
5 61, income from the discharge of indebtedness in
6 connection with the modification or repurchase of a
7 subprime debt instrument shall not be included in
8 gross income if a bridging bank depository institu-
9 tion (within the meaning of the Bridging Bank to
10 Recovery Act of 2009) is the beneficial owner of
11 such subprime debt instrument at the time of the
12 modification or repurchase.

13 “(2) SUBPRIME DEBT INSTRUMENT.—For pur-
14 poses of this subsection, the term ‘subprime debt in-
15 strument’ shall be defined from time to time by the
16 Financial Institutions Examination Council.

17 “(3) AUTHORITY TO PRESCRIBE REGULA-
18 TIONS.—The Secretary may prescribe such regula-
19 tions as may be necessary or appropriate for pur-
20 poses of applying this subsection.”.

21 (c) Section 1001 of the Internal Revenue Code of
22 1986 (relating to the determination of amount of and rec-
23 ognition of gain or loss) is amended by adding at the end
24 the following new subsection:

25 “(f) BRIDGING BANK DEPOSITORY INSTITUTIONS.—

1 “(1) IN GENERAL.—A modification of the terms
2 of a subprime debt instrument shall not result in a
3 sale or other disposition of property within the
4 meaning of this section if a bridging bank depository
5 institution (within the meaning of the Bridging
6 Bank to Recovery Act of 2009) is the beneficial
7 owner of such subprime debt instrument at the time
8 of the modification.

9 “(2) SUBPRIME DEBT INSTRUMENT.—For pur-
10 poses of this subsection, the term ‘subprime debt in-
11 strument’ shall be defined from time to time by the
12 Financial Institutions Examination Council.”.

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