91st Congress
2d Session

COMMITTEE PRINT

SUMMARY OF ACTIVITIES

1970

REPORT

OF THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

Printed for the use of the Committee on Banking and Currency

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STATEMENT OF THE CHAIRMAN

DECEMBER 31, 1970.

The 91st Congress was a particularly productive one for the Banking and Currency Committee.

During the first session of the 91st Congress, 102 Senate bills, nine House bills, nine Senate joint resolutions, four Senate resolutions, one Senate concurrent resolution, and 31 nominations were referred to the committee. The committee reported 26 bills and resolutions to the Senate. The Senate acted favorably on 24 of the bills reported by the committee. Eighteen of these measures became public law. All 31 nominations referred to the committee were reported and were approved by the Senate.

The Senate also acted directly on one measure during the first session under the committee's jurisdiction without formal referral to the committee. That action was on House Joint Resolution 864, providing for a temporary extension of the authority conferred by the Export Control Act of 1949. This resolution became Public Law 91-59.

During the second session, 84 Senate bills, four House bills, seven Senate joint resolutions, one House joint resolution, six Senate resolutions, one Senate concurrent resolution, and eight nominations were referred to the committee. The committee reported 27 bills and resolutions to the Senate, and the Senate acted favorably on all of these measures. Twenty-one of these measures became public law. The eight nominations referred to the committee were reported and were approved by the Senate.

The Senate also acted directly on three measures under the committee's jurisdiction without formal referral to the committee. These were (1) House Joint Resolution 1259, extending effectiveness of the Defense Production Act of 1950 to July 30, 1970; (2) House Joint Resolution 1336, extending the effectiveness of the Defense Production Act of 1950 to August 15, 1970 and (3) House Joint Resolution 1247, extending the reporting date for the institutional investors study. These resolutions became Public Law 91-300, Public Law 91-371, and Public Law 91-410, respectively.

The following summary of the committee's activities includes an account of all bills, resolutions, and nominations acted upon by the committee through hearings, reports, or otherwise, during this session.

JOHN SPARKMAN.

CONTENTS

JURISDICTION, PROCEDURES, AND POWERS

[Extract from Rule XXV of the Standing Rules of the U.S. Senate]

STANDING COMMITTEES

1. The following standing committees shall be appointed at the commencement of each Congress, with leave to report by bill or otherwise:

* * * * * * *

(e) Committee on Banking and Currency, to consist of 15[1] Senators, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

1. Banking and currency generally.
2. Financial aid to commerce and industry, other than matters relating to such aid which are specifically assigned to other committees under this rule.
3. Deposit insurance.
4. Public and private housing.
5. Federal Reserve System.
6. Gold and silver, including the coinage thereof.
7. Issuance of notes and redemption thereof.
8. Valuation and revaluation of the dollar.
9. Control of prices of commodities, rents, or services.[2]

* * * * * * *

2. The said committees shall continue and have the power to act until their successors are appointed.

3. (a) Except as provided in paragraph (b) of this subsection, each standing committee, and each subcommittee of any such committee, is authorized to fix the number of its members (but not less than one-third of its entire membership) who shall constitute a quorum thereof for the transaction of such business as may be considered by said committee, subject to the provisions of section 133(d) of the Legislative Reorganization Act of 1946.

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[1] Increased from 14 Senators by S. Res. 13, Jan. 14, 1969.

[2] By S. Res. 22, and S. Res. 23, agreed to Feb. 17, 1969; and S. Res. 329 and S. Res. 330, agreed to Feb. 16, 1970, the Committee on Banking and Currency or any duly authorized subcommittee thereof was authorized under secs. 134(a) and 136 of the Legislative Reorganization Act of 1946, as amended, and in accordance with the committee's jurisdiction as specified by rule XXV, to examine, investigate, and make a complete study of any and all matters pertaining to—

(1) banking and currency generally;
(2) financial aid to commerce and industry;
(3) deposit insurance;
(4) the Federal Reserve System, including monetary and credit policies;
(5) economic stabilization, production, and mobilization;
(6) valuation and revaluation of the dollar;
(7) prices of commodities, rents, and services;
(8) securities and exchange regulation;
(9) credit problems of small business; and
(10) international finance through agencies within the legislative jurisdiction of the committee [S. Res. 22 and S. Res. 329]; and
(11) public and private housing [S. Res. 23 and S. Res. 330].

(b) Each standing committee, and each subcommittee of any such committee, is authorized to fix a lesser number than one-third of its entire membership who shall constitute a quorum thereof for the purpose of taking sworn testimony.

* * * * * * *

5.[3] No standing committee shall sit without special leave while the Senate is in session after (1) the conclusion of the morning hour, or (2) the Senate has proceeded to the consideration of unfinished business, pending business, or any other business except private bills and the routine morning business, whichever is earlier.

[Extracts from Rulemaking Provisions of the Legislative Reorganization Act of 1946]

COMMITTEE PROCEDURE

SEC. 133. (a) Each standing committee of the Senate and the House of Representatives (except the Committees on Appropriations) shall fix regular weekly, biweekly, or monthly meeting days for the transaction of business before the committee, and additional meetings may be called by the chairman as he may deem necessary.

(b) Each such committee shall keep a complete record of all committee action. Such record shall include a record of the votes on any question on which a record vote is demanded.

(c) It shall be the duty of the chairman of each such committee to report or cause to be reported promptly to the Senate or House of Representatives, as the case may be, any measure approved by his committee, and to take or cause to be taken necessary steps to bring the matter to a vote.

(d) No measure or recommendation shall be reported from any such committee unless a majority of the committee were actually present.

(e) Each such standing committee shall, so far as practicable, require all witnesses appearing before it to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument. The staff of each committee shall prepare digests of such statements for the use of committee members.

(f) All hearings conducted by standing committees or their subcommittees shall be open to the public, except executive sessions for marking up bills or for voting or where the committee by a majority vote orders an executive session.

COMMITTEE POWERS

SEC. 134.(a) Each standing committee of the Senate, including any subcommittee of any such committee, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate, to require by subpena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to take such testimony and to make such expenditures (not in excess of $10,000 for

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[3] As amended, Senate Journal 49, 88–2, Jan. 30, 1964. By the same action the Senate provided that sec. 134(c) of the Legislative Reorganization Act, relating to the same subject, would no longer be applicable to the Senate.

each committee during any Congress) as it deems advisable. Each such committee may make investigations into any matter within its jurisdiction, may report such hearings as may be had by it, and may employ stenographic assistance at a cost not exceeding $1.75 per page. The expenses of the committee shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

* * * * * * *

LEGISLATIVE OVERSIGHT BY STANDING COMMITTEES

SEC. 136. To assist the Congress in appraising the administration of the laws and in developing such amendments or related legislation as it may deem necessary, each standing committee of the Senate and the House of Representatives shall exercise continuous watchfulness of the execution by the administrative agencies concerned of any laws, the subject matter of which is within the jurisdiction of such committee; and, for that purpose, shall study all pertinent reports and data submitted to the Congress by the agencies in the executive branch of the Government.

RULES OF THE COMMITTEE ON BANKING AND CURRENCY

(Agreed to January 14, 1955)

1. A subcommittee of the committee may be authorized only by the action of a majority of the full committee.

2. Unless the committee otherwise provides, one member shall constitute a quorum for the receipt of evidence, the swearing of witnesses and the taking of testimony, and the chairman of the committee or subcommittee may issue subpenas.

3. No investigation shall be initiated unless the Senate or the full committee has specifically authorized such investigation.

4. No hearing of the committee or a subcommittee shall be scheduled outside of the District of Columbia except by the majority vote of the committee or subcommittee.

5. No confidential testimony taken or confidential material presented at an executive hearing of the committee or a subcommittee or any report of the proceedings of such an executive hearing shall be made public, either in whole or in part or by way of summary, unless authorized by the committee or subcommittee.

6. Any witness subpenaed to a public or executive hearing may be accompanied by counsel of his own choosing who shall be permitted, while the witness is testifying, to advise him of his legal rights.

7. If the committee or a subcommittee is unable to meet because of the failure or inability of its chairman to call a meeting, or for any other reason, the next senior majority member of the committee or the subcommittee, who is able to act, shall call a meeting of the committee or the subcommittee within 15 days after the receipt by the Secretary of the Senate of a written request, stating the purpose of such a meeting, from a majority of the members of the committee or the subcommittee.

8. Committee or subcommittee interrogation of witnesses shall be conducted only by members and staff personnel authorized by the chairman of the committee or subcommittee concerned.

ACTION ON BILLS AND RESOLUTIONS CONSIDERED BY BANKING AND CURRENCY COMMITTEE, 91ST CONG., 2D SESS.

Number	Description	S. Rept. No.	Final action
S. 2224 [1]	Investment Company Amendments Act of 1969	91-184	Public Law 91-547.
H.R. 2 [1]	Independent agency for Federal credit unions	91-518	Public Law 91-206.
S. 3154 [1]	Urban Mass Transportation Assistance Act of 1969	91-633	Pub ic Law 91-453.
S. 3207	Liabilities of Federal National Mortgage Association to the United States.	91-644	Public Law 91-609.[3]
S. 823 [1]	Fair credit reporting	91-517	Public Law 91-508.[3]
S. 721	Unsolicited credit cards	91-739	Public Law 91-508.[3]
S. 3685	The Emergency Home Financing Act of 1970	91-761	Public Law 91-351.
S. 3435	Stone Mountain memorial medals	91-768	Public Law 91-254.
H.R. 13959	Jose Antonio Navarro commemorative medals	91-769	Public Law 91-244.
S.J. Res. 196	Increasing the authorization for college housing debt service grants, fiscal year 1971.	91-863	Public Law 91-351.[3]
S. 3302	Extension of the Defense Production Act	91-890	Public Law 91-379.
S. 3889	Purchase of U.S. obligations by Federal Reserve banks	91-918	Public Law 91-360.
S. 3825	Adjustment of outstanding currency	91-929	Passed Senate, June 17, 1970.
S.J. Res. 201	Extension of the reporting date for the National Commission on Consumer Finance.	91-939	Public Law 91-344.
S. 3366	Eligibility of American Samoa banks	91-996	Public Law 91-609.[3]
H.R. 15118	Ohio Northern University commemorative medals	91-1042	Public Law 91-381.
S. 336	Increasing the Securities Act exemption from registration for small business.	91-1082	Public Law 91-565.
H.R. 6778	Bank Holding Company Act amendments of 1970	91-1084	Public Law 91-607.
S. 3431	Additional consumer protection in corporate equity ownership and in corporate takeover bids.	91-1125	Public Law 91-567.
S. 3822	Federal share insurance for credit unions	91-1128	Public Law 91-468.
S. 3330	Housing loans to lessees of nonfarm rural land	91-1129	Public Law 91-609.[3]
S. 3775	Paraplegic housing program	91-1130	Passed Senate, Aug. 28, 1970.
S. 3678, H.R. 15073 [2]	Foreign bank secrecy and bank recordkeeping	91-1139	Public Law 91-508.
S. 4316	Small Business Amendments of 1970	91-1158	Passed Senate, Sept. 18, 1970.
S. 3938, H.R. 17795 [2]	Emergency Community Facilities Act of 1970	91-1189	Public Law 91-431.
H.J. Res. 1366	Temporary extension of the Federal Housing Administration's insurance authority.	91-1206	Public Law 91-432.
S. 4368, H.R. 19436 [2]	Housing and Urban Development Act of 1970	91-1216	Public Law 91-609.
H. 2348, H.R. 19333 [2]	Securities Investor Protection Corporation	91-1218	Public Law 91-598.
S. J. Res. 242	Temporary extension of the Federal Housing Administration's insurance authority.	91-1334	Public Law 91-473.
S. 4536	Amendments to the Small Business Act	91-1366	Public Law 91-558.
S. 4268	Amending the Export-Import Bank Act of 1945, as amended to allow for greater expansion of the U.S. export trade.	91-1462	Passed Senate, Dec. 18, 1970.

[1] Reported and passed Senate, 1st sess.
[2] Became law.
[3] Became titles or sections of this law.

NOMINATIONS, 91ST CONGRESS, 2D SESSION

Name and office	Reported	Confirmed
Allan Oakley Hunter, of California, to be President of the Federal National Mortgage Association, to which office he was appointed during the last recess of the Senate	Mar. 24	Mar. 25
Frank Wille, of New York, to be a member of the Board of Directors of the Federal Deposit Insurance Corporation for a term of 6 years, vice Kenneth A. Randall	Mar. 5	Mar. 13
Hugh F. Owens, of Oklahoma, to be a member of the Securities and Exchange Commission for the term of 5 years expiring June 5, 1975. (Reappointment.)	May 19	May 20
Preston Martin, of California, to be a member of the Federal Home Loan Bank Board for the term expiring June 30, 1974. (Reappointment.)	May 27	May 28
Herman Nickerson, Jr., of Maine, to be Administrator of the National Credit Union Administration. (New position.)	Sept. 11	Sept. 14
David Ogden Maxwell, of Pennsylvania, to be General Counsel of the Department of Housing and Urban Development, vice Sherman Unger	Oct. 13	Oct. 13
The following-named persons to be members of the Board of Directors of the National Corporation for Housing Partnerships for the terms indicated:		
For a term of 1 year commencing Oct. 8, 1970: Peter John Bertoglio, of California	Dec. 16	Dec. 17
For a term of 3 years commencing Oct. 28, 1970: Ray A. Watt of California		

BANKING

BANK HOLDING COMPANY ACT AMENDMENTS OF 1970

[H.R. 6778]

[Public Law 91–607, approved December 31, 1970]

To amend the Bank Holding Company Act of 1956 and for other purposes

History of Legislation

H.R. 6778 was introduced in the House of Representatives on February 17, 1969. A companion bill, S. 1664, was introduced in the Senate by Senator Sparkman and Senator Bennett on March 24, 1969.

The House Committee held hearings on H.R. 6778, met in Executive Sessions and subsequently reported (H. Rept. 91–387) the bill on July 23, 1969. The measure was then considered, amended and passed by the House on November 5, 1969. The bill was sent to the Senate and referred to the Senate Committee on Banking and Currency on November 6, 1969.

The Committee held hearings on S. 1664, H.R. 6778 and all other bills and proposals relating to one bank holding company legislation on May 12, 14, 15, 18–22, and 25–28, 1970. Following consideration in Executive Session, the Committee reported (S. Rept. 91–1084) H.R. 6778 with a Committee amendment in the nature of a substitute.

The bill was considered, amended and passed by the Senate on September 16, 1970. The measure then became the subject of a Senate-House Conference. The Conference Report was agreed to by the House on December 16, 1970 and by the Senate on December 18, 1970.

H.R. 6778 was approved by the President on December 31, 1970, becoming Public Law 91–607.

Digest of Statute

TITLE I—BANK HOLDING COMPANIES

Subsection (a) of section 101 of the bill amends the definition of a bank holding company to include any company which (1) directly or indirectly or acting through one or more persons has power to vote 25 percent or more of any class of voting securities of a bank; (2) controls in any manner the election of a majority of the directors or trustees of a bank; or (3) the Federal Reserve Board determines, after notice and opportunity for a hearing, that the company directly or indirectly exercises a controlling influence over the management or policies of a bank. For the purposes of (3) above, there is a presumption that any company holding power to vote less than 5 percent of any class of voting securities does not have control of the bank.

Furthermore, in any proceeding under the act, other than under (3) above, a company may not be held to have had control of a bank unless at the time in question the company held with power to vote 5 percent or more of any class of voting securities of the bank or had been found to have control by the Board under (3) above.

Subsection (a) changes existing law with respect to shares held by a bank in a fiduciary capacity by providing that bank shares acquired after enactment of the act would not be deemed to have been acquired in a fiduciary capacity if the acquiring bank has discretionary authority to exercise voting rights with respect thereto.

Subsection (a) also adds to existing law a new section 2(a)(E) providing that a trust company which is an insured bank under the Federal Deposit Insurance Act will not be treated as a bank holding company because it owns or controls a bank located in the same State if three prerequisites are met: (1) such ownership or control exists on the date of the enactment of the act and is authorized by statute, (2) the trust company does not thereafter acquire an interest in any company sufficient to give it more than 5 percent of the voting shares of that company, and (3) the investments of the trust company, whether direct or indirect, or otherwise consistent with the limitations applicable to national banks under section 5136 of the Revised Statutes.

Subsection (a) amplifies existing law to provide that any successor to a bank holding company would be deemed to be a bank holding company from the date the predecessor company became a bank holding company.

Subsection (b) of section 101 makes partnerships subject to the provisions of the act and would define the term "company covered in 1970" as meaning a company which becomes a bank holding company as a result of the enactment of the Bank Holding Company Amendments of 1970 and which would have been a bank holding company on June 30, 1968, if those amendments had been enacted on that date.

Subsection (c) defines "bank" in terms of the place of incorporation. Banks as defined in the act must accept demand deposits and engage in the business of making commercial loans. The term "bank," as defined, does not include any organization which does not do business within the United States except as an incident to its activities outside the United States.

Subsection (d) includes within the definition of "subsidiary" in section 2(d) of existing law, any company with respect to the management or the policies of which a bank holding company has a power, directly, or indirectly, to exercise a controlling influence, as determined by the Board after notice and opportunity for hearings.

Subsection (e) finds a thrift institution to mean (1) a domestic building or savings and loan association, (2) a cooperative bank with-But capital stock authorized and operated for mutual purposes and without profit or (3) a mutual savings bank not having capital stock represented by shares, but in such instances acquisitions may be made without prior approval of the Board if the Board, upon application filed within ninety days after the shares are acquired, approves retention or, if retention is disapproved, the acquiring bank disposes of the shares or its sole discretionary voting rights within two years after issuance of the order of disapproval.":

Section 102(2) provides that if the Board fails to act within a 91-day period following submission of the complete record of any application for approval of acquisition of bank shares or assets, the application shall be deemed to have been granted.

Section 102(3) requires every bank that is a holding company and every bank subsidiary thereof to become and to remain an insured bank as defined in section 3(h) of the Federal Deposit Insurance Act.

Section 103 provides that a holding company will be required to make divestitures by reason of the amendments made in 1970, and would have a period of 10 years within which to do so. It also provides that a company covered in 1970 may engage in those activities in which it was engaged on June 30, 1968 and continuously thereafter. It is provided that the Board may terminate this authority if it is necessary to prevent undue concentration of resources, decreased or unfair competition, conflict of interest, or unsound banking practices. Upon such termination, the company would have 10 years from the date of the termination to make the required divestitures.

Section 103(2) makes a technical change which does not change the substance of existing law.

Section 103(3) provides an exemption for family-controlled bank holding companies.

Section 103(4) authorizes the Board to approve the retention or acquisition of the shares of any company engaged in activities the Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Certain public benefit tests are required to be considered when making this determination.

Section 103(5) exempts from the prohibitions of the act shares held or activities conducted by foreign corporations if (1) the greater part of their business is foreign business, and (2) the Board finds that exemption would not be "substantially at variance" with the purposes of the act and would be in the public interest.

Section 103(6) exempts shares owned directly or indirectly by a company covered in 1970 in a company which engages in the activities permitted the holding company by virtue of the June 30, 1968, grandfather clause, or activities otherwise permitted under the act, provided that the bank holding company does not acquire any interest—including assets—of any going concern other than a corporation which was a subsidiary on June 30, 1968. Excepted from the operation of this provision are acquisitions pursuant to a binding written contract entered into before June 30, 1968.

Section 103(6) exempts shares acquired by a company if the company ceases to be a bank holding company within applicable time limits, or ceases to retain ownership or control of those shares and to engage in nonbanking activity and complies with whatever conditions the Board deems appropriate.

Section 103(6) further provides an exemption for shares of, or activities conducted by, any company which conducts business in the United States only as an incident to its foreign business if the Board finds that such action would not be substantially at variance with the purposes of the act and would be in the public interest.

Section 103(7) provides that the Board may grant exemptions from section 4 of the Act to any bank holding company which controls one bank prior to January 1, 1968 and has not thereafter acquired another

bank in order to avoid disrupting long existing business relationships, to avoid forced sales of small locally owned banks to purchasers not similarly representative of community interests, or to allow retention of banks that are so small in relation to the holding company's other interests and so small in relation to the banking market to be served as to minimize the possibility of harmful results.

Section 104 includes certain technical amendments.

Lastly, section 105 grants standing to participate in proceedings before the Board or to seek judicial review thereof to a party who would become a competitor of the applicant or subsidiary thereof were the Board to approve the applicant's request to engage in nonbanking activity.

Section 106(a) provides that for purposes of section 104 the definitions of the terms "bank holding company," "subsidiary," and "Board" shall be the same as those in section 2 of the Bank Holding Company Act of 1956, and that the term "company," as used in the 1956 act, does not include any corporation the majority of whose shares are owned by a State or the United States.

Section 106(b) prohibits banks from engaging in certain tie-in arrangements, but authorizes the Board to permit such exceptions as it considers will not be contrary to the purposes of this section.

Section 106(c) grants jurisdiction to United States district courts to prevent and restrain violations of subsection (b) of this section and makes it the duty of U.S. attorneys, under the direction of the Attorney General, to institute appropriate proceedings.

Section 106(d) provides that in actions brought by or on behalf of the United States under subsection (b), subpenas for witnesses may run into any district, but in civil actions territorial limits are imposed patterned after rule 45(e) of the Federal Rules of Civil Procedure.

Section 106(e) provides for treble damage suits in the district courts by any person injured in his business or property by reason of anything forbidden in subsection (b).

Section 106(f) provides injunctive relief, including preliminary injunctions, against threatened harm by reason of a violation of subsection (b).

Section 106(g) provides a 4-year statute of limitations for actions brought under this section.

Section 106(h) provides that actions allowed under this section are not intended to be the exclusive judicial remedy.

TITLE II—PROVISIONS RELATING TO COINAGE

Section 201 amends section 101 of the Coinage Act of 1965 (31 U.S.C. 391) to authorize the Secretary of the Treasury to mint cupronickel clad dollar and half-dollar coins in such quantities as he determines to be necessary to meet national needs. It would authorize the minting, at the same time, of 150 million 40-percent silver dollars. These silver dollars, which will bear the likeness of the late President of the United States, Dwight David Eisenhower, will be minted only as uncirculated coins and proof coins, and will be sold at premium prices.

Section 202 directs the Administrator of General Services Administration to transfer to the Secretary 25.5 million fine troy ounces of

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silver now held in the national stockpile, to be used exclusively to coin the silver dollar pieces authorized by section 201.

Section 203 directs that the dollars initially minted under the provisions of section 101 of the Coinage Act bear the likeness of the late President of the United States, Dwight David Eisenhower, and on the other side thereof a design which is emblematic of the symbolic eagle of Apollo II landing on the moon.

Section 204 permits the Secretary, in his discretion, to continue until January 1, 1971, the minting of 40-percent silver half-dollar pieces. This will permit the Bureau of the Mint to fill outstanding orders for coin sets containing coins dated 1970.

Section 205 authorizes the transfer of the approximately 3 million rare silver dollars now held in the Treasury to the Administrator of General Services for sale to the public in the manner recommended by the Joint Commission on the Coinage at its meeting on May 12, 1969.

Section 206 removes the requirement in existing law that the coins newly authorized to be minted by the Coinage Act of 1965 bear the date of 1965 or subsequent years. This provision, which was contained in the Coinage Act of 1965, is now obsolete.

Section 207 consists of a technical amendment to clarify the accounting for the transfer of silver bullion from the Treasury to the strategic and critical materials stockpile administered by the General Services Administration.

Section 208 repeals two obsolete sections of law, namely, section 3513 of the Revised Statutes and the first section of the act of February 28, 1878 (20 Stat. 25), relating to the weight and denomination of silver coins, and the purchase of silver bullion for coinage into dollars.

Section 209 permits the Secretary of the Treasury to determine the date to be used on the Eisenhower silver dollars.

ELIGIBILITY OF AMERICAN SAMOA BANKS FOR FEDERAL DEPOSIT INSURANCE

[S. 3366]

[Public Law 91–609, approved December 31, 1970]

To make banks in American Samoa eligible for federal deposit insurance under the Federal Deposit Insurance Act, and for other purposes

History of Legislation

S. 3366 was introduced in the Senate on February 2, 1970. After committee consideration the bill was reported (S. Rept. 91–996) on June 30, 1970. The measure was passed by the Senate on July 1, 1970 and was sent to the House of Representatives where it was referred to the House Committee on Banking and Currency on July 6, 1970.

When no further action was taken on the measure by the House Committee, S. 3366 was offered in the Senate as an amendment to H.R. 19436 and became section 910 of that bill. (For further information concerning S. 3366 see action on H.R. 19436, Public Law 91–609, supra.)

Digest of Statute

Section 910 of H.R. 19436 (S. 3366) establishes the eligibility of banks in American Samoa for Federal Deposit Insurance.

PURCHASE OF U.S. OBLIGATIONS BY FEDERAL RESERVE BANKS

[S. 3889]

[Public Law 91–360, approved July 31, 1970]

To amend sec. 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of the Federal Reserve banks to purchase U.S. obligations directly from the Treasury

History of Legislation

S. 3889 was introduced by Senator Sparkman for himself and Senator Bennett on May 27, 1970. After consideration by the Committee, the bill was reported (S. Rept. 91–918) on June 9, 1970. The measure was considered and passed by the Senate on June 11, 1970 and sent to the House of Representatives where it was referred to the Committee on Banking and Currency.

After committee consideration S. 3889 was considered, amended and passed by the House of Representatives on July 20, 1970. The Senate agreed to the House amendment of S. 3889 on July 21, 1970.

S. 3889 was approved by the President on July 31, 1970, becoming Public Law 91–360.

Digest of Statute

S. 3889 extends for a 2-year period, from June 30, 1970, to June 30, 1972, the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury.

FOREIGN BANK SECRECY AND BANK RECORDKEEPING

[H.R. 15073–S. 3678]

[Public Law 91–508, approved October 26, 1970]

To amend the Federal Deposit Insurance Act to require insured banks to maintain certain records, to require that certain transactions in U.S. currency be reported to the Department of the Treasury, and for other purposes.

History of Legislation

H.R. 15073 was introduced in the House of Representatives on December 3, 1969, and was referred to the House Banking and Currency Committee. It was reported by the House Committee (H. Rept. 91–975) on March 28, 1970. H.R. 15073 was considered and passed by the House of Representatives on May 25, 1970, and

was sent to the Senate where it was referred to the Senate Committee on Banking and Currency on June 1, 1970, where it was referred to the Subcommittee on Financial Institutions on June 4, 1970.

Concurrently, S. 3678, a companion bill to H.R. 15073, was introduced by Senator Proxmire and others on April 6, 1970, and sent to the Senate Committee on Banking and Currency. It was referred to the Subcommittee on Financial Institutions on May 12, 1970. Hearings were held on June 8–11, 1970, on S. 3678 and H.R. 15073, and after consideration by the Committee in Executive Session, S. 3678 was reported (S. Rept. 91–1139), with amendments, on August 24, 1970.

Subsequently, on September 18, 1970, the Senate Banking and Currency Committee was discharged from H.R. 15073, and on the same day the Senate considered, amended, and passed S. 3678. During the consideration of S. 3678, S. 721 (Unsolicited Credit Cards) and S. 823 (Fair Credit Reporting) were added as title V and title VI respectively to S. 3678. The Senate then substituted S. 3678, as amended, for the provisions of H.R. 15073.

The bill then became the subject of a conference between the Senate and the House of Representatives and the Conference Report (H. Rept. 91–1587) was filed on October 8, 1970. The Conference Report was agreed to by the Senate on October 9, 1970, and by the House on October 13, 1970.

H.R. 15073 was approved by the President on October 26, 1970, becoming P.L. 91–508.

Digest of Statute

TITLE I—FINANCIAL RECORDKEEPING

Section 101. Retention of records by insured banks.—This section adds a new section 21 to the Federal Deposit Insurance Act directing the Secretary of the Treasury to issue regulations requiring insured banks to maintain records of bank transactions where the Secretary determines "such records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings."

To the extent that the regulations require, these records include the following:

(1) The identity of account holders and those authorized to effect transactions;

(2) Microfilm or other reproductions of checks drawn on the bank;

(3) Records of checks or similar instruments received for deposit or collection and the parties involved;

(4) Records of currency transactions reportable under title II;

(5) Such additional records or evidence required by the Secretary.

Section 102. Retention of records by insured institutions.—This section extends the authority given in section 101 to insured savings and loan associations.

Sections 121–129. Other financial institutions.—These sections extend the authority given in section 101 to uninsured banks and other institutions engaged in financial transactions such as issuers of travelers checks, currency exchanges, money brokers, or credit card companies.

TITLE II—REPORTS OF CURRENCY AND FOREIGN TRANSACTIONS

Sections 201–202. Short title and purposes.—This title requires reports on domestic currency transactions, the export or import of currency or similar instruments, and foreign financial transactions when such reports "have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings."

Section 203. Definitions and rules of construction.—Key terms used in the title are defined including: "financial institution," "financial agency," and "monetary instruments." "Financial institution" is defined broadly to include all types of companies involved in cash or financial transactions. "Financial agency" includes a company acting as a financial institution or as a bailee, depository, trustee, or agent with respect to money, credit, securities, or gold. "Monetary instruments" includes domestic or foreign currency, travelers checks, and bearer type securities or their equivalent.

Section 204–205. Regulations and compliance.—The Secretary is directed to issue regulations and is authorized to require domestic financial institutions to adopt procedures to assure compliance with this title. Enforcement responsibility, to the greatest extent possible, shall be delegated to the appropriate bank supervisory or other regulatory agency.

Section 206. Exemptions.—The Secretary is given broad authority to make any exemptions to this title he deems appropriate and to revoke such exemptions in his discretion.

Section 207. Civil penalty.—The Secretary may assess domestic financial institutions or the officers thereof up to $1,000 for each willful violation of this title.

Section 208. Injunctions.—The Secretary is authorized to seek court injunctions to enforce compliance.

Section 209–210. Criminal penalties.—A fine of $1,000, or a prison term of 1 year, or both can be levied for willful violations. If the violation is committed in furtherance of any other violation of Federal law or as part of a pattern of illegal activities involving transactions exceeding $100,000 a year, a fine of up to $500,000 and a prison term of up to 5 years or both can be levied.

Section 211. Immunity of witnesses.—Witnesses who decline, on the grounds of possible self-incrimination, to testify before court or other proceedings involving violations of this title can be compelled to testify. Any testimony so obtained or information resulting from such testimony cannot be used against the witness in any criminal use except a prosecution for perjury. This provision parallels a similar provision in the Organized Crime Act.

Section 212. Availability of information to other Federal agencies.—The Secretary is authorized to make information acquired under this title available to other agencies when it is to be used for a purpose consistent with this title and is requested by the head of the agency.

Section 213. Administrative procedure.—The administrative procedure and judicial review provisions of subchapter II of chapters 5 and 7 of title 5, United States Code, are made applicable to all proceedings under title II.

Section 221–223. Domestic currency transactions.—These sections authorize the Secretary to require reports on transactions in currency or other monetary instruments involving domestic financial institu-

tions when the transactions are in such amounts or under such circumstances as the Secretary may prescribe. The reports can be required of the financial institution or the party involved or both. The Secretary is authorized to designate domestic financial institutions as agents of the United States to receive required reports.

Sections 231–235. Reports of exports and imports of monetary instruments.—Persons who transport currency or similar monetary instruments into or out of the country in excess of $5,000 on any one occasion are required to file a report with the Secretary of the Treasury unless exempted under section 206. The Secretary is authorized to conduct searches and mail check provided that he first obtains a warrant.

Any monetary instruments in the process of transportation required to be reported and not reported are subject to seizure and forfeiture. Any person who so transports monetary instruments can also be assessed a civil penalty up to the value of the instruments, less any amount seized and forfeited.

Sections 241–242. Foreign transactions.—The Secretary of the Treasury is directed to issue regulations requiring domestic financial institutions or their customers to keep records or file reports or both on transactions or relationships maintained with foreign financial agencies. In addition to his general exemptive authority under section 206, the Secretary is given additional authority to exempt transactions from this requirement on the basis of the person involved, the foreign country involved, or the magnitude or type of transaction involved. Access to such records can only be obtained through legal process.

TITLE III—MARGIN REQUIREMENTS

Section 301.—This section amends the Securities and Exchange Act of 1934 by extending the penalties for violating the margin requirements on securities loans to the borrower. Since the existing law applies only to the lender, U.S. borrowers have been able to borrow abroad in excess of the Federal Reserve Board margin requirements without violating the act. The margin requirements would be extended only to borrowers who are U.S. citizens or residents or to domestic companies or to foreign borrowers if they are controlled by U.S. persons or companies.

TITLE IV—EFFECTIVE DATES

Section 401. Effective dates.—The act becomes effective in 6 months following enactment except that the effective date may be increased to 12 months by the Treasury with respect to titles I and II; and by the Federal Reserve Board with respect to title III;

CONSUMER CREDIT

EXTENSION OF THE REPORTING DATE FOR THE NATIONAL COMMISSION ON CONSUMER FINANCE

[S.J. Res. 201]

[Public Law 91–344, approved July 20, 1970]

To extend the reporting date of the National Commission on Consumer Finance

History of Legislation

Senate Joint Resolution 201 was introduced by Senator Sparkman for himself, Senator Proxmire and Senator Tower on May 19, 1970. After committee consideration the resolution was reported (S. Rept. 91–939) on June 23, 1970. The measure was considered and passed by the Senate on June 25, 1970.

Currently H.J. Res. 1238 (a companion resolution to S.J. Res. 201) was reported (H. Rept. 91–1244) by the House Banking and Currency Committee on June 29, 1970. On July 6, 1970, S.J. Res. 201 was taken from the Speaker's desk, considered and passed by the House of Representatives. (Further action on H.J. Res. 1238 was tabled indefinitely.)

Senate Joint Resolution 201 was approved by the President on July 20, 1970, becoming Public Law 91–344.

Digest of Statute

Senate Joint Resolution 201 extends for a period of 18 months, from January 1, 1971, to July 1, 1972, the time in which the National Commission on Consumer Finance may make its study and present its report to the Congress and to the executive branch of the Government.

FAIR CREDIT REPORTING

[S. 823]

[Public Law 91–508, approved October 26, 1970]

To enable consumers to protect themselves against arbitrary, erroneous, and malicious credit information

History of Legislation

S. 823 was introduced by Senator Proxmire and others on January 31, 1969 and was sent to the Committee on Banking and Currency where it was referred to the Subcommittee on Financial Institutions on March 10, 1969. Hearings were held on the measure

on May 19–23, 1969, and after consideration by the Committee in Executive Session, the bill was reported (S. Rept. 91–516), with amendments, on November 5, 1969. S. 823 was considered, and passed by the Senate on November 6, 1969, and sent to the House of Representatives where it was referred to the House Committee on Banking and Currency on November 12, 1969.

Subsequently, S. 823 was added by the Senate as title VI of H.R. 15073, the Foreign Bank Secrecy and Bank Recordkeeping bill, during consideration of that matter.

(See action on H.R. 15073, Public Law 91–508 supra.)

Digest of Statute

Section 601. Short Title—This section indicates that the act may be cited as the "Fair Credit Reporting Act."

Section 602. Statement of Purpose.—This section indicates a need to establish safeguards for the reporting of information on consumers so as to assure its confidentiality, accuracy, relevancy, and proper utilization.

Section 603. Definitions and Rules of Construction.—A "consumer report" is defined under subsection (d) as a report on an individual when the information has been collected or is to be used for credit, insurance, or employment purposes. The term does not include information reported by a creditor or other person when the information is confined to the creditor's own transactions or experience with the consumer. However, if the creditor obtains information on a consumer from third parties and reports it to another person, such communication would be deemed a consumer report regardless of whether a fee was charged for the report.

Under subsection (e), the term "investigative consumer report" is further defined as one in which personal-type information on a consumer's character, reputation, personal characteristics, or mode of living is obtained through interviews with neighbors, associates, and the like.

Under subsection (f), the term "consumer reporting agency" is defined as anyone who regularly furnishes consumer reports whether for fees or otherwise. If a creditor regularly compiles information on consumers from third parties and furnishes that information to other persons either for fees or otherwise, the creditor becomes a consumer reporting agency and is subject to the applicable provisions of the act.

Section 604. Permissible Purposes of Reports.—This section limits the furnishing of consumer reports to five purposes: (1) credit; (2) insurance; (3) employment; (4) obtaining a governmental license or other benefit; or (5) other legitimate business need involving a business transaction with the consumer. Any broader use would require either a court order or the consumer's written permission.

Section 605. Obsolete information.—This section prohibits the reporting of adverse information older than 7 years, or 14 years in the case of information on bankruptcies, except in connection with life insurance contracts in excess of $50,000, extensions of credit in excess of $50,000, or employment applications for jobs with an annual salary in excess of $20,000.

Section 606. Disclosure of Investigative Reports.—This section requires those who order investigative reports to disclose to the consumer that an investigative report may be made, that the report may involve information on his character, general reputation, personal characteristics and mode of living as applicable, and that he has the right to request a complete and accurate disclosure of the nature and scope of the investigation. This provision would not apply if the report is for employment purposes and the consumer has not specifically applied for the employment.

Section 607. Compliance Procedures.—This section requires reporting agencies to maintain procedures to preserve the confidentiality and proper use of information and assure maximum possible accuracy of the report. Users must certify the purposes for which information will be used and agree not to use the information for other purposes. A reporting agency must make a reasonable effort to check out new users and refrain from making reports if it has reasonable grounds for believing the report will not be used for an authorized purpose.

Section 608. Disclosures to Governmental agencies.—The disclosure of information to governmental agencies is limited to identifying type information such as name, address, and place of employment unless the governmental agency has obtained a court order or is a bona fide creditor, insurer, employer, or licensor.

Section 609. Disclosures to Consumers.—This section requires reporting agencies to disclose, at the request of a consumer, the nature and substance of all information in the consumer's file, the sources of the information unless it is an investigative report, and the persons who have received reports on the consumer during the past 6 months for credit or insurance purposes and the past 2 years for employment purposes.

Section 610. Conditions of Disclosure to Consumers.—This section requires disclosures to be made during normal business hours and on reasonable notice. The disclosure may be made at the credit reporting agency or over the phone if the consumer so requests in writing and furnishes proper identification. Reporting agencies must provide trained personnel to explain the information in a consumer's file. The consumer has the right to have one person accompany him. Reporting agencies, their sources and the users of information are given immunity from libel or other suits as a result of information in their credit file disclosed to consumers pursuant to section 609, 610, and 615 unless the information was furnished with malice or willful intent to injure the consumer or unless the consumer brings an action under sections 616 or 617. The immunity provisions under this section do not extend to information acquired by a consumer through other means.

Section 611. Procedure in Case of Disputed Accuracy.—If the completeness of accuracy of an item of information is challenged by a consumer, the credit reporting agency must reinvestigate and record its current status. Inaccurate or unverifiable information must be deleted. The consumer has a right to file a brief explanatory statement on disputed items which must accompany future reports. The consumer may also request that previous recipients be notified of any corrections.

Section 612. Charges for Certain Disclosures.—Disclosures shall be free of charge to consumers who are rejected for credit, insurance, or employment or who are charged higher rates for credit or insurance and who have been so notified by the creditor, insurer, or employer. Similarly, disclosure charges cannot be made to persons who have received a dunning letter from a collection affiliate of the reporting agency. In all other cases, the reporting agency may establish a reasonable disclosure charge.

The cost of sending corrected information to the prior recipients of a report shall be at the expense of the reporting agency when information is deleted because it is inaccurate or unverifiable. When the item is in dispute, the reporting agency may charge the consumer for notifying prior recipients.

Section 613. Public Record Information for Employment Purposes.—Reporting agencies cannot report adverse items of public record information for employment purposes unless they maintain strict procedures to keep the information up to date. If this cannot be done, the consumer must be notified that the adverse information is being reported and to whom at the time the report is made.

Section 614. Restrictions on Investigative Consumer Reports.—Adverse information developed on investigative reports which is more than 3 months old cannot be reported again unless it is reverified.

Section 615. Requirements on Users of Consumer Reports.—Those who reject a consumer for credit, insurance or employment or who charge a higher rate for credit or insurance wholly or partly because of a consumer report must so advise the consumer and supply the name and address of the reporting agency. If a consumer is turned down for credit or charged a higher rate based on information other than a consumer report, the nature and substance of this information must also be disclosed on written request.

Section 616. Civil Liability for Willful Non-Compliance.—Consumers can bring civil actions to enforce compliance. If a willful violation can be shown, the consumer can collect actual damages, punitive damages and attorney fees.

Section 617. Civil Liability for Negligent Non-Compliance.—If the consumer can show a negligent violation, he can collect actual damages plus attorney fees.

Section 618. Jurisdiction of Courts.—Civil actions may be brought in Federal or State courts within 2 years of the violation of the discovery of the violation if the violation involved a material misrepresentation.

Section 619. Obtaining Information Under False Pretenses.—Any person who knowingly and willfully obtains a consumer report under false pretenses can be fined up to $5,000 and imprisoned up to 1 year, or both.

Section 620. Unauthorized disclosures by officers or employees.—Officers or employees of consumer reporting agencies who knowingly and willfully make unauthorized disclosures can be fined up to $5,000 imprisoned not more than one year, or both.

Section 621. Administrative Enforcement.—Compliance would be further enforced by the Federal Trade Commission with respect to consumer reporting agencies and users of reports who are not regulated by another Federal agency. The FTC can use the cease and desist

authorities and other procedural, investigative and enforcement powers which it has under the FTC Act to secure compliance.

Compliance on the part of financial institutions or common carriers regulated by another Federal agency would be enforced by that agency, using its existing enforcement authorities to bring about compliance.

Section 622. Relation to State Laws.—State laws which are inconsistent with the Federal law are preempted to the extent of the inconsistency. However, no State law would be preempted unless compliance would involve a violation of Federal law.

Effective Date. The act becomes effective in 6 months following its enactment.

FEDERAL SHARE INSURANCE FOR CREDIT UNIONS

[S. 3822]

[Public Law 91–468, approved October 19, 1970]

To provide insurance for member accounts in State and federally chartered credit unions and for other purposes.

HISTORY OF LEGISLATION

S. 3822 was introduced by Senator Bennett and others on May 11, 1970. The bill was the subject of hearings on June 18 and 19, 1970 and after consideration by the committee in executive session was reported with amendments (S. Rept. 91–1128) on August 19, 1970. The measure was considered and passed by the Senate on September 2, 1970 and on September 14, 1970 was referred to the House Committee on Banking and Currency. After consideration by that committee the bill was reported (H. Rept. 91–1457) on September 21, 1970. S. 3822 was considered and passed by the House on October 5, 1970.

The bill was signed into law by the President on October 19, 1970, becoming Public Law 91–468.

DIGEST OF STATUTE

Section 1 of the Act amends the Federal Credit Union Act by designating all contained in the present Federal Credit Union Act as title I; and by redesignating sections 2 through 28 as sections 101 through 127, respectively. In addition, section 1 adds a new title II to the Federal Credit Union Act providing share insurance as follows:

TITLE II—SHARE INSURANCE

Section 201(a) requires the Administrator to insure the member accounts of all Federal credit unions and authorizes him to insure the member accounts of credit unions organized under the laws of any State, the District of Columbia, the several territories and possessions of the United States, the Panama Canal Zone, the Commonwealth of Puerto Rico, and those credit unions organized and operating under the jurisdiction of the Department of Defense if they are operating in compliance with the requirements of title I of this act and regulations issued thereunder.

Section 201(b) provides that application for insurance be made immediately by each Federal credit union. Application could be made at any time by a State credit union or a credit union operating under the jurisdiction of the Department of Defense and such applicant would agree to permit the Administrator authority to examine the credit union from time to time; to permit the Administrator to have access to information or report of examination by the State supervisory authority; to provide indemnity against burglary, defalcation, and similar insurable losses; to maintain reserves required by the laws of the State, territory, or other jurisdiction and to maintain special reserves as the Administrator, by regulation or in special cases, may require; to assure that all insured credit unions shall maintain regular reserves which are not less than those required under title I; and to pay the premium charge for insurance and comply with the other requirements of this title and regulations.

Section 201(c) requires the Administrator to reject the application of any credit union for insurance of its member accounts if he found that its reserves were inadequate, that its financial condition and policies were unsafe or unsound, that its management was unfit, that insurance of its member accounts would otherwise involve undue risk to the fund, or that its powers and purposes were inconsistent with the promotion of thrift and the creation of a source of credit for provident or productive purposes.

Section 201(d) requires a Federal credit union which has had its application rejected by the Administrator to meet the requirements and become an insured credit union within 1 year after such rejection or its charter would be suspended or revoked.

Section 201(e) requires the Administrator, upon approval of any application, to notify the applicant and issue to it a certificate evidencing that it is an insured credit union.

REPORTS OF CONDITION; CERTIFIED STATEMENTS; PREMIUMS FOR INSURANCE

Section 202(a) requires each insured credit union to make reports of condition to the Administrator upon such dates and in such form as he requires. The Administrator is required to utilize reports filed by Federal credit unions under title I and to the maximum extent feasible those submitted to State supervisors by State credit unions. The Administrator could require reports to be published.

Section 202(b) requires that each insured credit union shall file with the Administrator a certified statement on or before January 31 of each insurance year showing the total amount of member accounts at the close of the preceding year.

Section 202(c) provides that the annual premium charge for insurance due the fund will be computed at the rate of one-twelfth of 1 percent of the total amount of member accounts and would be paid on or before January 31 of each insurance year. Special provisions are made for premium charges for those credit unions which became insured after January 1 and for those credit unions chartered during the insurance year.

The Administrator has authority to reduce the premium charge for insurance when all loans to the fund from the Federal Government and the interest thereon have been repaid and the amount in the fund

equals or exceeds the normal operating level of 1 percent of the aggregate of the member accounts in all insured credit unions. In any year in which the expenditures from the fund exceed the income of the fund, the Administrator may require each insured credit union to pay an additional premium charge which can not exceed the amount of the regular premium charge.

An insured credit union which is closed for liquidation because of insolvency or otherwise may be entitled to a rebate of premiums paid by it to the fund under certain conditions and after certain deductions for administrative expenses and claims arising in connection with the liquidation of the credit union.

Section 202(d) provides that any insured credit union failing to make any required report of condition could be compelled to make such a report by mandatory injunction or other appropriate remedy, and one which willfully failed or refused to file any certified statement or to pay any premium would be subject to a penalty of not more than $100 for each day such violation continues.

No insured credit union may pay any dividends on its member accounts or distribute any of its assets while in default in the payment of any premium charge due the fund and any director or officer who knowingly participated in the declaration or payment of such dividend would, upon conviction, be subject to a fine or imprisonment, or both.

Section 202(e) provides that the Administrator, in a suit brought at law or in equity in any court, will be entitled to recover from any insured credit union the amount of any unpaid premium lawfully payable to the fund.

Section 202(f) provides that any Federal credit union failing to make any report of condition, or to pay any premium charge for insurance which shall fail to correct such failure within 30 days after written notice by the Administrator, will have all rights, privileges and franchises granted to it under title I forfeited.

Section 202(g) requires each insured credit union to maintain for a period not in excess of 5 years records which would verify the correctness of its reports of condition, certified statements and premium charges for insurance or, in the case of a dispute over the amount of any premium charge, such records will be retained until final determination of the issue.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

Section 203(a) establishes a revolving fund (the National Credit Union share insurance fund) in the Treasury to be used by the Administrator for carrying out the purposes of the title. The fund is available to the Administrator without fiscal year limitation for payment of the insured accounts and for disbursements in the form of special assistance to prevent the closing of an insured credit union or to reopen a closed insured credit union as provided for in section 208, and for administrative and other expenses incurred in carrying out the purposes of this title.

Section 203(b) provides that all premium charges and all fees for examination and penalties collected be deposited in the fund.

Section 203(c) provides that the Administrator may authorize the Secretary of the Treasury to invest and reinvest portions not needed for current operations in interest-bearing securities of the United

States or in any securities guaranteed as to both principal and interest or in bonds or other obligations which are lawful investments for fiduciary, trust, and public funds of the United States.

Section 203(d) requires the Secretary of the Treasury to make loans to the fund which shall not aggregate more than $100 million if required in the judgment of the Administrator. The rate of interest is to be determined by the specified formula applicable to outstanding marketable public debt obligations of the United States having a maturity date of 5 or less years. The Administrator will not less often than annually determine whether the balance in the fund is in excess of the amount needed to meet requirements and would pay any excess to be credited against any loans outstanding to the fund.

EXAMINATION OF INSURED CREDIT UNIONS

Section 204(a) grants authority to the Administrator to appoint examiners to examine any insured credit unions and claim agents to investigate and examine all claims for insured member accounts.

Section 204(b) empowers the Administrator or his designated representatives to administer oaths, to take testimony under oath and to issue subpenas and subpenas duces tecum and, for the enforcement thereof, to apply to the U.S. district court or the U.S. court in any territory in which the principal office of the credit union is located or in which the witness resides or carries on business.

Section 204(c) provides that the courts may issue an order requiring persons to appear before the Administrator or before a person designated by him to produce books, records, and other papers and to give testimony on the matter in question.

Section 204(d) authorizes the Administrator to accept any report of examination made by or to any commission, board, or authority having supervision of a State-chartered credit union and may furnish to such authority reports of examination made on his behalf.

REQUIREMENTS GOVERNING INSURED CREDIT UNIONS

Section 205(a) requires every insured credit union to display at each place of business a sign or signs as prescribed by the Administrator indicating that its member accounts are insured by the Administrator. Unless exempted, all advertisements must also include a statement that member accounts are insured by the Administrator.

Section 205(b) requires the prior written approval of the Administrator for consolidation or merger with an uninsured credit union, assumption of liability of any uninsured credit union, transfer of assets in consideration of assumption of share account liability, or conversion into an uninsured credit union.

Section 205(c) sets up factors to be considered by the Administrator in making determinations under subsection (b).

Section 205(d) restricts persons convicted of any criminal offense involving dishonesty or breach of trust from serving as a director, officer, committee member, or employee of an insured credit union except with written consent of the Administrator.

Section 205(e) requires the Administrator to promulgate rules establishing minimum standards with respect to installation, maintenance, and operation of security devices which are reasonable in cost

to discourage robberies, burglaries, and larcenies on insured credit unions. Violation of such rules shall subject an insured credit union to a civil penalty not to exceed $100 for each day of violation.

TERMINATION OF INSURANCE; CEASE-AND-DESIST PROCEEDINGS; SUSPENSION AND/OR REMOVAL OF DIRECTORS, OFFICERS, AND COMMITTEE MEMBERS

Section 206(a) provides that an insured State credit union may upon proper notice to the Administrator and upon the affirmative vote of the majority of its members terminate its status as an insured credit union.

Section 206(b) provides that the Administrator, upon his finding that any insured credit union is in an unsafe or unsound condition or is engaging in unsafe or unsound practices or in violation of law, regulation, or order, and after serving notice upon the credit union with respect thereto for the purpose of securing correction and in the case of an insured State credit union with a copy to the State supervisory authority, shall give 30 days' written notice of his intention to terminate the insured status of the credit union and shall fix a time and place for a hearing. Such a hearing would not be earlier than 30 days nor later than 60 days after service of such notice unless an earlier or later date is set by the Administrator at the request of the credit union.

Failure of the credit union to appear shall be deemed as consent to the termination. If upon the record made at the hearing the Administrator shall find that any unsafe or unsound practice or condition has not been corrected within the prescribed time, he may issue and serve upon the credit union an order terminating its status as an insured credit union.

Any credit union whose insured status has been thus terminated shall have the right of judicial review.

Section 206(c) provides that any credit union whose status as an insured credit union has been terminated by its own action or by order of the Administrator must give prompt and reasonable notice to all of its members that it has ceased to be an insured credit union. Member accounts insured on the effective date of such termination remain insured for 1 year after such termination. The Administrator is authorized to give reasonable notice if the credit union fails to give such notice.

Section 206(d) requires the credit union to continue to pay premiums during the period and shall be subject to the duties and obligations of an insured credit union for the period of 1 year from date of termination.

Section 206(e) provides that if, in the opinion of the Administrator, any insured credit union is engaging or has engaged, or if the Administrator has reasonable cause to believe that the credit union is about to engage in any unsound or unsafe practice in conducting the business of such credit union, or is violating or has violated, or if the Administrator has reasonable cause to believe is about to violate, a law, rule, or regulation or any condition imposed in writing by the Administrator, the Administrator may issue and serve upon the credit union a notice of charges in respect thereto. The notice would contain a statement of the facts constituting the alleged un-

safe or unsound practice or practices or violations and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should be issued. Such a hearing shall be fixed for a date not earlier than 30 days nor later than 60 days after service of notice unless an earlier date is requested by the credit union. Failure by the credit union to appear at the hearing shall be deemed consent to the issuance of the cease and desist order. In the event of such consent, or if the Administrator, upon the record made at such hearing, shall find that any unsafe or unsound practice or violation has been established, the Administrator has authority to issue and serve upon the credit union an order to cease and desist from any such practice or violation and to require the directors, officers, committee members, and employees to take affirmative action to correct the conditions resulting from any such practice or violation.

Such a cease-and-desist order would become effective at the expiration of 30 days after service upon the credit union concerned (except when issued upon consent for a time specified) and would remain in effect and enforceable except as it is stayed, modified, terminated, or set aside by the Administrator or a reviewing court.

Section 206(f) provides that whenever the Administrator determines that the unsafe or unsound practice or violation is likely to cause insolvency or substantial dissipation of assets or earnings of the credit union, or is likely to otherwise seriously prejudice the interests of its insured members, the Administrator may issue a temporary order requiring the credit union to cease and desist from any such practice or violation. Such order would become effective upon service upon the credit union, and unless set aside, limited, or suspended by a court as provided in this subsection, would remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until the Administrator shall dismiss the charges specified or, if a cease-and-desist order was issued, until its effective date.

The concerned credit union may, within 10 days after being served with a temporary cease-and-desist order, apply to the U.S. district court for the judicial district in which its principal office is located or the U.S. District Court for the District of Columbia for an injunction setting aside, limiting, or suspending the enforcement of such order and such court would have jurisdiction to issue such injunction.

In the event of violation or threatened violation of, or failure to obey a temporary cease-and-desist order, the Administrator may apply to the U.S. district court for an injunction to enforce such order and, if the court determines that there had been such violation or failure to obey, it is the duty of the court to issue such injunction.

Section 206(g) provides that whenever, in the opinion of the Administrator, any director, officer, or committee member of an insured credit union has committed any violation of law, rule, or regulation, or of a cease-and-desist order which has become final, or has engaged or participated in any unsafe or unsound practice, or has committed or engaged in any act, omission, or practice constituting a breach of his fiduciary duty, and the Administrator determines that the credit union has suffered or would probably suffer substantial financial loss or other damage or that the interests of its insured members could be seriously prejudiced by such violation or practice or breach and that such violation or practice or breach involves

personal dishonesty on the part of such director, officer, or committee member, the Administrator may serve upon such person a written notice of intention to remove him from office.

Whenever, in the opinion of the Administrator, any director, officer, or committee member of an insured credit union, by conduct or practice has evidenced his personal dishonesty and unfitness to participate in affairs of an insured credit union, the Administrator may serve notice of intention to remove such person from office and/or prohibit his further participation in the affairs of such credit union.

With respect to the director, officer, or committee member mentioned above, the Administrator may, if he deemed it necessary for the protection of the insured credit union and its members, suspend him from office and prohibit him from further participation in any manner in the conduct of the affairs of the credit union. Such suspension and/or prohibition would become effective upon service of such notice unless stayed by a court and would remain in effect pending completion of the administrative proceedings pursuant to the notice served under paragraph (1) or (2) of this subsection and until the Administrator shall dismiss the charge specified in such notice, or, if an order of removal is issued against a director, officer, committee member, or other person, until the effective date of any such order. Copies of any such notice would also be served upon the credit union of which he is a director, officer, or committee member or in the conduct of whose affairs he has participated.

Any notice of intent to remove a director, officer, committee member, or other person from office shall contain a statement of the facts constituting the grounds therefor and shall fix a time and place for a hearing not earlier than 30 days nor later than 60 days after date of service of such notice unless an earlier or later date is set at the request of such director, officer, committee member, or other person, and for good cause or upon request of the Attorney General of the United States. Failure of the person to appear at the hearing in person or by a duly authorized representative would be deemed to be consent to the issuance of an order for removal and/or prohibition. In the event of such consent, or if upon the records made at such hearing the Administrator shall find that any of the grounds specified in the notice had been established, the Administrator may issue such orders of suspension or removal from office and/or prohibition from participation in the conduct of the affairs of the credit union as he deemed appropriate. Any such order would become effective at the expiration of 30 days after service upon the credit union and the director, officer, committee member, or other person concerned (except for an order issued upon consent which would become effective at the specified time), and would remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Administrator or a reviewing court.

Within 10 days after any director, officer, committee member, or other person had been suspended from office and/or prohibited from participating in the conduct of the affairs of an insured credit union, he could apply to the U.S. district court for the judicial district in which the principal office of the credit union is located or the U.S. District Court for the District of Columbia for a stay of such suspension and/or prohibition pending the completion of administrative proceedings pursuant to the notice served upon him and the court would have jurisdiction to stay such suspension and/or prohibition.

Section 206(h) provides that whenever any director, officer, or committee member of an insured credit union or other person participating in the conduct of the affairs of such credit union is charged in any complaint authorized by a U.S. attorney or in any information or indictment with the commission of a felony involving dishonesty or breach of trust, the Administrator could, by written notice served upon such director, officer, committee member, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the credit union. Such suspension and/or prohibition would remain in effect until such information, indictment, or complaint is finally disposed of or until terminated by the Administrator. If a judgment of conviction with respect to such offense is entered against such director, officer, committee member, or other person and at such time as said judgment is not subject to further appellate review, the Administrator could issue and serve upon such person an order removing him from office and/or prohibiting him from further participation in any manner in the conduct of the affairs of the credit union except with the consent of the Administrator. A finding of not guilty or other disposition of the charge would not preclude the Administrator from thereafter instituting proceedings to remove such director, officer, committee member, or other person from office and/or to prohibit further participation in the affairs of the credit union pursuant to paragraphs (1) and (2) of subsection (g) of this section.

If, because of suspension of one or more directors pursuant to this section, there were to be less than a quorum of directors not so suspended, all powers and functions vested in or exercised by the board would vest in the director or directors not so suspended until there were to be a quorum. In the event all directors were suspended pursuant to this section, the Administrator would appoint persons to serve temporarily as directors pending the termination of such suspensions or until the successors of the suspended directors had been duly elected by the members at an annual or special meeting. The directors appointed temporarily by the Administrator would be required within 30 days to call a special meeting for election of new directors unless during that 30-day period the regular annual meeting were scheduled or the suspensions giving rise to the appointment of temporary directors were terminated.

Section 206(i) requires that any hearing provided for in this section would be held in the Federal judicial district or in the territory in which the principal office of the credit union is located, unless the party afforded the hearing consents to another place. Such hearings would be conducted in accordance with the provisions of chapter 5 of title 5 of the United States Code and would be private unless the Administrator, in his discretion, determines that a public hearing is necessary to protect the public interest. After such hearing, and within 90 days after the Administrator had notified the parties that the case had been submitted to him for final decision, he would render his decision (which would include findings of fact upon which his decision is predicated) and would issue and serve upon each party to the proceeding an order or orders consistent with the provisions of this section. Judicial review of any such order would be exclusively as provided in this subsection. Unless a petition to review were timely filed in a court of appeals of the United States and until the record in

the proceeding had been filed, the Administrator may at any time, upon notice and in any manner he deems proper, modify, terminate, or set aside any such order. Upon such filing of the record, the Administrator may modify, terminate, or set aside any such order with permission of the court.

Any party to the proceeding or any person required by an order to cease and desist from any of the practices or violations stated therein could obtain a review of any order served (other than an order issued with consent) by filing in the court of appeals of the United States for the circuit in which the principal office of the credit union is located or in the U.S. Court of Appeals for the District of Columbia, within 30 days after the date of service of such order, a written petition praying that the order be modified, terminated, or set aside. The Administrator would then file in the court the record in the proceeding as provided in section 2112 of title 28, United States Code, and the court would then have jurisdiction to affirm, modify, terminate, or set aside, in whole or in part, the order of the Administrator. Review of such proceedings would be had as provided in chapter 7 of title 5, United States Code. The judgment and decree of the court would be final except as subject to review by the Supreme Court upon certiorari (28 U.S.C. 1254). Commencement of proceedings for judicial review would not, unless specifically ordered by the court, operate as a stay of any order issued by the Administrator.

Section 206(j) authorizes the Administrator to apply to the U.S. district court for the enforcement of any effective and outstanding notice or order issued, and such courts would have jurisdiction and power to order and require compliance therewith. However, except as provided in this section, no court would have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this section or to review, modify, suspend, terminate, or set aside any such notice or order.

Section 206(k) provides a maximum fine of $5,000 or imprisonment for not more than 1 year or both for any director, officer, or committee member, or former director, officer, or committee member of an insured credit union, or any other person against whom there is outstanding and effective any notice or order which has become final who participates in any manner in the conduct of the affairs of the credit union involved, or directly or indirectly solicits or procures, transfers or attempts to transfer, votes or attempts to vote any proxies, consents or authorizations in respect to any voting rights in such credit union or who, without the prior written approval of the Administrator votes for a director, serves or acts as a director, officer, committee member, or employee of any credit union.

Section 206(l) defines the terms "cease-and-desist order which has become final" and "order which has become final" and "violation."

Section 206(m) requires that copies of any notice or order served by the Administrator upon any State-chartered credit union or any director, officer, or committee member thereof also be sent to the Commission, board or authority, if any, having supervision of such credit union.

Section 206(n) requires the Administrator, in any proceeding under subsection (e), (f)(1), or (g) involving an insured State-chartered credit union or any director, officer, committee member, or other

person participating in the conduct of its affairs, to provide the commission, board, or authority having supervision of such credit unions with notice of his intent to institute such a proceeding and the grounds therefor. Unless within such time as specified in the notice satisfactory corrective action is effectuated by action of such commission, board, or authority, the Administrator may proceed as provided in this section. No credit union or other party who is the subject of any notice or order has standing to raise the requirements of this subsection as ground for attacking the validity of such notice or order.

Section 206(o) authorizes the Administrator, or any designated representative, to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpenas and subpenas duces tecum, and the Administrator is empowered to make rules and regulations with respect to any proceedings under this section. He may also require the attendance of witnesses and production of documents from any place in any State, or any territory or other place subject to the jurisidiction of the United States at any designated place where proceeding is being conducted. Any party to proceedings under this section may apply to the U.S. district court in any territory in which the proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum, and such courts would have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed would be paid the same fees and mileage that are paid witnesses in the district courts of the United States. Any court having jurisdiction could allow to any party to such proceeding such reasonable expenses and attorneys' fees as it deemed just and proper which would be paid by the credit union or from its assets.

PAYMENT OF INSURANCE

Section 207(a) requires the Administrator to close the credit union and appoint himself liquidating agent when he finds that an insured Federal credit union is bankrupt or insolvent.

It is his duty to cause notice to be given, by advertisement in such newspapers as he may direct, to all persons having claims against such closed credit union, to present their claims within 4 months from date of such advertisement; to realize upon assets of such closed credit union; and so wind up the affairs of such closed credit union in conformity with the provisions of law relating to liquidation of insolvent Federal credit unions. He would pay to himself such portion of liquidation proceeds as he would be entitled to on account of his subrogation to the claims of members, and he would pay to members and creditors the net amounts available for distribution to them. He could, in his discretion, pay dividends on proved claims at any time after the period of advertisement, and no liability would attach to him by reason of any such payment for failure to pay dividends to a claimant whose claim is not proved at the time of such payment.

The Administrator as liquidating agent of a closed Federal credit union is required to furnish bond and has the right to appoint an agent or agents to assist him as liquidating agent.

Section 207(b) authorizes the Administrator to accept appointment as liquidating agent of a State-chartered credit union if authorized and permitted by State law and if offered by the State authority

having supervision of such credit union or by a court of competent jurisdiction. The Administrator as liquidating agent would possess all the rights, powers, and privileges granted by State law to a liquidating agent of a State credit union.

Section 207(c) requires the payment of the insured accounts by the Administrator as soon as possible subject to the provisions of subsection (d) of this section. The term "insured account" is defined as the total amount of the account in the member's name (after deducting offsets) less any part which is in excess of $20,000. The Administrator is authorized to prescribe regulations for determining the amount due any member and define the extent of the insurance coverage for member accounts including those in the name of a minor, in trust, or in joint tenancy. He may also require proof of claims before paying the insured accounts, and in any case where he is not satisfied as to the validity of the claim, he may require final determination of a court of competent jurisdiction before paying such claim.

Section 207(d) provides that the Administrator, upon payment to any member of a closed Federal credit union, be subrogated to all rights of the member against such credit union to the extent of such payment. The Administrator would not make any payment to any member of other than a Federal credit union until the right of the Administrator to be subrogated on the same basis as in the case of a closed Federal credit union had been recognized either by express provision of State law, by allowance of claims by the authority having supervision of such credit union, by assignment of claims by members or by any other effective method. Such subrogation would include the right of the Administrator to receive the same dividends from the proceeds of the assets as would have been payable to the member, but such member would retain his claim for an uninsured portion of his account. The rights of members and other creditors of any State-chartered credit union would be determined by State law.

Section 207(e) provides that payment of an insured account to any person by the Administrator discharges him to the same extent that payment to such person by the closed insured credit union would have discharged it from liability for the insured account.

Section 207(f) provides that the Administrator not be required to recognize as the owner of any portion of an account under a name other than that of the claimant any person whose name or interest as such owner is not disclosed on the records of such closed credit union as part owner of such account, if such recognition would increase the aggregate amount of the insured accounts in such closed credit union.

Section 207(g) authorizes the Administrator to withhold payment of an insured account of a member as may be required to provide payment of any liability of such member to the closed credit union or its liquidating agent.

Section 207(h) provides that if, after the notice of at least 4 months, any member fails to claim his insured account within 18 months after the appointment of the liquidating agent for the closed credit union, all his rights against the Administrator with respect to the insured account would be barred, and all rights of the member against the closed credit union, or the estate to which the Administrator may have become subrogated, shall thereupon revert to the member.

Section 207(i) authorizes liquidating agents of insured credit unions to offer the assets of the credit union for sale to the Administrator or as security for loans from the Administrator, upon receiving permission from the State authority having supervision of such credit union in accordance with express provisions of State law. The Administrator may make loans or purchase and liquidate or sell any part of the assets of an insured credit union closed for liquidation on account of bankruptcy or insolvency, but in any case in which he is acting as liquidating agent, no such loan or purchase may be made without the approval of a court of competent jurisdiction.

No agreement which tends to diminish or defeat the right, title, or interest of the Administrator in any asset acquired by him under this subsection would be valid against him unless the agreement is in writing; has been executed by the credit union and the person or persons claiming an adverse interest; has been approved by the board of directors of the credit union and approval is reflected in the minutes of such board; and has been, continuously, from the time of its execution, an official record of the credit union.

SPECIAL ASSISTANCE TO AVOID LIQUIDATION

Section 208(a) authorizes the Administrator to make loans or purchase the assets of or establish accounts in an insured credit union upon such terms and conditions as he may prescribe in order to reopen a closed credit union or in order to prevent the closing of an insured credit union which the Administrator has determined to be in danger of closing. Such loans would be made and such accounts would be established only when the Administrator determines such action to be necessary to protect the fund or the interests of the credit union members.

When, in the judgment of the Administrator, such action would reduce the risk or avert a threatened loss to the fund and would facilitate a merger or consolidation of an insured credit union with another insured credit union, or would facilitate the sale of the assets of an open or closed credit union to and an assumption of liability by another insured credit union, the Administrator may make loans secured in whole or part by assets of an open or closed insured credit union, or the Administrator may purchase any of such assets or may guarantee any other insured credit union against loss by reason of its assuming the liabilities or purchasing the assets of an open or closed insured credit union.

No agreement which tends to diminish or defeat the right, title, or interest of the Administrator in any asset acquired by him under this subsection would be valid against him unless the agreement is in writing; has been executed by the credit union and the person or persons claiming an adverse interest; has been approved by the board of directors with such approval reflected in the minutes; and has been continuously, from time of its execution, an official record of the credit union.

Section 208(b) authorizes the Administrator to deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for management of, sell for cash or credit, or lease any real property acquired or held by him without regard to the Federal Property and Administrative Services Act of 1949, for the protection of the fund.

He could also assign or sell or otherwise dispose of any evidence of debt, contract, claim, personal property, or security assigned to or held by him under this section.

Any purchase or contract for services or supplies made or entered into by the Administrator if the amount does not exceed $1,000, or any contract for hazard insurance on any real property acquired or held by him is exempt from section 3709 of the Revised Statutes.

Section 208(c) authorizes the Administrator to carry on the business of any insured credit union in liquidation, and to do all that may be necessary in connection therewith, subject to the regulation of the court or other public body having jurisdiction over the matter.

Section 208(d) provides that money received by the Administrator in carrying out this section be paid into the fund.

ADMINISTRATIVE PROVISIONS

Section 209(a) sets forth in detail the specific authorities of the Administrator such as power to make contracts; to sue and be sued; to compromise claims; to appoint officers and employees; to employ experts and consultants; to exercise all specific powers and such incidental powers as shall be necessary to carry out the powers so granted; to make examinations of and require reports from insured credit unions; to prescribe rules and regulations as he may deem necessary, etc.

Section 209(b) requires the Administrator to prepare annually a business-type budget and to maintain accounts which would be audited annually by the General Accounting Office.

NONDISCRIMINATORY PROVISION

Section 210 states that it is not the purpose of this title to discriminate against State-chartered credit unions and in favor of Federal credit unions.

DEFINITIONS

Section 2 of the act defines "member account" and "account" to mean a share, share certificate, or share deposit account of a member and in the case of a credit union serving predominantly low-income members such terms shall include a share, share certificate, or share deposit account of such nonmembers as approved by the Administrator. The terms "State credit union," "insured credit union," "fund," and "branch" are also defined.

AMENDMENTS TO THE CRIMINAL CODE

Section 3 of the act amends section 493 of title 18 of the United States Code, relating to bonds and obligations of certain lending agencies, to include the National Credit Union Administration and insured credit unions.

Section 4 of the act amends section 657 of title 18 of the United States Code, relating to lending, credit, and insurance institutions, to include the National Credit Union Administration and its Administrator.

Section 5 of the act amends section 709 of title 18 of the United States Code, relating to false advertising and misuse of names to indicate a Federal agency, to include practices as indicating insurance under the Federal Credit Union Act or being an insured credit union.

Section 6 of the act amends section 1006 of title 18 of the United States Code, relating to false entries in reports and transactions of Federal credit institutions, to include the National Credit Union Administration and its Administrator.

Section 7 of the act amends section 1014 of title 18 of the United States Code, relating to false statements in loan and credit applications, to include insured State-chartered credit unions.

Section 8 of the act amends section 2113 of title 18 of the United States Code, relating to bank robbery and incidental crimes, to include insured credit unions.

REGULAR RESERVE FORMULA

Section 9 of the act amends the regular reserve formula required by section 116 of title I (formerly sec. 17 of the Federal Credit Union Act) the change the base for reserve credits from net income to gross income as follows: 10 percent until the regular reserve shall equal 7½ percent of total outstanding loans and risk assets, then 5 percent until the regular reserve shall equal 10 percent of outstanding loans and risk assets.

NONMEMBER SHARES; INVESTMENTS IN CREDIT UNIONS

Section 10 of the act amends section 107 of title 1 to permit a Federal credit union to not only receive from members but also from other federally insured credit unions, payments on shares and, in the case of credit unions serving predominantly low-income members, to receive payments on shares, share certificates, or share deposits from nonmembers. It also authorizes a Federal credit union to invest in shares, share certificates or share deposits of federally insured credit unions.

INDEPENDENT AGENCY FOR FEDERAL CREDIT UNIONS

[H.R. 2]

[Public Law 91–206, approved March 10, 1970]

To amend the Federal Credit Union Act so as to provide for an independent Federal agency for the supervision of federally chartered credit unions

History of Legislation

H.R. 2 was introduced in the House of Representatives on January 3, 1969. Hearings were held on H.R. 2 on June 17 and 18, 1969, and the Banking and Currency Committee of the House of Representatives favorably reported the bill without amendment on June 27, 1969 (H. Rept. 91–331). The bill was passed by the House of Representatives on July 28, 1969, and sent to the Senate where it was referred to the Banking and Currency Committee.

A companion bill, S. 2298, was introduced by Senator Sparkman on May 29, 1969. Hearings were held by the committee on H.R. 2 and S. 2298 on September 23, 1969, and subsequently H.R. 2 was favorably reported (S. Rept. 91–518) with amendments to the Senate on November 5, 1969. No further action was taken on H.R. 2 during the first session of the 91st Congress.

On February 4th, 1970 the bill was considered, amended and passed by the Senate. The measure was then subject to a Senate-House Conference and subsequently on February 8, 1970 the Conference Report (H. Rept. 91–841) was filed. The Senate agreed to the Conference Report on February 19th and the House agreed on February 24th, 1970. H.R. 2 was approved by the President on March 10, 1970 becoming Public Law 91–106.

Digest of Statute

Sections 1 and 2.—Contain technical amendments to make the existing law conform to establishment, under subsequent provisions, of an independent agency for the regulation of Federal credit unions.

Section 3.—Establishes a National Credit Union Administration. It provides for the appointment of an Administrator by the President and the appointment of a National Credit Union Board by the President; fixes the terms of the Board members; specifies certain aspects of the operation of the Board; and provides for audit by the General Accounting Office of the operation of the Administration.

Section 4.—Confers upon the Administrator the authority necessary to perform his functions.

Section 5.—Provides for the employment of personnel at certain levels.

Section 6.—Transfers all functions, property, records, and personnel of the Bureau of Federal Credit Unions to the National Credit Union Administration.

UNSOLICITED CREDIT CARDS

[S. 721]

[Public Law 91–508, approved October 26, 1970]

To safeguard the consumer by requiring greater standards of care in the issuance of unsolicited credit cards and by limiting the liability of consumers for the unauthorized use of credit cards, and for other purposes

History of Legislation

S. 721 was introduced by Senator Proximire and others on January 28, 1969 and was referred to the Committee on Banking and Currency. On March 10, 1969, it was referred to the Subcommittee on Financial Institutions. Hearings were held on the measure on December 4, 7, and 8, 1969. After consideration by the Committee in Executive Session, the bill was reported (S. Rept. 91–739), with amendments on March 13, 1970. S. 721 was considered, amended, and passed by the Senate on April 15, 1970, and was sent to the House of Representatives where it was referred to the House Committee on Banking and Currency on September 9, 1970.

Subsequently, S. 721 was added as title V to H.R. 15073, the Foreign Bank Secrecy and Bank Recordkeeping bill.

(See action on H.R. 15073, P.L. 91–508 supra.)

Digest of Statute

The bill amends the Truth in Lending Act by adding six new subsections to section 103 dealing with definitions and by adding two new sections to the act. The Federal Reserve Board is given general regulatory authority while the enforcement responsibility is assigned to the appropriate Federal agency which has supervisory jurisdiction over the type of business firm or organization concerned.

Section 501 of the amends section 103 of the Truth in Lending Act (82 Stat. 146) by adding the following new definitions:

103(j) Adequate Notice.—In order to hold the consumer liable for the maximum of $50 as provided under section 133, the card issuer must provide "adequate notice" to the consumer of his potential liability either on the card itself, on the periodic statement, or by other means.

103(k) Credit Card.—A credit card is defined as any card, plate, coupon book or other device used to obtain goods, services or money on credit.

103(l) Accepted credit card.—An accepted credit card is one which has been requested and received or one which the recipient has used or signed. Renewal credit cards are considered accepted if they have been issued and received within 1 year after a prior card has been paid for and used.

103(m) Cardholder.—A cardholder is any person to whom a credit card is issued or who has agreed to pay the obligations arising from the issuance of a credit card to another person.

103(n) Card issuer.—A card issuer is any person who issues a credit card.

103(o) Unauthorized use.—The unauthorized use of a credit card is a use by a person other than the cardholder who does not have actual, implied, or apparent authority for such use and from which the cardholder receives no benefit.

Section 502 of the act adds a new section 132 to the Truth in Lending Act which prohibits the issuance of unsolicited credit cards except in response to a request or application. The prohibition does not apply to the renewal of cards issued after the effective date of the act nor to the renewal of cards issued prior to such date if the card was specifically signed or used by the holder.

Section 502 also adds a new section 133 to the Truth in Lending Act to limit the liability of a cardholder.

Section 133(a) states that the maximum liability a cardholder has for all unauthorized uses of his credit card is $50 if the loss or losses occur prior to his notifying the company. He would have no liability for unauthorized uses occurring after the card issuer has been notified of the loss or theft of the card. In addition, he would not be liable for even the $50 maximum for unauthorized uses occurring prior to his notifying the company of the card's loss or theft unless:

(1) he has requested and received the card or has signed it or used it;

(2) the issuer provides the cardholder with a self-addressed prestamped notification to be mailed in the event of the card's loss.

(3) the card issuer has given adequate notice of the cardholder's potential liability; and

(4) the card has some means of identification such as a signature panel or photograph. (This requirement initially applies only to credit cards issued after the effective date of the section. Twelve months after the section's effective date, it applies to all credit cards, regardless of when issued.)

Section 133(b) states that in any action to enforce liability for the use of a credit card the burden of proof is upon the issuer.

Section 133(c) states that in no event shall the cardholder's liability exceed the limit provided under State law or by agreement with the issuer.

Section 133(d) states that unless all the conditions of subsection (a) are met, a cardholder has no liability for the unauthorized use of a credit card.

Section 502 also adds a new section 134 to the Truth in Lending Act making it a Federal crime to use a credit card fraudulently for obtaining goods or services in excess of $5,000.

Section 503 establishes effective dates. Sections 132 and 134 are effective upon enactment. Section 133 is effective 90 days following enactment.

CURRENCY AND COINAGE

ADJUSTMENTS OF OUTSTANDING CURRENCY

[S. 3825]

To authorize further adjustments in the amount of silver certificates outstanding, and for other purposes.

History of Legislation

S. 3825 was introduced by Senator Sparkman for himself and Senator Bennett on May 12, 1970. After consideration by the committee the bill was reported (S. Rept. 91–929) on June 12, 1970. The measure was considered and passed by the Senate on June 17, 1970 and sent to the House of Representatives where it was referred to the House Banking and Currency Committee. No further action was taken on the measure by the House of Representatives.

Digest of Bill

S. 3825, would authorize further adjustments in currencies outstanding which were issued after June 30, 1929. Specifically, the amendment proposed to the first section of the act of June 24, 1967, would authorize the writeoff of Federal Reserve bank notes and national bank notes, and would remove the limitation of $200 million on the aggregate face value of silver certificates outstanding that the Secretary of the Treasury is authorized by law to write off after he has determined that they have been lost or destroyed, or are held in collections, and will never be presented for redemption. The limitation of $200 million of silver certificates which could be written off was established by the act of June 24, 1967 (31 U.S.C. 405a–2).

DEFENSE PRODUCTION

EXTENSION OF THE DEFENSE PRODUCTION ACT AND UNIFORM COST ACCOUNTING STANDARDS

[S. 3302]

[Public Law 91–379, approved August 15, 1970]

To amend the Defense Production Act of 1950, and for other purposes

History of Legislation

S. 3302 was introduced by Senator Proxmire on December 23, 1969. Hearings were held on the measure on March 31, April 1 and 2, 1970. After consideration of the bill by the Committee in Executive Session, it was reported (S. Rept. 91–890), with an amendment, on May 21, 1970. S. 3302 was considered, amended, and passed by the Senate on July 9, 1970, and sent to the House of Representatives were it was referred to the House Committee on Banking and Currency on July 13, 1970.

Subsequently, after consideration, the House Committee reported (H. Rept. 91–1330) a Committee bill, H.R. 17880, on July 27, 1970. H.R. 17880 was considered, amended, and passed by the House of Representatives on July 31, 1970, and the provisions of H.R. 17880 were then substituted for S. 3302. The measure became the subject of a conference between the Senate and the House and on August 8, 1970, a conference report (H. Rept. 91–1386) was filed.

The Senate agreed to the Conference Report on August 12, 1970, and the House agreed to that report on August 13, 1970.

S. 3302 was approved by the President on August 15, 1970, becoming Public Law 91–379.

Digest of Statute

TITLE I.—DEFENSE PRODUCTION ACT AMENDMENTS

Section 101.—This section extends the Defense Production Act until June 30, 1972.

Section 102.—This section amends section 702 of the Defense Production Act to add space to the list of programs covered by the act. Other programs covered include defense, atomic energy, military assistance, and stockpiling.

Section 102.—This section adds to the Defense Production Act a new section 719 dealing with uniform cost accounting standards as follows:

Sections 719 (a) through (f).—These subsections establish as an agent of the Congress a five member Cost-Accounting Standards Board. The Comptroller General is designated as Chairman. The other four members would be appointed by the Comptroller General.

Two of the appointed members will be from the accounting profession, one of whom shall be particularly knowledgeable about the cost accounting problems of small business, one from industry, and one from the executive branch.

The appointed members will serve a 4-year term. The Board is given the authority to hire a staff and make the customary administrative arrangements required to carry out its duties.

Section 719(g).—This subsection directs the Board to promulgate cost accounting standards designed to achieve uniformity and consistency in the cost accounting principles followed by defense contractors and subcontractors on negotiated defense contracts in excess of $100,000. The word "defense", as defined in section 702 of the Defense Production Act applies for the purposes of section 719. Hence the cost-accounting standards would apply to negotiated contracts with the Department of Defense, the Atomic Energy Commission, and the National Aeronautics and Space Administration, as well as other agencies insofar as stockpiling or military assistance programs are involved.

Negotiated contracts for the procurement of standard commercial items sold in substantial quantities to the general public will be exempt from the standards if the negotiations were based on established catalog or market prices or if the prices were set by law or regulation.

Section 719(h)(1).—This paragraph authorizes the Board to issue rules and regulations to implement the cost-accounting standards established under section 719(h). Such regulations shall require defense contractors and subcontractors to disclose their cost-accounting principles as a condition of contracting and to follow those principles consistently.

Section 719(h)(2).—This subparagraph authorizes the Board to exempt such classes or categories of defense contractors or subcontractors as may be appropriate and consistent with the purposes of the section.

Section 719(h)(3).—Cost accounting standards, rules, and regulations shall become effective following the expiration of sixty continuous days in which the Congress is in session after promulgation by the Board provided Congress has not passed a concurrent resolution in opposition.

Section 719(i).—This section requires standards, rules and regulations to be published in the Federal Register. Notice will have to be given by the Board and affected parties will have 30 days to comment. The standards, rules, and regulations will not go into effect until the start of the second fiscal quarter beginning after the expiration of not less than 30 days after publication in the Federal Register.

Section 719(j).—This section authorizes the Board, the Comptroller General, or the procurement agency to obtain access to a contractor's or subcontractor's books and records to determine compliance with the requirements of section 719.

Section 719(k).—This section requires a progress report from the Board in 2 years and a yearly report thereafter.

Section 719(1).—This section authorizes the appropriation of funds needed to carry out the provisions of the act.

Section 104—this section amends Sec. 301 of the Defense Production Act by prohibiting the use of the Act's Loan guarantee authority on Loans in excess of $20 million, or if the principal purpose of the Loan

(regardless of amount) is to prevent the financial insolvency of a firm unless the President certifies the insolvency would have a direct and substantially adverse effect upon defense production and provides detailed justification for such certification to the Congress.

TITLE II—COST OF LIVING STABILIZATION

This title authorizes the President to pull back prices, rents, wages and salaries to their May 25, 1970 levels. The authority expires on Feb. 28, 1971.

TEMPORARY EXTENSION OF THE DEFENSE PRODUCTION ACT

[H.J. Res. 1259]

[P.L. 91–300, approved June 30, 1970]

To extend the effectiveness of the Defense Production Act of 1960 to July 30, 1970.

History of Legislation

House Joint Resolution 1259 was introduced in the House of Representatives on June 15, 1970. The Resolution was discharged from the House Banking and Currency Committee on June 24, 1970, and on the same day it was considered and passed by the House of Representatives. The measure was sent to the Senate where it was placed on the Calendar and on July 25, 1970, it was considered and passed by the Senate.

House Joint Resolution 1259 was approved by the President on June 30, 1970, becoming Public Law 91–300.

Digest of Statute

House Joint Resolution 1259 provided a temporary extension of 30 days from June 30, 1970, to July 30, 1970, of the Defense Production Act of 1950.

TEMPORARY EXTENSION OF THE DEFENSE PRODUCTION ACT

[H.J. Res. 1336]

[P.L. 91–371, approved August 1, 1970]

To extend the effectiveness of the Defense Production Act of 1950 to August 15, 1970.

History of Legislation

House Joint Resolution 1366 was introduced in the House of Representatives on July 29, 1970. The Resolution was discharged from the House Banking and Currency Committee on July 30, 1970, and on the same day it was considered and passed by the House of Representatives. The measure was sent to the Senate where it was

placed on the Calendar and was considered and passed on the same day, July 30, 1970.

House Joint Resolution 1336 was approved by the President on August 1, 1970, becoming Public Law 91–371.

Digest of Statute

House Joint Resolution 1336 provided a temporary extension from July 30, 1970, to August 15, 1970, of the Defense Production Act of 1950.

HOUSING

HOUSING AND URBAN DEVELOPMENT ACT OF 1970

[H.R. 19436—S. 4368]

[Public Law 91–609, approved December 31, 1970]

To provide for the establishment of a national urban growth policy, to encourage and support the proper growth and development of our States, metropolitan areas, cities, counties, and towns with emphasis upon new communities, and inner city development, to extend and amend laws relating to housing and urban development, and for other purposes.

History of Legislation

On July 13–15, 20–24, 27 and 30, 1970, the Subcommittee on Housing and Urban Affairs held hearings to consider some 31 bills[1] relating to the various housing programs and other housing and urban development matters. Following these hearings, the committee met in executive session on August 11, 13, 19, 20 and 26 and September 11 and 16 to consider all bills, amendments, and other proposals pending before the committee. Subsequently, Senator Sparkman reported a committee bill, S. 4368 on September 21, 1970 (S. Rept. 91–1216). On September 23, S. 4368 was considered, amended and passed by the Senate and sent to the House of Representatives where it was referred to the House Committee on Banking and Currency on September 28, 1970.

Subsequently, the House Committee on Banking and Currency considered and reported (H. Rept. 91–1556) a committee bill, H.R. 19436, on October 5, 1970. The committee bill was considered, amended and passed by the House of Representatives on December 3, 1970 and was sent to the Senate. The provisions of S. 4368 and S. 3330 were offered as amendments in the nature of a substitute for H.R. 19436 and the measure was then returned to the House of Representatives. H.R. 19436 became the subject of a conference between the Senate and the House of Representatives. The Conference Report (H. Rept. 91–1784) was filed on December 17, 1970 and agreed to by the Senate on December 18, 1970 and by the House of Representatives on December 19, 1970.

H.R. 19436 was signed into law by the President on December 31, 1970 becoming Public Law 91–609.

Digest of Statute

Title I—Mortgage Credit

Section 101—Extension of Programs

This section extends until October 1, 1972, the Federal Housing Administration's authority under the National Housing Act to insure housing and other types of mortgage loans and to insure Title I home

[1] S. 3639; S. 2855; S 2901; S. 3025; S. 3239; S. 3311; S. 3330; S. 3504; S. 3624; S. 3640; S. 3755; S. 3775; S. 3786; S. 3824; S. 3938; S. 3941; S. 4046; S. 4067; S. 4079; S. 4086; S. 4087; S. 4088; S. 4093; S. 4094; S. 4143; S. 4145; S. 4154; S. 4181; S. 4182; S. 4190; S. 4027.

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improvement and mobile home loans. Without this extension the FHA's basic insuring authorities would expire on January 1, 1971 (except for the Sections 235 and 236 homeownership and rental assistance programs which expire on October 1,1971).

Subsection (a) extends the authority of FHA to insure property improvement loans under its title I program. Subsection (b) would extend authority to insure housing loans and mortgages under all FHA programs except those with independent termination dates. Subsection (c) would extend the section 221 program of mortgage insurance for housing for low- and moderate-income families. Subsections (d) and (e) extend the section 235 homeownership assistance and the section 236 rental assistance programs. Subsections (f) and (g) would extend the authority to insure mortgages under the section 809 and 810 programs providing housing for the military, NASA and the AEC. Subsections (h) and (i) would extend the programs of mortgage insurance for land development and for group medical facilities.

Section 102—Authorization for Assistance Payments Under Sections 235 and 236

Subsection (a) amends section 235(h)(1) of the National Housing Act to increase, from $125 million to $150 million as of July 1, 1970 and from $170 million to $200 million on July 1, 1971, the aggregate amount of the contracts which may be entered into by the Secretary to make periodic homeownership assistance payments. It also clarifies the authority of the Secretary of Housing and Urban Development to enter into contracts for assistance payments in an outstanding amount at any one time not in excess of the amount approved in appropriation Acts.

Subsection (b) amends section 236(i) of the National Housing Act to increase, from $125 million to $150 million as of July 1, 1970 and from $170 million to $200 million on July 1, 1971, the aggregate amount of the contracts which may be entered into by the Secretary to make periodic interest reduction payments on behalf of owners of rental housing projects designed for occupancy by lower income families. It would also clarify the authority of the Secretary of Housing and Urban Development to enter into contracts for assistance payments in an outstanding amount at any one time not in excess of the amount approved in appropriation Acts.

Section 103—Rent Supplement Payments

This section amends section 101(a) of the Housing and Urban Development Act of 1965 to increase, by $40 million on July 1, 1971, the aggregate amount of contracts that the Secretary of Housing and Urban Development may enter into to make rent supplement payments.

Section 104—Compensation for Defects in Section 235 Existing Housing

This section amends section 518 of the National Housing Act by adding a new subsection authorizing the Secretary of Housing and Urban Development to make expenditures to correct, or to compensate the owner for, structural or other defects which seriously affect the use and liveability of a home which is insured under section 235 of the Act and which was more than one year old on the date of issuance of the insurance commitment. Such expenditures are authorized if (1) the

owner requests the Secretary's assistance not later than one year after insurance of the mortgage or, in the case of a dwelling covered by a mortgage which was insured prior to the date of enactment of this section, one year after enactment, and (2) the defect is one that a proper inspection could reasonably be expected to disclose. The Secretary may require from the seller of the dwelling an agreement to reimburse him for any payments made pursuant to this section.

Section 105—Use of Existing Housing Under Section 235 Program

This section amends section 235(h) of the National Housing Act to provide that up to 30 percent of the total amount of contracts for homeownership assistance payments authorized to be made by appropriation Acts through fiscal year 1972 may be made with respect to nonrehabilitated existing dwellings or dwelling units in esixting projects. It also provides that at least ten percent of the total amount of contracts for assistance payments authorized to be made by appropriation Acts after June 30, 1971 shall be available for use only with respect to rehabilitated dwellings.

Section 106—Mortgage Insurance Under Section 235(i) For Rehabilitation of Duplexes

This section amends section 235(i) of the National Housing Act to eliminate the requirement that a two-family dwelling must be purpurchased with the assistance of a nonprofit organization in order to be eligible for mortgage insurance under section 235.

Section 107—Assistance Under Section 235 Program for Cooperative Projects Financed Under Certain State or Local Programs

This section amends section 235(b) of the National Housing Act to permit homeownership assistance payments to be made on behalf of lower income members of cooperative housing projects financed with aid under a State or locla program which are approved by the Secretary prior to the completion of construction or substantial rehabilitation; this authority would be comparable to similar authority contained in section 236 with respect to rental projects financed under State or local programs.

Section 108—Inclusion of Certain Costs in Section 236 Projects

This section amends section 236(b) of the National Housing Act to authorize the Secretary, in computing the amount of rental assistance payments, to treat fees and charges imposed on mortgagors participating in State or locally financed mortgage lending programs in the same manner as FHA charged mortgage insurance premiums.

Section 109—Maximum Amount of FHA-Insured Hospital Mortgage

This section amends section 242(d)(2) of the National Housing Act to increase from $25 million to $50 million the maximum insurable mortgage amount for hospitals.

Section 110—Mortgage Insurance for Proprietary Hospitals

This section amends section 242 of the National Housing Act to expand the program of mortgage insurance for nonprofit hospitals to cover mortgages financing new or rehabilitated proprietary hospitals. To be eligible for mortgage insurance the proprietary hospital must be licensed or regulated by the State or locality in which it is located.

Section 212 of the National Housing Act is also amended to make FHA's fair labor standards provisions (Davis-Bacon Act) applicable to proprietary hospitals financed under section 242 except that compliance may be waived by the Secretary in cases where laborers or mechanics voluntarily donate their services for the purpose of lowering hospital construction costs.

Section 111—FHA Supplemental Loans for Multifamily Projects

This section amends section 241 of the National Housing Act to authorize the Secretary to insure supplemental loans in an amount found acceptable to him to finance improvements to multifamily projects and certain health facilities which were originally covered by mortgages insured under the National Housing Act but are now covered by uninsured mortgages held by the Secretary. Mortgages are "held" by the Secretary when they are assigned to him in lieu of foreclosure or when the Secretary sells acquired property and takes back a purchase money mortgage. Under existing law the Secretary can insure a supplemental loan only when the multifamily project or health facility is covered by an insured mortgage.

Section 112—Mortgages for Civilian Personnel at Military Installations

This section amends section 809(b) (mortgage insurance for civilian employees at military installations) of the National Housing Act to provide that when essential civilian employees at research and development installations of the Defense Department, NASA, or the AEC move from one installation to another and are thus involved in more than one mortgage insurance transaction, the Secretary of Defense (or NASA or AEC) is relieved of his obligation to guarantee the General Insurance Fund from loss with regard to the first mortgage transaction (Under existing law, the Secretary of Defense must guarantee all such mortgages if they are deemed by the Secretary of Housing and Urban Development to be unacceptable insurance risks).

Section 113—Mobile Home Loans Under Title I

This section amends section 2(b) of the National Housing Act (home improvement and mobile home loan insurance) to provide that when a mobile unit is composed of two or more modules, the maximum insurable mobile home loan shall be $15,000 (instead of $10,000) and the maximum term shall be 15 years 32 days (instead of 12 years 32 days).

Section 114—Use of Certain Housing Facilities Under Section 221 and Section 236 for Classroom Purposes

This section amends sections 221 and 236 of the National Housing Act to authorize the use of available facilities in existing section 221 and 236 rental or cooperative housing projects for classroom purposes where public schools are overcrowded due in part to the project.

Section 115—Congregate Housing for the Displaced, Elderly and Handicapped

Subsection (a) amends section 221 of the National Housing Act to authorize the Secretary to insure mortgages covering rental projects to be occupied by displaced, elderly, or handicapped persons, which may contain community kitchens, common dining areas, and other shared facilities.

Subsection (b) amends section 236 of the National Housing Act to authorize the insurance of mortgages under that section covering rental projects to be occupied by displaced, elderly or handicapped persons which need not, with the approval of the Secretary, contain kitchen facilities. Up to 10 percent of the total amount of interest reduction payments contracted to be made pursuant to appropriation acts after the date of the enactment of the Housing and Urban Development Act of 1970 may be made with respect to such projects.

Subsection (c) amends section 101 of the Housing and Urban Development Act of 1965 to make clear that rent supplement payments may be made to owners of rental projects to be occupied by low-income displaced, elderly, or handicapped persons which need not, with the approval of the Secretary, contain kitchen facilities. Up to 10 percent of the amounts approved in appropriation acts for rent supplement payments after the date of the enactment of the Housing and Urban Development Act of 1970 may be paid on behalf of occupants of such projects.

Section 116—FHA Rehabilitation Standards for Housing in Urban Renewal Areas

This section adds a new section 524 to the National Housing Act which requires the Secretary of HUD, with respect to properties approved for mortgage insurance prior to rehabilitation, to apply uniform property standards as between properties located within urban renewal areas and those located outside such areas.

Section 117—Investment of FHA Reserve Funds

This section amends sections 206 (mutual mortgage insurance fund), 213(o) (cooperative management housing insurance fund), 236(g) (rental assistance funds), 238(b) (special risk insurance fund), and 519(c) (general insurance fund) of the National Housing Act to provide that moneys in the various insurance and reserve funds shall, to the maximum extent feasible, be invested in bonds or other obligations of, or guaranteed by, the United States or an agency thereof, the proceeds of which will be used to support directly the residential housing market.

Section 118—Assistance Under Section 236 and Rent Supplement Programs for Existing Projects Financed Under Certain State or Local Programs

Subsection (a) amends section 236(b) of the National Housing Act to permit rental assistance payments with respect to rental or cooperative housing projects financed with aid under a State or local program without regard to the time at which construction or rehabilitation of the project is completed. Under existing law such payments are authorized only if the project is approved by the Secretary prior to completion of construction or substantial rehabilitation.

Subsection (b) amends section 101(b) of the Housing and Urban Development Act of 1965 to permit rent supplement payments with respect to rental and cooperative housing projects financed with aid under a State or local program without regard to the time at which construction or rehabilitation of the project is completed. Under existing law such payments are authorized only if the project is approved by the Secretary prior to the completion of construction or substantial rehabilitation.

Section 119—Land Development Planning

This section amends section 1003(b)(3) of the National Housing Act to waive the requirement of consistency with comprehensive planning for the area in cases where (1) the land development is covered by a mortgage with respect to which an insurance commitment is issued within one year from the date of enactment of the Housing and Urban Development Act of 1970 and (2) there is no comprehensive plan which covers, or comprehensive planning being carried on for, the area in which the land development is situated.

Section 120—Occupancy Preference in FHA Rental Housing for Military Personnel

This section amends section 7 of the Department of Housing and Urban Development Act to authorize the Secretary (whenever he determines that, because of location or other considerations, a rental housing project assisted under title II of the National Housing Act or the rent supplement program could ordinarily be expected substantially to serve the family housing needs of lower income military personnel serving on active duty) to provide for or approve such preference or priority of occupancy in the project by such military personnel as he determines is appropriate to assure that the project will serve their needs on a continuing basis not withstanding the frequency with which individual members may be transferred or reassigned to new duty stations. The section also amends section 101(c)(2) of the Housing and Urban Development Act of 1965 to make low income families whose head, or spouse, is a member of the Armed Forces of the United States serving on active duty eligible for rent supplement benefits.

Section 121—State Funding of Section 236 Interest Reduction Payments.

This section amends section 236 of the National Housing Act to authorize the Secretary of Housing and Urban Development to enter into contracts with States or agencies thereof under which interest reduction payments would be paid to the Secretary with respect to all or part of a project covered by a mortgage insured under section 236. Before entering into any such agreement the Secretary shall require assurances satisfactory to him that the State or agency thereof is able to provide sufficient funds for the making of interest reduction payments for the full period specified in the interest reduction contract.

Title II—Urban Renewal and Housing Assistance Programs

Section 201—Urban Renewal Grant Authority

This section amends section 103(b) of the Housing Act of 1949 to increase the aggregate amount of capital grants which may be made under the urban renewal program by $1.5 billion on July 1, 1971, and requires that not less than 35 percent of available funds during the fiscal years of 1970 through 1974 be made available for neighborhood development programs.

Section 202—Public Housing Annual Contributions

This section amends section 10(e) of the United States Housing Act of 1937 to increase the authorization for annual contribution contracts under the public housing program from $170 million to $320 million as of July 1, 1970, and by $225 million on July 1, 1971.

Section 203—Use of Public Housing Contract Authority for Low-Rent Housing in Private Accommodations

This section amends section 10(e) of the United States Housing Act of 1937 to require that at least 30 percent of the dwelling units for which contracts for annual contributions are entered into pursuant to the new authority granted under section 202 of the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be units in private accommodations provided pursuant to section 23 of the United States Housing Act of 1937.

Section 204—Term and Renewal of Contracts for Low-Rent Housing in Private Accommodations

This section amends section 23(d) of the United States Housing Act of 1937 to extend, from 5 to 10 years, the maximum term of any contract entered into between a local public housing agency and a housing owner to provide low-rent housing in private accommodations provided that no renewal of any contract shall result in a total term exceeding 20 years (or 15 years in the case of an existing structure).

Section 205—Authorization for College Housing Debt Service Grants

This section amends section 401(f)(2) of the Housing Act of 1950 to increase by $12 million on July 1, 1971, the aggregate amount of contracts which may be entered into to make annual debt service grants to help finance college housing facilities.

Section 206—Expenses in Connection With the Sale of Surplus Federal Lands to Local Urban Renewal Agencies

This section amends section 108 of the Housing Act of 1949 to permit the Secretary to charge against the gross proceeds realized any property management or other expenses he incurs when Federal surplus real property is transferred to him for sale to a local urban renewal agency. Under existing law all the proceeds from such a transfer and sale must be deposited into the Treasury.

Section 207—Congregate Housing for the Displaced, Elderly and Handicapped

This section amends section 15 of the United States Housing Act of 1937 by adding a new paragraph (12) which would direct the Secretary to encourage local public housing agencies to develop congregate housing for the displaced, elderly and handicapped. Congregate housing would be defined to mean projects with central dining facilities where some or all of the units do not have kitchen facilities. The dining facility would be required to be operated on a self-supporting basis; however, any expenditures, other than for food or services, could be considered a cost of the administration of the project. The section also provides that not more than 10 percent of the total amount of contracts for annual contributions entered into in any fiscal year pursuant to the new authority granted under the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units in congregate housing.

Section 208—Public Housing Rent Requirements

This section amends section 2(l) of the United States Housing Act of 1937 to provide a statutory definition of income for the purpose of establishing maximum rentals at one-fourth of tenant income.

Family income would include all moneys received by each member of the family in the household who is at least 18 years of age less (1) income which is determined by the Secretary to be nonrecurring and the income of full time students; (2) 5 percent of the family's gross income (10 percent in the case of elderly families); (3) $300 for each dependent; (4) $300 for each secondary wage earner; (5) extraordinary medical expenses; and (6) other deductions allowed by the Secretary in recognition of unusual circumstances.

Section 209—Public Housing Cost Limits

Subsection (a) amends section 15(5) of the United States Housing Act of 1937 to provide a new formula for establishing construction cost limits for public housing projects. The Secretary of Housing and Urban Development would be authorized to determine periodically, and to publish in the Federal Register, prototype construction costs for each area based on prevailing cost factors. The development cost of any project could not exceed by more than 10 percent the appropriate prototype cost for the area.

Subsection (b) provides that this section shall become effective on such date as the Secretary of Housing and Urban Development prescribes, but not later than 120 days following enactment of this Act.

Section 210—Amendments of Contracts to Assure Low-Rent Character of Projects

This section amends section 10(a) of the United States Housing Act of 1937 to provide that annual contributions contracts shall be amended or superseded to assure the low-rent character of the projects involved and to achieve and maintain adequate operating and maintenance services and reserve funds including payment of outstanding debts.

Section 211—Policy Statement

This section sets forth the sense of the Congress that no tenant should be barred from serving on the Board of Directors or similar governing body of a local public housing agency because of his tenancy in a low rent housing project.

Section 212—Relocation Payments

This section amends section 114(b)(1) of the Housing Act of 1949 to provide that the Secretary of Housing and Urban Development may authorize the payment to displaced business concerns of fixed amounts in lieu of their total certified actual moving expenses where he determines that it is impractical for a displaced business concern to calculate the amount of such expenses.

Section 213—Early Closeout of Urban Renewal Projects

This section amends section 106(i) of the Housing Act of 1949 to authorize the Secretary, in cases where the local public agency does not expect to be able in the reasonably near future, due to circumstances beyond its control, to dispose of remaining urban renewal project land, and the Secretary determines an early closeout of the project would be in the financial interest of the Government, to compute the net project cost and closeout the project at no additional cost to the locality. The locality would receive an additional grant equal to one-third (or one-fourth) of the estimated disposition proceeds from the undisposed land. When such land is subsequently disposed of in

accordance with the urban renewal plan the net proceeds realized would be paid to the Secretary. Under existing law early project closeout is only permitted where 5 percent or less of project land remains unsold.

Section 214—Release from Certain Project Obligations

This section directs the Secretary of HUD to release the city of Stanton, Tex., and the Urban Renewal Agency of the city of Stanton, Tex., from the obligations of their agreement with the Department of Housing and Urban Development entered into in connection with the closeout of projects numbered Tex. R–45 and Tex. R–81 and to close out those projects, effective as of the original date of closeout, on the basis of the authority granted under section 213.

Section 215—Urban Renewal Project in Monroe, Wis.

This section authorizes as a local grant-in-aid credit to the tornado urban renewal project in Monroe, Wisconsin, certain expenditures made in connection with the project notwithstanding the date of commencement of the construction involving the expenditures.

Title III—Model Cities and Metropolitan Development Programs

Section 301—Authorization for Model Cities Program

This section amends section 111 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize new appropriations of $200 million during fiscal year 1972 for the Model Cities Program; extends the availability period for unexpended funds to July 1, 1972; and eliminates administrative expenses from the appropriations authorized under section 111 of the Act.

Section 302—Authorization for Comprehensive Planning Grants

This section amends section 701(b) of the Housing Act of 1954 to extend for 1 year (through fiscal year 1972), authority to appropriate unused authorizations for comprehensive planning grants. The section would also authorize an additional $30 million for comprehensive planning grants to be appropriated prior to July 1, 1972.

Section 303—New Community Land Development

This section amends title IV of the Housing and Urban Development Act of 1968 to authorize an increase in the Guarantee Fund for New Communities Land Development from $250 million to $500 million; extend the availability period of unexpended funds to July 1, 1974; and clarifies the conditions under which guaranty payments are to be made to bond holders.

Section 304—Community Facilities Grants

Subsection (a) amends section 708(a) of the Housing and Urban Development Act of 1965 to authorize, beginning in fiscal year 1972, additional appropriations of $50 million for neighborhood facilities grants.

Subsection (b) amends section 708(b) of such act to extend for 1 year (through fiscal year 1972) authority to appropriate unused authorizations for grants for basic water and sewer facilities, neighborhood facilities, and advance acquisition of land.

Section 305—Extension of Urban Information and Technical Assistance Services Authorization

This section amends section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 to extend for 1 year (through fiscal year 1972) authority to appropriate unused authorizations for urban information and technical assistance grants.

Title IV—Consolidation of Open-Space Land Programs

Section 401—Consolidation of Open-Space Land Programs

This section amends title VII of the Housing Act of 1961 (grants for open-space land, urban beautification and historic preservation) to authorize a single program of grants for (1) acquisition of title to, or other interests in, open-space land in urban areas, and (2) the development of open-space or other land in urban areas for open-space uses (including historic preservation).

Section 701 of the amended title restates basic congressional findings and purposes. Section 701(b) would be amended to include a finding that the need for parks and other open space in built-up portions of urban areas is especially great in low-income neighborhoods and communities.

Section 702(a) of the amended title authorizes the Secretary to make grants to States and local public bodies to help finance (1) the acquisition of title to, or other interests in, open-space land in urban areas and (2) the development of open space or other land in urban areas for open-space uses. Such grants could not exceed 50 percent of the eligible project cost, as approved by the Secretary, of such acquisition or development. In effect, the section would provide statutory authority for the Secretary to provide all assistance currently authorized in section 702 (grants for preservation and development of open-space land), section 705 (provision of open-space land in urban areas), section 706 (urban beautification and improvement), and section 709 (historic preservation) of the Housing Act of 1961. The existing statutory authorities would be amended to make clear that grants may be made to (1) help acquire less than fee interests in open-space land and (2) help develop, for open-space uses, lands which were not originally acquired with assistance under section 702. A new provision would be added which would authorize, where regulations of the Secretary permit, 50 percent of the non-Federal share of eligible project costs to be made up by donations of land or materials.

Section 702(b) of the amended title provides that no grants under the title may be made to (1) defray ordinary State or local governmental expenses, (2) help finance the acquisition by a public body of land located outside the urban areas for which it exercises (or participates in the exercise of) responsibilities consistent with the purposes of the title, (3) acquire and clear developed land in built-up urban areas unless the local governing body determines that adqeuate open-space land cannot be effectively provided through the use of existing undeveloped land, or (4) provide assistance for historic and architectural preservation, except for projects which the Secretary of the Interior determines meets the criteria used in establishing the National

Register. In effect, this section incorporates the statutory requirements now found in section 702(c) and 705 of the Housing Act of 1961 and section 605(h) of the Demonstration Cities and Metropolitan Development Act of 1966.

Section 702(c) of the amended title restates existing section 702(d) which permits the Secretary to set such further terms and conditions for grants as he determines to be desirable.

Section 702(d) of the amended title restates existing section 702(e) which requires the Secretary to consult with, and exchange information with, the Secretary of the Interior with respect to his activities under this title.

Section 702(e) of the amended title authorizes the Secretary to provide advice and technical assistance to States and local public bodies.

Section 703 of the amended title authorizes grants under the title only if the Secretary finds that such assistance is needed for carrying out a unified or officially coordinated program, meeting criteria established by him, for the provision and development of open-space land. Such program must be either a part of, or consistent with, the comprehensively planned development of the urban area.

Section 704 of the amended title prohibits the conversion to other uses of open-space land acquired with assistance under the title without prior approval of the Secretary. Such prior approval is to be granted only upon satisfactory compliance with regulations established by the Secretary which shall require findings that (1) there is adequate assurance of the substitution of other open-space land of as nearly as feasible equivalent usefulness, location, and fair market value; (2) the conversion and substitution are needed for orderly growth and development; and (3) the proposed uses of the converted and substituted land are in accord with the then applicable comprehensive plan for the urban area, meeting criteria established by the Secretary. The section is based upon, and is substantially similar to, section 704 of the Housing Act of 1961.

Section 705 of the amended title prohibits the conversion of open-space land involving historic or architectural purposes for which assistance has been granted under the title to use for any other purpose without the prior approval of the Secretary of the Interior.

Section 706 of the amended title requires the Secretary to take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed with the assistance of grants under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act. The Secretary shall not approve any such grant without first obtaining adequate assurance that these labor standards will be maintained upon the construction work.

Section 707 of the amended title authorizes sums to be appropriated for purposes of making grants under the title not to exceed $560 million prior to July 1, 1972. Any amounts appropriated shall remain available until expended.

Section 708 of the amended title defines—

(1) "open-space land" to mean any land located in an urban area which has value for (a) park and recreational purposes, (b) conservation of land and other natural resources, or (c) historic, architectural, or scenic purposes.

(2) "urban area" to mean any area which is urban in character, including those surrounding areas which, in the judgment of the Secretary, form an economic and socially related region, taking into consideration such factors as present and future population trends and patterns of urban growth, location of transportation facilities and systems, and distribution of industrial, commercial, residential, governmental, institutional, and other activities.

(3) "State" to mean any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos of the United States.

(4) "open-space uses" to mean any use of open-space land for (a) park and recreational purposes, (b) conservation of land and other natural resources, or (c) historic, architectural or scenic purposes.

Title V—Research and Technology

Section 501—Research and Demonstrations

This section authorizes and directs the Secretary of Housing and Urban Development to undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as he determines to be necessary and appropriate. To carry out activities under this section there would be authorized to be appropriated such sums as may be necessary. All funds so appropriated would remain available until expended unless specifically limited.

Section 502—General Provisions

This section brings together under one heading a series of administrative and other provisions which are applicable to activities under section 501.

Subsection (a) of this section, which is based on section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966 and section 417 of the Housing and Urban Development Act of 1969, directs the Secretary, to the greatest extent feasible, to require the use of advanced technology under housing programs administered by him, and to encourage and promote the acceptance and application of such advanced technology by all segments of the housing industry, communities, and the general public. In carrying out his activities under section 601, the Secretary shall assure, to the extent feasible, in connection with the construction, major rehabilitation, or maintenance of any housing assisted under that section, that there is no restraint by contract, building code, zoning ordinance, or practice against the employment of new or improved technologies, techniques, materials, and methods or of preassembled products which may reduce the cost or improve the quality of such construction, rehabilitation,

and maintenance, and therefore stimulate expanded production of housing under this title, except where such restraint is necessary to insure safe and healthful working and living conditions.

Subsection (b) of this section is based on section 108 of the Housing and Urban Development Act of 1968. It provides that in order to encourage large-scale experimentation in the use of new technology with a view toward the ultimate mass production of housing and related facilities, the Secretary shall, wherever feasible, conduct programs under section 601 in which qualified organizations, public and private, will submit plans for development and production of housing and related facilities using such new advances on Federal land or other land where local building regulations or variances from them permit such experimental construction. The Secretary may utilize the funds and authority available under section 601 to assist in the implementation of plans which he approves.

Subsection (c) of this section is based on provisions in section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966 and section 108 of the Housing and Urban Development Act of 1968. The Secretary would be authorized, in connection with projects under this title, to acquire and dispose of land and other property required for the project as he deems necessary. It further provides that any land which is excess property within the meaning of the Federal Property and Administrative Services Act of 1949, may be transferred to the Secretary upon his request if the Secretary determines that the land is suitable for use in furtherance of the purposes of section 602(b).

Subsection (d) of this section which is based on section 314 of the Housing Act of 1954, section 301 of the Housing Act of 1943, section 602 of the Housing Act of 1956, and section 1011 of the Demonstration Cities and Metropolitan Development Act of 1966, authorizes the Secretary to pay for the cost of writing and publishing reports on activities financed under section 501, and similar activities, not so financed, which are of significant value in furthering the purposes of that section. Information acquired could be disseminated in the form most useful to agencies of Federal, State and local governments, industry, and the public. The Secretary would also be authorized to provide advice and technical assistance as may be required in carrying out his activities under section 601.

Subsection (e) of this section is based on provisions in section 301 of the Housing Act of 1948, section 314 of the Housing Act of 1954, section 207 of the Housing Act of 1961, and sections 1010 and 1011 of the Demonstration Cities and Metropolitan Development Act of 1966. It authorizes the Secretary to carry out his functions under section 601 either directly, or by contract or grant. The making of advance and progress payments, would be authorized and contracts made without advertising. Contracts or grants may be made for work to continue for not more than four years from the date thereof.

Subsection (f) of this section is based on title III of the Housing Act of 1948, section 602 of the Housing Act of 1956 and section 601 of the Economy Act of 1932 (31 U.S.C. 686). It requires the Secretary to utilize facilities of other Federal departments and agencies, to consult with and make recommendations to such agencies, and authorizes

him to enter into working agreements with them; including the making of contracts or grants on behalf of such agencies or having such contracts or grants made on his behalf. The Secretary would also be authorized to work with, and enter into contracts with, State and local governments, industry and labor, educational and other organizations.

Subsection (g) of this section is based on provisions in section 602 of the Housing Act of 1956 and provides that the Secretary is authorized to obtain information from private and public sources. Such information may be used only for the purposes for which it is supplied, and no publication may be made whereby the information furnished by a particular source can be identified except with the consent of such source.

Section 503—Repeal of Existing Research Authorities

This section would repeal, effective July 1, 1971, except for contracts commitments, reservations, or other obligations entered into prior to that date, title III of the Housing Act of 1948, section 314 of the Housing Act of 1954, section 602 of the Housing Act of 1956, section 207 of the Housing Act of 1961, section 301 of the Housing and Urban Development Act of 1965, sections 1010 and 1011 of the Demonstration Cities and Metropolitan Development Act of 1966, and subsection 1714(b) of the Housing and Urban Development Act of 1968.

Section 504—Experimental Housing Allowance Program

This section authorizes the Secretary to conduct research programs to demonstrate the feasibility of providing low income families (those families eligible for occupancy in public housing projects in an area) with housing allowances to assist them in obtaining existing standard rental housing of their choice. The housing allowance could not exceed the difference between 25 percent of the family's income and the fair market rental of similar sized units or projects receiving rent supplement benefits.

The section also authorizes the Secretary to contract with public or private organizations to help select eligible families. The Secretary is authorized to contract to make annual housing allowance payments of $10 million for each of fiscal years 1972 and 1973. The program would be terminated as of June 30, 1973.

Section 505—Demonstration with Respect to Abandoned Properties

Subsection (a) authorizes the Secretary to undertake programs to demonstrate the most feasible means of providing assistance to localities in which a substantial number of structures are abandoned or are threatened with abandonment for the purpose of arresting the process of housing abandonment in its incipiency or in restoring viability to blighted areas in which abandonment is pervasive. For this purpose, the Secretary may make grants to assist local public bodies in planning and implementing demonstration projects in designated demonstration areas.

Subsection (b) provides that in administering this section, the Secretary shall give preference to those projects which can reasonably be expected to arrest the process of abandonment in the demonstration area within a period of two years and which provide for innovative approaches to combating the problem of housing abandonment. Such

projects may include, but shall not be limited to (1) acquisition of real property within the demonstration area; (2) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the revitalization and continued use of the area; (3) the demolition of structures determined to be structurally unsound; (4) the establishment of recreational or community facilities; (5) the improvement of garbage and trash collection, street cleaning and other essential services; (6) the rehabilitation of privately and publicly owned real property by the locality; and (7) the establishment and operation of locally controlled, nonprofit housing management corporations and municipal repair programs.

Subsection (c) provides that subject to such conditions as the Secretary may prescribe, real property held as part of a project assisted under this section may be made available to (1) a limited dividend corporation, nonprofit corporation, or association, cooperative or public body or agency, or other approved purchaser or lessee, or (2) a purchaser who would be eligible for a mortgage insured under section 221(d)(3) or (d)(4), section 221(h)(1), section 235(i) or (j)(1), or section 236 of the National Housing Act, for purchase or lease at fair market value for use by such purchaser or lessee, as, or in the provision of, new or rehabilitated housing for occupancy by families or individuals of low or moderate income.

Subsection (d) authorizes funds to be appropriated for demonstration grants under this section not to exceed $20,000,000 for the fiscal year ending June 30, 1971. Any amounts appropriated shall remain available until expended and any amount authorized but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1972. Not more than one-third of the aggregate amount of grants made in any fiscal year under this section shall be made with respect to projects undertaken by one locality. Grants under this section shall be in amounts which do not exceed 90 percent of the net project cost as determined by the Secretary.

Subsection (e) provides that the provisions of section 106 (general administrative powers) 114 (relocation) and 115 (rehabilitation grants) of Title I of the Housing Act of 1949, and section 312 of the Housing Act of 1964 (rehabilitation loans) may apply to projects assisted under this Act as if such projects were being carried out in urban renewal areas as part of urban renewal projects within the meaning of section 110 of the Housing Act of 1949.

Subsection (f) provides that the Secretary shall report annually to the Congress with respect to the status of demonstration projects funded by him and shall make such recommendations to the Congress as he deems necessary to further the purposes of this section.

Title VI—Crime Insurance

Section 601—Findings and Purpose

This section states that the purpose of Title VI is to provide direct Federal insurance for properties located in areas where statewide programs and the Federal reinsurance program do not provide crime insurance coverage or where property owners can only obtain such coverage at rates which are prohibitive.

Section 602—Amendments to Title XII of the National Housing Act

Subsection (a) amends Section 1201 of the National Housing Act by providing new program authority for the direct crime insurance program and extending the National Insurance Development Program, as amended, from 1973 to 1975.

Subsection (b) amends Section 1203 (a) of the National Housing Act by defining the following terms of art which are used in Title VI: "Affordable rate," "crime insurance," and "directly insured losses."

Subsection (c) redesignates Part C of the National Housing Act as Part D and redesignates all subsequent parts respectively in order to insert a new Part C entitled, "Federal Insurance Against Burglary and Theft," which consists of the following new sections:

Section 1231—Review and Program Authority

This section requires that the Secretary review the market availability situation of crime insurance in each State. If a critical unavailability problem is found to exist in any State at any time on or after August 1, 1971 the Secretary may make direct Federal crime insurance, at affordable rates, available to the residents of that State. However, no such insurance shall be made available to a property which the Secretary determines to be uninsurable or to a property with respect to which reasonable protective measures, consistent with Federal criteria, have not been adopted.

Section 1232—Use of Existing Facilities and Services

This section allows the Secretary to utilize HUD employees, other Federal agencies, and the insurance industry as fiscal agents of the United States, in order to make crime insurance available under this title.

Section 1233—Establishment of Affordable Rates

This section provides that in estimating affordable rates, the Secretary may consider various factors which affect the nature of the hazard and the degree of risk involved. He is authorized to adopt either uniform national rates or rates varying by States and territories, and to make modification of rates as appropriate.

Section 1234—Reports on Operations

This section requires the Secretary in his reports to Congress to include complete information concerning the operation of the crime insurance program and authorizes him to make such recommendations with respect thereto as he may deem appropriate.

Section 603—Review of Statewide Plans

This section amends Title XII of the National Housing Act by inserting a new Section 1215 following Section 1214 as follows:

Section 1215—Office of Review and Compliance

This section requires the Secretary, through an Office of Review and Compliance under the Federal Insurance Administrator, to periodically review each plan established under Title VI in order to make sure that essential property insurance is readily available in areas where the FAIR plan is intended to operate and to identify any aspect of such plan which may require revision.

Section 604—Conforming Amendment

This section amends clause (2) of the first sentence of Section 520(b) of the National Housing Act to authorize the use of Treasury borrowing under section 520(b) for the purposes of the direct Federal crime insurance program.

Title VII—Urban Growth and New Community Development

Section 701—Short Title and Purpose

This section provides that Title VII may be referred to as the Urban Growth and New Community Development Act of 1970. It also states that the policy of the Congress and the purpose of the title are to provide for the development of a national urban growth policy; to encourage the orderly development and redevelopment of States, metropolitan areas, cities, counties, towns, and communities in predominantly rural areas which have a special potential for accelerated growth; to encourage prudent use and conservation of natural resources; and to support development which will assure communities of adequate tax bases, community services, job opportunities and well-balanced neighborhoods.

PART A—DEVELOPMENT OF A NATIONAL URBAN GROWTH POLICY

Section 702—Findings and Declaration of Policy

This section sets forth Congressional findings and policy as follows:

(a) The rapid growth of urban population and uneven expansion of urban development in the United States has created an imbalance between the Nation's needs and resources and seriously threatens our physical environment; the future economic and social development of the Nation, the proper conservation of our natural resources, and the achievement of satisfactory living standards depend upon the sound, orderly, and more balanced development of all areas of the Nation.

(b) Federal programs affect the location of population, economic growth, and the character of urban development, but such programs frequently conflict and result in undesirable and costly patterns of urban development which adversely affect the environment and wastefully use our natural resources; that existing and future programs must be interrelated and coordinated within a system of orderly development and established priorities consistent with a national urban growth policy.

(c) To promote the general welfare and properly apply the resources of the Federal Government in strengthening the economic and social health of all areas of the Nation and more adequately protect the physical environment and conserve natural resources, the Federal Government, consistent with the responsibilities of State and local government and the private sector, must assume responsibility for the development of a national urban growth policy, which shall incorporate social, economic, and other appropriate factors. Such policy shall serve as a guide in making specific decisions at the national level which affect the pattern of urban growth and shall provide a framework for development of interstate, State, and local growth and stabilization policy.

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(d) The national urban growth policy should—

(1) favor patterns of urbanization and economic development and stabilization which offer a range of alternative locations and encourage the wise and balanced use of physical and human resources in metropolitan and urban regions as well as in smaller urban places which have a potential for accelerated growth;

(2) foster the continued economic strength of all parts of the United States, including central cities, suburbs, smaller communities, local neighborhoods, and rural areas;

(3) help reverse trends of migration and physical growth which reinforce disparities among States, regions, and cities;

(4) treat comprehensively the problems of poverty and employment (including the erosion of tax bases, and the need for better community services and job opportunities) which are associated with disorderly urbanization and rural decline;

(5) develop means to encourage good housing for all Americans without regard to race or creed;

(6) define the role of the Federal Government in revitalizing existing communities and encouraging planned, large-scale urban and new community development;

(7) strengthen the capacity of general governmental institutions to contribute to balanced urban growth and stabilization; and

(8) facilitate increased coordination in the administration of Federal programs so as to encourage desirable patterns of urban growth and stabilization, the prudent use of natural resources, and the protection of the physical environment.

Section 703—Urban Growth Report

This section provides that the President shall utilize the capacity of his office (adequately organized and staffed for the purpose through an identified unit of the Domestic Council) and the executive branch to prepare for submission to the Congress a biennial Report on Urban Growth commencing in February of 1972. The report shall include information and statistics relevant to urban growth, a summary of significant problems associated with urban growth, assessments of Federal, interstate, State, local, and private policies, plans, and programs affecting, or designed to deal with, urban growth, an analysis of current and foreseeable needs resulting from urban growth and the steps being taken to meet such needs, and recommendations for programs and policies to carry out a national urban growth policy.

PART B—DEVELOPMENT OF NEW COMMUNITIES

Section 710—Findings and Purpose

This section sets forth Congressional findings and purposes as follows:

(a) This Nation is likely to experience during the remaining years of this century a population increase of about 75 million persons.

(b) A continuation of established patterns of urban development, together with the anticipated increase in population, will result in (1) inefficient use of land resources; (2) destruction of irreplaceable

natural resources and increased pollution of air and water; (3) diminished opportunity for the private home building industry to fill expanding housing needs; (4) more costly and less efficient public facilities and services at all levels of government; (5) unduly limited options as to where people may live, and as to types of housing and environment; (6) failure to utilize the potential resources of many of the Nation's smaller cities and towns and decreasing economic opportunities for their residents; (7) further lessening of employment and business opportunities in central cities, and further erosion of such cities' tax bases and ability to serve the poor and disadvantaged; (8) further separation of people within metropolitan areas by income and by race; (9) further separation of homes from places of employment and recreation; and (10) decreased effectiveness and increased cost of urban transportation.

(c) Better patterns of urban development and revitalization are essential to accommodate future population growth; prevent further deterioration of the Nation's physical and social environment; and to make positive contributions to improving the over-all quality of life within the Nation.

(d) The national welfare requires the encouragement of well-planned, diversified, economically sound new communities, including major additions to existing communities, as one of several essential elements of a consistent national program for bettering patterns of development and renewal.

(e) Desirable new community development on a significant national scale has been prevented by difficulties in (1) obtaining adequate financing at moderate cost for enterprises involving large investments with delayed and irregular returns; (2) assembling large sites in favorable locations at reasonable cost; and (3) making timely and coordinated arrangements among many private and public organizations for providing sites and related public and private facilities.

(f) This subsection states that the purpose of this Act is to provide private developers and State and local bodies (including regional or metropolitan public bodies and agencies) with aid needed for encouraging orderly development of well-planned, diversified, economically sound new communities, including major additions to existing communities, and to do so with maximum reliance on private enterprise; strengthen the capacity of State and local governments to deal with local problems; preserve and enhance the natural and urban environment; increase for all persons available choices of location for living and working; help utilize the economic potential of older central cities, smaller towns and rural communities; help provide a steady supply of residential, commercial and industrial building sites at reasonable cost; increase the capability of all segments of the home building industry, including both small and large producers, to use improved technology in meeting increasing needs for good and inexpensive housing; help create neighborhoods where homes, jobs and recreational facilities are near each other; and encourage new solutions to domestic problems. A further purpose of this Part is to improve the organizational capacity of the Federal Government to assist the development of new communities and the revitalization of urban areas.

Section 711—Definitions

New community development program means a program intended to result in a newly built community or a major addition to an existing community and meeting the economic, social, environmental and other standards of the Act.

Private new community developer means any private entity organized in a form satisfactory to the Secretary for carrying out one or more new community development programs.

State land development agency means any State or local public body or agency with authority to act as a developer in carrying out one or more new community development programs. "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of these entities.

Local public body or agency means any public body or agency (including a political subdivision) created under the laws of a State or two or more States, or a combination of such bodies or agencies (such as regional or metropolitan bodies or agencies).

Land development means the process of grading land, constructing water, sewer, drainage and power lines and installations, roads, streets, sidewalks and other installations or work, on or off the site, which the Secretary deems appropriate to prepare land for residential, commercial, industrial, or public uses. The term would include construction of public facilities, but not construction of any other type of building, unless it is needed in connection with a water, sewage, steam, gas, or electric line or installation, or is to be owned and maintained by residents of the new community cooperatively.

Actual cost means the costs, exclusive of rebates or discounts, incurred by a developer in carrying out the land development assisted under this Act. These may include amounts paid for labor, materials, construction contracts, land planning, professional fees, taxes and interest during construction, organizational expenses, and overhead expenses approved by the Secretary. If the Secretary determines that there is an identity of interest between the developer and a contractor, there may be included an allowance for the contractor's profit or risk in an amount deemed reasonable by the Secretary.

Secretary means the Secretary of Housing and Urban Development.

Community Development Corporation means the corporation established in HUD under section 729.

Section 712—Eligible New Community Development

This section sets forth the standards for determining program eligibility. Generally, four types of new communities are contemplated under this part:

1. Economically balanced new communities within metropolitan areas as alternatives to urban sprawl;
2. Additions to existing smaller towns and cities which can be economically converted into growth centers to prevent decline and accommodate increased population;
3. Major new-town-in-town developments to help renew central cities, including the development of areas adjacent to existing cities for an increase in their tax base; and
4. Free standing new communities where there is a clear showing of economic feasibility, primarily built to accommodate population growth.

Specifically, a new community program is eligible for assistance under this Act only if the Secretary determines that it (1) will provide an alternative to disorderly growth helping preserve or enhance the natural and urban environment or so improving conditions in established communities as to help reverse migration; (2) will be economically feasible in terms of economic base or growth potential; (3) will contribute to the welfare of the entire surrounding area; (4) is consistent with comprehensive planning which provides an adequate basis for evaluating the program in relation to other State, local and private plans; (5) has received all required State and local governmental reviews and approvals; (6) will contribute to good living conditions in a community having well-balanced and diversified land use patterns and served by adequate public, commercial and community facilities; (7) makes substantial and appropriate provision for housing within the means of persons of low and moderate income; and (8) will make significant use of advanced technology. The developer must be approved by the Secretary on the basis of financial, technical and administrative ability demonstrating capacity to carry out the program.

Section 713—Guarantees

The Secretary, acting through the Community Development Corporation, is authorized to guarantee the bonds, debentures, notes, and other obligations issued by private developers and State land development agencies to help finance approved new community development programs. No obligation of a State land development agency shall be guaranteed under this section if the income from such obligation is exempt from Federal taxation, but the Secretary may make grants to any State land development agency whose obligations are guaranteed under this section in amounts not exceeding the difference between the interest paid on such obligations and the interest on similar "tax-exempt" obligations.

The full faith and credit of the United States is pledged to the payment of all guarantees with respect to principal, interest and any premiums paid in connection with prepayments. The validity of any guarantee would be incontestable in the hands of a holder of the guaranteed obligation.

The outstanding principal obligations guaranteed under this section for a single project shall not exceed (1) in the case of a State land development agency, 100 percent of the sum of the Secretary's estimate of the value of the real property before development and his estimate of the actual cost of the land development or (2) in the case of a private new community development, the sum of 80 percent of the Secretary's estimate of the value of the land before development and 90 percent of his estimate of the actual cost of the land development. The outstanding principal obligations guaranteed under the Act shall at no time exceed $50,000,000 for a single program or $500,000,000 for all projects assisted by guarantees.

Section 714—Loans

This section authorizes the Secretary, acting through the Community Development Corporation, to make loans to qualified private new community developers and State land development agencies to assist them in making interest payments on indebtedness for approved

new community development programs. The loans shall not exceed the interest payable on indebtedness attributable to land acquisition or land development and shall be made only with respect to interest payments on indebtedness outstanding during an initial development period (not over 15 years) which is prior to the time when land marketing has reached such a volume that continued development is possible without the benefit of further such loans.

Repayment of the loans shall be made on terms satisfactory to the Secretary and must commence when the development's progress and marketing permit, but not later than 15 years after the loan is made. Interest on the loans shall be payable at an annual rate which shall equal the average yield to maturity on all marketable United States obligations with a maturity of three or more years which were outstanding prior to the beginning of the six-month period during which the contract for the loan is entered into, plus one-eighth of 1 percent per annum.

The interest loans outstanding at any time for a single new community development program may not exceed $20,000,000. Total advances outstanding at any time for all projects assisted under this section may not exceed $240,000,000.

Section 715—Public Service Grants

This section authorizes grants to a public new community developer or a State or local public body to cover the cost of essential municipal services during the early years (not over 3) of a new community development. There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

Section 716—Limitations on Guarantees and Loans

This section requires that guarantees and loans be made only for those new community development programs which the Secretary determines to represent an acceptable financial risk to the United States. In making this determination, the Secretary must consider both the financial and security interests of the United States and the public purposes of Part B, including the special problems involved in financing new communities.

The Secretary must take steps to assure that all obligations which are guaranteed or for which interest loans are made will (1) be issued to investors approved by or meeting requirements prescribed by the Secretary or, if a public offering is contemplated, be underwritten on terms and conditions approved by him, (2) bear interest at a rate satisfactory to the Secretary, (3) contain repayment, maturity and other provisions satisfactory to the Secretary, and (4) contain appropriate provisions for the protection of the Federal Government's security interests.

Section 717—Revolving Fund

(a) This section authorizes the Secretary to establish a revolving fund to provide for (1) the timely payment of any liabilities incurred as a result of guarantees made under this part (2) the making of loans under this part (3) the payment of obligations issued to the Secretary of the Treasury under subsection (b) and (4) any other program expenditures (including administrative and nonadministrative expenses). The fund shall be comprised of (1) receipts from fees and charges; (2) recoveries under security, subrogation and other rights; (3) re-

payments, interest and other receipts in connection with guarantees or loans made; (4) proceeds from obligations issued to the Secretary of the Treasury; and (5) such sums, which are authorized to be appropriated, for the payment of obligations, issued to the Secretary of the Treasury, for the payment of grants to State land development agencies under section 713, and for other purposes under this part.

(b) The Secretary would be authorized to issue obligations to the Secretary of the Treasury in amounts necessary to carry out his functions under this part. The Secretary of the Treasury may use the proceeds of sale of any securities issued under the Second Liberty Bond Act to purchase obligations under this section.

(c) Notwithstanding any other law, the Secretary of HUD would be authorized to pay out of the fund any expenses in connection with the handling or disposal of property acquired under security rights under this part.

Section 718—Supplementary Grants for Public Facilities

This section authorizes the Secretary to make supplementary grants to States and local public bodies carrying out various public facilities projects in support of new communities. The Secretary must determine that such "new community assistance projects" are necessary or desirable for carrying out an approved new community development program.

"New community assistance projects" are projects assisted by grants under section 3 of the Urban Mass Transportation Act of 1964 (urban mass transportation facilities); section 120(a) of title 23, United States Code (roads other than interstate); section 19 of the Airport and Airway Development Act of 1970 (airport construction and improvement); title VI of the Public Health Service Act (medical facilities); title II of the Library Services and Construction Act (public libraries); section 5 of the Land and Water Conservation Fund Act of 1965 (development of lands and waters for recreational purposes); title VII of the Housing Act of 1961 (open space, urban beautification and historic preservation); section 703 of the Housing and Urban Development Act of 1965 (neighborhood facilities); section 702 of the Housing and Urban Development Act of 1965 (basic water and sewer facilities); section 8 of the Federal Water Pollution Control Act (sewer treatment works); section 306(a)(2) of the Consolidated Farmers' Home Administration Act (sewer treatment works and other facilities); section 103 of the Higher Education Facilities Act of 1963 (academic facilities for public community colleges and technical institutes); section 104 of the Higher Education Facilities Act of 1963 (college academic facilities); and section 101(a)(1) of the Public Works and Economic Development Act of 1965 (public works and facilities in redevelopment areas).

The supplementary grants would be limited to 20 percent of the project's cost and they could not bring total Federal grants above 80 percent of cost. With respect to projects assisted by grants administered by other Federal departments or agencies, the Secretary of Housing and Urban Development would consult with them concerning the projects, and would accept their certifications as to project costs.

The authorizations for appropriations for supplementary grants would not exceed $36 million for fiscal year 1971 and $66 million for

each of the fiscal years 1972 and 1973. Additional sums, as may be necessary, would be authorized to be appropriated thereafter. In addition, the amount authorized ($30 million) for supplementary grants under title IV of the Housing and Urban Development Act of 1968 would be available under this section.

Section 719—Technical Assistance

This section authorizes the Secretary to provide technical assistance to developers in connection with planning and carrying out new community development programs. Such assistance could be provided, either directly or by other arrangements, to qualified private and public developers, and local public bodies and agencies.

Section 720—Special Planning Assistance

This section authorizes the Secretary, until June 30, 1975, to agree to provide aid to private new community developers and State land development agencies in support of certain planning work involved in developing new community development programs. The aid could cover up to two-thirds of the cost of the work.

The planning aided would include that which is especially needed to assure that programs are fully responsive to social or environmental problems or to assure that programs make adequate use of new or advanced technology. In the case of private new community developers, it would have to be shown that the planning work is in excess of the financial, market and engineering planning that would be required to establish feasibility of a project which did not involve the special, public purposes of this part. The planning work would have to relate to a new community development program that had been approved, or had met initial feasibility criteria and was being actively considered for approval. There would be authorized for appropriation for financial assistance under this section an amount not to exceed $5,000,000 upon enactment and $5,000,000 more on July 1, 1971.

Section 721—Fees and Charges

This section authorizes the Secretary to establish fees for guarantees made under this part. He may also make other reasonable charges for the analysis of applications, appraisals, inspections; and other costs incurred in connection with the guarantees, loans, land acquisition services, technical and other assistance provided under this part. The Secretary is required to make a report to the Congress concerning fees and charges on or before March 1, 1973.

Section 722—Encouragement of Small Builders

This section requires the Secretary to adopt such requirements as he deems necessary to help maintain a diversified local home-building industry, to increase the capability of both large and small builders to produce well-designed, inexpensive housing through improved technology and an increased supply of reasonably priced building sites, and to encourage broad participation by builders, particularly small builders, in new community construction.

Section 723—New Community Demonstration Projects

This section would authorize the Secretary, upon specific authorization by the President, and with funds made available by the Congress,

to carry out large-scale new community development projects on Federal lands to serve as models for new community development by other developers.

Section 724—Real Property Taxation

This section makes real property temporarily acquired by the Secretary subject to real property taxation to the same extent, according to its value, as other real property is taxed.

Section 725—Audit by General Accounting Office

This section authorizes the General Accounting Office to audit the financial transactions of recipients of grants or other assistance insofar as such transactions related to the assistance made pursuant to this part. Representatives of the General Accounting Office shall have access to all those records that are necessary to facilitate such audit.

Section 726—General Provisions

This section vests in the Secretary (1) the authority to issue rules and regulations and (2) other general administrative powers and duties customarily provided for in connection with Federal programs. The Secretary would be required to submit a corporate-type budget. The Secretary would also have the power to provide for the extinguishment, upon default, of the equity of redemption which the developer might otherwise be entitled to under State law.

Section 727—Technical and Conforming Amendments

(a) This subsection would phase out title IV of the Housing and Urban Development Act of 1968 except with respect to any previously made new community guarantee, commitment to guarantee, or project approval. A new community project approved under title IV before the effective date of Part B would also be eligible for the guarantee assistance under this Act. This section also authorizes the Secretary to accept in full or partial satisfaction of the Act's submission requirements the plans and other materials submitted with a title IV application. The title IV revolving fund would be merged into the revolving fund created by this part.

(b) Section 202(b)(4) of the Housing Amendments of 1955 would be amended so that the population limit (50,000) applicable to the political jurisdictions eligible to receive public facility loans under the 1955 law would be waived in the case of public facilities serving new communities.

(c) Section 24 of the Federal Reserve Act would be amended so as to authorize national banks to invest in obligations guaranteed under this part.

(d) Section 5(c) of the Home Owners Loan Act of 1933 would be amended to authorize Federal savings and loan associations to invest in obligations guaranteed under this part.

(e) Section 701 of the Housing Act of 1954 would be amended to enable official governmental planning agencies to receive planning grants in connection with new communities before the new community has been finally approved, thereby making timely planning possible. New communities would also be made eligible under the provisions in section 701 which now authorize three-fourths planning grants for several categories of comprehensive planning by State and local public bodies.

(f) This subsection requires that all laborers and mechanics employed in land development assisted under Part B be paid wages prevailing in the locality for similar construction, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, and that no assistance be extended under Part B without first obtaining adequate assurance that these labor standards will be maintained.

(g) This subsection makes clear that interest received on the obligations of State land development agencies which are guaranteed under this part shall be includable in gross income for the purposes of chapter 1 of the Internal Revenue Code.

Section 728—Joint Funding

This section would facilitate the joint or common use of funds from different Federal assistance programs for interrelated projects or activities that are being undertaken as part of a new community development program. Subject to regulations prescribed by the President, it would permit the different Federal agencies granting assistance to establish common technical or administrative conditions or common management funds, or to make arrangements by which one agency might assume lead responsibility for supervising or administering the interrelated assistance given. However, these special authorities could be employed only to promote more effective or efficient administration, and not to change or vary program purposes or any statutory requirements of a substantive nature.

Section 729—Community Development Corporation

This section establishes the Community Development Corporation within HUD and provides a five-member Board of Directors consisting of the Secretary; the General Manager of the Corporation who shall be appointed by the President with the advice and consent of the Senate and shall be the Corporation's chief executive officer; and three persons appointed by the Secretary, no more than one of whom shall be an officer or employee of HUD. The Secretary's guarantee and loan functions shall be administered through the Community Development Corporation, along with such other functions as the Secretary may prescribe. The Corporation would be subject to the Secretary's direction and supervision.

PART C—DEVELOPMENT OF NATIONAL URBAN GROWTH PATTERNS

Section 735—State and Regional Planning

This section adds a new subsection to section 701 of the Housing Act of 1954 which provides that, in making grants pertaining to comprehensive planning for States, regions, or other multijurisdictional areas whose development affects national growth and urban development objectives, the Secretary shall encourage the formulation of specific plans and programs for guiding and controlling urban growth within these States, regions, or areas. The Secretary would also be empowered to make grants to any governmental agency or organization of public officials to cover not more than 75 per centum of the cost of activities otherwise eligible under section 701 which are necessary to the development or implementation of plans or programs under the new subsection.

PART D—DEVELOPMENT OF INNER CITY AREAS

Section 740—Purpose

This section states that the purpose of Part D is to help cities increase their inventories of housing and find sites for essential public facilities and additional employment sources through the more rational use of land and space which is presently devoted to obsolete or uneconomic uses or which is not usable in its present state because of natural hazards or inadequate development.

Section 741—Amendments to Title I of the Housing Act of 1949

Subsection (a) exempts land acquisition activities authorized by subsection from the provision in section 103(a)(1) which prohibits urban renewal grants for projects consisting of open land.

Subsection (b) amends section 110(c)(1) of the Housing Act of 1949 to include in the definition of "urban renewal project" the acquisition by a local public agency of land or space which is vacant, unused, underused, or inappropriately used, if the Secretary determines that the land or space may be developed—at a reasonable cost, without major residential clearance activities, and with full consideration to the preservation of beneficial features of the urban and natural environment—for uses consistent with emphasis on housing for low- and moderate-income facilities. These uses could include schools, hospitals, parks, essential public facilities, and all uses associated with new communities in town or similar large scale undertakings related to inner city needs, including concentrated sources of employment. The first proviso of section 110(c)(1) is also amended to exempt the foregoing authority for the acquisition of vacant, unused, underused, or inappropriately used land from the requirement in subsection (a) of section 110 of the 1949 Act that the area be a "slum" or be physically "blighted."

Subsection (c) amends section 110(c)(7) of the Housing Act of 1949 to include in the definition of "urban renewal projects" the construction of foundations and platforms necessary for the development of air rights sites in accordance with the preceding subsection (c) of this bill.

Title VIII—Farm Housing

Section 801—Housing and Related Facilities for Domestic Farm Labor

This section amends section 514 of the Housing Act of 1949 (1) to authorize the Secretary to insure loans for farm labor housing made by private lenders to broad-based public or private nonprofit organizations of farmworkers incorporated within the state, (2) to reduce the maximum interest rate on insurable loans from five to one percent, and (3) to include household furnishings within the definition of housing as used in the section.

The section also amends section 516 of the Housing Act of 1949 (1) to include state-chartered public or private nonprofit organizations, or any nonprofit organization of farmworkers as eligible to receive financial assistance for providing low-rent housing to domestic farm labor, (2) to reduce the contribution required of the applicant from one-third to ten percent of the total development cost, and (3) to require that housing and facilities provided under the section be

durable and suitable for year-round occupancy unless the Secretary determines that this is not needed.

Section 802—Rural Housing Loans on Nonfarm Leaseholds

Section 802 would amend section 501(b)(2) of the Housing Act of 1949 to authorize the Secretary of Agriculture, under the rural housing loan program, to make loans to lessees of rural nonfarm property. Under existing law, such loans may be made only to owners of such property.

Section 803—Miscellaneous Farm Housing Amendments

Subsection (a) would amend section 504(a) of the Housing Act of 1949 to increase the maximum amount of each loan or grant which the Secretary of Agriculture may make for minor improvements to farm housing and buildings from $1,500 to $2,500, or such larger amounts not exceeding $3,500 in the case of repairs or improvements involving water supply, septic tank, or bathroom or kitchen plumbing facilities.

Subsection (b) would amend section 508(b) of the Housing Act of 1949 to make discretionary, rather than mandatory, the review and certification of title V loan applications by local committees appointed by the Secretary to assist him in implementing the program.

Subsection (c) would amend section 515(b)(1) of the Housing Act of 1949 by authorizing an increase in the maximum loan allowable under the rural rental housing program for elderly persons from $300,000 to $750,000.

Subsection (d) would amend section 517(j)(3) of the Housing Act of 1949 to provide that assets of the rural housing fund may be utilized by the Secretary of Agriculture to obtain credit reports on loan applicants and borrowers.

Subsection (e) would amend section 520 of the Housing Act of 1949 to define "rural area," purposes of title V, as any open country, or any place, town, village, or city which is not part of or associated with an urban area and which (1) has a population of not more than 2,500 persons, or (2) which has a population of more than 2,500 persons but not exceeding 10,000 if it is rural in character. Under existing law, the population of an area which is rural in character could not exceed 5,500 persons to constitute a "rural area."

Title IX—Miscellaneous

Section 901—Liability of FNMA to United States

This section would clarify the payment of certain amounts owned by the Federal National Mortgage Association to the Secretary of the Treasury in connection with the reorganization of FNMA.

Subsection (a) would provide the amount of general surplus and surplus to be paid to the Treasury by FNMA (approximately $52 million).

Subsection (b) would provide the specific amounts of income tax equivalent to be paid to the Treasury by FNMA.

Subsection (c) would provide that payments authorized in subsections (a) and (b) constitute full and final settlement and would make the United States a defendant in any suit against officers, directors, employees, and agents of FNMA because of such payment.

Subsection (d) would amend section 302(a) of the National Housing Act to provide that no gain or loss shall be recognized as a result of the reorganization of FNMA.

Subsection (e) would amend section 810(a) of the Housing and Urban Development Act of 1968 to provide that no gain or loss shall be recognized by the stockholders of FNMA as a result of the reorganization of FNMA.

Section 902—Purchase of FNMA Stock

This section would amend section 303(b) of the National Housing Act to change the provision that those who sell mortgages to the Federal National Mortgage Association (FNMA) buy stock in an amount not less than 1 percent nor more than 2 percent of the unpaid principal amount of the mortgages sold, to allow FNMA, with the approval of HUD, to establish the minimum stock purchase requirements.

Section 903—Advice and Assistance With Respect to Housing for Low- and Moderate-Income Families

This section would amend section 106(a) of the Housing and Urban Development Act of 1968 to authorize technical assistance and advice with respect to individual tenants and homeowners assisted under HUD programs in addition to nonprofit sponsors of multifamily housing. The section would also repeal the grant program for tenant services in public housing projects and authorize such services to be financed out of project income and annual contribution payments.

Section 904—Training in Housing Management

This section would amend section 803 of the Housing Act of 1964 to authorize the Secretary to make grants to support (1) the training of persons, particularly persons of low-income, in the management of low- and moderate-income housing, and (2) the conduct of research and information programs related to the management of such housing.

Section 905—General Administrative Powers of the Secretary

This section would amend section 7 of the Department of Housing and Urban Development Act to include among the administrative powers of the Secretary authority to (1) keep in a consolidated checking account in the Treasury all funds made available from appropriations, recoveries, fees or otherwise in connection with any loan or grant program—such funds to be available for administrative expenses if authorized by the Congress, (2) foreclose on, acquire, manage, and sell property in connection with loan and grant programs, (3) establish fees and charges to cover such non-administrative expenses as costs of inspection, project review, financing service, project audit, etc.—such fees and charges to be available for operating expenses of the Department in providing similar services on a consolidated basis, (4) receive uncompensated services and bequests and gifts, and (5) establish advisory commissions.

Section 906—Increased Fees for Consultant Services

This section would amend section 7(e) of the Department of Housing and Urban Development Act to increase the maximum amount payable to consultants from the present $100 per diem to the daily equivalent to the highest rate for GS–18.

Section 907—Savings and Loan Associations

Section 907(a) and (b) are technical amendments to conform relevant sections of the Federal Home Loan Bank Act and the Home Owners Loan Act to 1969 amendments to the Foreign Assistance Act of 1961.

Section 907 amends section 5(c) of the Home Owners' Loan Act of 1933 to raise the statutory limit on Federal Savings and Loan Associations investing in multifamily dwellings from 15 percent to 20 percent of assets.

Section 908—Financial Institutions Supervisory Act of 1966

This section removes the termination date of September 21, 1971, of the Financial Institutions Supervisory Act of 1966.

Section 909—Interstate Land Sales Full Disclosure Act

This section amends section 1406(5) of the Interstate Land Sales Full Disclosure Act to require a statement on "the existence of any unusual conditions relating to noise or safety which affect the subdivision and are known to the developer" in any statement of record registering a subdivision covered by the Act.

Section 910—Eligibility of American Samoa Banks for Federal Deposit Insurance

This section would amend sections 3 and 7 of the Federal Deposit Insurance Act to make American Samoa banks eligible for Federal Deposit Insurance.

Section 911—Surety Bond Guarantees

This section amends title IV of the Small Business Investment Act of 1958, by increasing the revolving fund of title IV from $5 million to $10 million. It would also add a new part B relating to surety bond guarantees. This provision would establish a program at SBA whereby SBA in consultation with the Secretary of HUD, would guarantee any surety against up to 90 percent of its loss as a result of the breach of the terms of a bid bond, payment bond, or performance bond on any contract up to $500,000. The guarantee would be made under the following conditions: (1) The bond is required; (2) the contractor must be a small business concern and must be unable to obtain such a bond on reasonable terms and conditions; (3) SBA determines that there is a reasonable expectation that the contract will be performed in accordance with its terms; (4) the contract meets SBA requirements as to feasibility of successful competition and reasonableness of cost; (5) the terms and conditions of the bond are reasonable.

SBA is authorized to fix a uniform annual fee which it deems necessary for any guarantee issued under this section. The fee shall be subject to periodic review to assure that the lowest fee that experience under the program shows to be justified will be placed in effect. SBA shall also fix a fee for the processing of applications for guarantees. Any contract for guarantee shall obligate the surety to pay to SBA such portions of the bond fees as the SBA determines to be reasonable.

The section also authorizes the Secretary of HUD to take such steps and carry out such activities as he determines to be necessary

or desirable to provide, either directly or by contract or other arrangement, technical assistance to any contractor or subcontractor for whom a bond is guaranteed under this section. Not to exceed $1.5 million for each of the fiscal years 1971, 1972 and 1973 would be authorized to be appropriated to enable the Secretary to carry out such technical assistance.

Section 912—Equity Skimming

This section makes it a crime to engage in the practice of purchasing one-to-four-family dwellings subject to FHA-insured or VA loans and applying the rent receipts to one's own use instead of making payments on such loans. For the protection of these purchasing in good faith, the criminal penalties provided by this section would only apply if the loan was in default at time of purchase or within 1 year subsequent to the purchase and would not apply to the purchaser of only one such dwelling. The section is intended to deter the so-called practice of "equity skimming," which has resulted in losses to the FHA and VA in the past.

Section 913—Regulation of Savings and Loan Associations in the District of Columbia

This section gives the Federal Home Loan Bank Board the same powers and functions with respect to savings and loan associations doing business or maintaining an office in the District of Columbia as it presently has with respect to Federal savings and loan associations. The District of Columbia Code does give the Board certain authority over associations doing business in the District, but this authority is less broad than that applicable to Federal associations under section 5 of the Home Owners' Loan Act of 1933.

Section 914—Maturity of Certain Home Loan Bank Advances for Savings and Loan Associations

Section 11(g) of the Federal Home Loan Bank Act presently requires that each Federal Home Loan Bank at all times have at least an amount equal to the current deposits received from its members invested in various specified ways. Paragraph (4) of the subsection includes advances with a maturity of not to exceed 1 year. Section 910 would make paragraph (4) refer to advances with a maturity of not to exceed 5 years, in accordance with the current policy of the Federal Home Loan Bank Board to encourage longer term advances.

Section 915—Criminal Penalty for Fraud or False Statements to Influence Certain Insured Institutions and Federal Agencies

This section describes more explicitly the institutions which are covered by 18 U.S.C. 1014, which provides penalties for making false statements or reports in connection with loans or other similar transactions. While the law presently applies to statements made to any Federal home loan bank, the Federal Home Loan Bank Board, or a Federal savings and loan association, the proposed amendment would also include the Federal Savings and Loan InsuranceCorporation, any institution insured by that Corporation, any member of a Federal home loan bank, and any bank insured by the Federal Deposit Insurance Corporation.

Section 916—Unpledged Deposits in Banks for Savings and Loan Associations, Chicago, Illinois

Section 5A(b) of the Federal Home Loan Bank Act provides that any member institution of a Federal Home Loan Bank, and any insured institution as defined in section 401(a) of the National Housing Act, shall maintain the aggregate amount of its assets in various specified forms. Paragraph (2) includes, to such extent as the Federal Home Loan Bank Board approves, "time and savings deposits in Federal Home Loan Banks and commercial banks." This section changes this provision to include also "unpledged deposits * * * in a State bank performing similar functions and in operation on February 6, 1970 * * *." This would reverse the provisions of a regulation, first proposed by the Federal Home Loan Bank Board on September 23, 1969, and subsequently issued after a hearing and the submission of views by interested parties wherein liquidity requirements were established. The regulation provides, among other things, for inclusion of all deposits in a Federal Home Loan Bank, all demand deposits in an insured bank, and time deposits in an insured bank subject to certain limitations. The Bank for Savings and Loan Associations, Chicago, Ill., opposes the issuance of the regulation, and its representatives testified at a hearing before the Federal Home Loan Bank Board in support of its position. However, the regulation was adopted in the form indicated above, with the result that deposits in the Bank for Savings and Loan Associations do not presently qualify as liquid assets. The present amendment would permit such deposits to be included in meeting liquidity requirements.

Section 917—Information and Advice to Nonprofit Projects Sponsors

Section 914 amends section 4 of the Department of Housing and Urban Development Act by adding a new subsection (d), which would authorize an Assistant to the Secretary, designated by him, who shall be responsible for providing information and advice to nonprofit organizations desiring to sponsor housing projects assisted under programs administered by the Department.

Section 918—Annual Report on Program Administration and Management

Section 918 amends section 5 of the Housing and Urban Development Act of 1968 to require in each calendar year (rather than only in calendar years 1969 and 1970) a report from the Secretary of HUD to the Senate and House Committees on Banking and Currency identifying specific areas of program administration and management which require improvement.

Section 919—Disposition of Surplus Land for Low and Moderate Income Housing and Related Facilities

This section amends section 414 of the Housing and Urban Development Act of 1969 to authorize the Administrator of General Services to dispose of Federal surplus land to the Secretary of HUD for construction of low and moderate income sales housing and related public commercial and industrial facilities. Existing law authorizes such disposal only for low and moderate income rental or cooperative housing.

Section 920—Savings and Loan Holding Companies

This section amends section 408(d) of the Savings and Loan Holding Company Amendments of 1967 to authorize a savings and loan association affiliated with a holding company to make loans to finance housing sold by its wholly owned service corporation.

Section 921—Timber for Housing Needs

This section amends the Act of April 12, 1926 (16 U.S.C. 617(a)) to extend for 2 years (through 1973) the log export amendment of the Foreign Assistance Act of 1968. The log export amendment placed a ceiling of 350 million board feet on the amount of logs allowed to be exported annually from American forests.

AUTHORIZATION FOR COLLEGE HOUSING DEBT SERVICE GRANTS

[S.J. Res. 196]

Increasing the authorization for college housing debt service grants for fiscal year 1971

Senate Joint Resolution 196 was introduced by Senator Sparkman on April 30, 1970 and on May 1 it was referred to the Subcommittee on Housing and Urban Affairs. After consideration of the Resolution it was reported (S. Rep. 91–863) on May 12, 1970. The measure was then considered and passed by the Senate on May 15, 1970 and was sent to the House of Representatives where it was referred to the House Banking and Currency Committee on May 18, 1970, and no further action was taken by the House of Representatives.

Digest of Resolution

The resolution would provide for an additional $2,600,000 authorization for college housing interest subsidy grants.

EMERGENCY COMMUNITY FACILITIES ACT OF 1970

[S. 3938, H.R. 17795]

[Public Law 91–431, approved October 6, 1970]

To amend title VII of the Housing and Urban Development Act of 1965

History of Legislation

S. 3938 was introduced by Senator Sparkman on June 9, 1970, and on June 15, 1970, the bill was referred to the Subcommittee on Housing and Urban Affairs.

S. 3938 was included in the 1970 hearings on housing and urban development legislation on July 13–15, 20–24, 27 and 30, 1970. After consideration of the bill by the Committee in executive session it was reported (S. Rept. 91–1189) on Setember 16, 1970.

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Concurrently, the House Committee on Banking and Currency considered a companion bill, H.R. 17795, and that bill was reported (H. Rept. 91–1263) on June 30, 1970. The measure was considered and passed by the House of Representatives on September 10, 1970, and sent to the Senate. On September 21, 1970, the Senate considered and passed H.R. 17795 and at the same time postponed further action on S. 3938 indefinitely.

H.R. 17795 was approved by the President on October 6, 1970, becoming Public Law 91–431.

Digest of Statute

The law states congressional findings that many of the Nation's communities are unable to finance the construction of urgently needed public facilities and that there is an immediate need for such facilities to provide basic safeguards for the health and well-being of our citizens, to check widespread water pollution, and to provide an effective and practical method of combating rising unemployment; reenacts the balance of the authorization for basic water and sewer facilities provided for in title VII of the Housing and Urban Development Act of 1965 and provide for an additional authorization of $1 billion; and extends for 1 year (until October 1, 1971) the time within which a community may qualify for a basic water and sewer facilities grant even though its program for an areawide system, though under preparation, has not been completed.

HOUSING LOANS TO LESSEES OF NONFARM RURAL LAND

[S. 3330]

[Public Law 91–609, approved December 31, 1970]

To authorize rural housing loans to lessees of nonfarm rural land and for other purposes.

History of Legislation

S. 3330 was introduced by Senator Metcalf on January 23, 1970 and referred to the committee. Subsequently, on April 28, 1970, the bill was referred to the Subcommittee on Housing and Urban Affairs.

S. 3330 was included in the 1970 hearings on housing and urban development legislation on July 13–15, 20–24, 27 and 30. Following consideration by the committee in executive session, the bill was reported with amendment (S. Rept. 91–1129). The bill was considered and passed by the Senate on August 28, 1970 and was then sent to the House of Representatives where it was referred to the House Banking and Currency Committee on September 9, 1970. The provisions of S. 3330 were included in title IX of H.R. 19436, which became Public Law 91–609, supra.

Digest of Statute

Section 802 of H.R. 19436 (S. 3330) authorizes the Farmers Home Administration to make rural housing loans under title V of the Housing Act of 1949 to lessees of nonfarm rural land.

LIABILITIES OF THE FEDERAL NATIONAL MORTGAGE ASSOCIATION TO THE UNITED STATES

[S. 3207]

[Public Law 91–609, approved December 31, 1970]

Relating to the liabilities of the Federal National Mortgage Association to the United States

History of Legislation

S. 3207 was introduced by Senator Sparkman, for himself and Senator Bennett, on December 4, 1969. After consideration by the Committee the bill was reported (S. Rept. 91–644) on January 29, 1970. The measure was considered and passed by the Senate on January 30, 1970, and sent to the House of Representatives where it was referred to the Housing Banking and Currency Committee on February 2, 1970. No further action was taken on S. 3207. The provisions of the bill were included as a provision of H.R. 19436, the Housing and Urban Development Act of 1970. (See action on H.R. 19436, title IX, section 901, supra)

Digest of Statute

Title IX, section 901 of P.L. 91–609, clarifies the payment of certain accounts owed by the Federal National Mortgage Association to the Secretary of the Treasury in connection with the reorganization of the FNMA.

TEMPORARY EXTENSION OF THE FEDERAL HOUSING ADMINISTRATION'S INSURANCE AUTHORITY

[H.J. Res. 1366]

[Public Law 91–432, approved October 2, 1970]

To provide for the temporary extension of the Federal Housing Administration's insurance authority

History of Legislation

House Joint Resolution 1366 was introduced in the House of Representatives on September 14, 1970, and on September 16, 1970, it was discharged from the House Committee on Banking and Currency. On the same day the measure was passed by the House and sent to the Senate. The resolution was referred to the Senate Committee on Banking and Currency on September 17, 1970, and after consideration was favorably reported (S. Rept. 91–1206) by the Committee on September 18, 1970. The measure was considered and passed by the Senate on September 25, 1970.

House Joint Resolution 1366 was approved by the President on October 2, 1970, becoming P.L. 91–432.

Digest of Statute

House Joint Resolution 1366 provided for an extension of 30 days, from October 1, 1970, to November 1, 1970, for certain Federal housing insurance programs.

TEMPORARY EXTENSION OF THE FEDERAL HOUSING ADMINISTRATION'S INSURANCE AUTHORITY

[S.J. Res. 242]

[Public Law 91–473, approved August 12, 1970]

To provide for the temporary extension of the Federal Housing Administration's insurance authority.

History of Legislation

Senate Joint Resolution 242 was a Committee Resolution introduced by Senator Proxmire on October 13, 1970. It was reported (S. Rept. 91–1334) and passed the Senate on that same day and was also considered and passed the House of Representatives on October 13, 1970.

Senate Joint Resolution 242 was approved by the President on October 21, 1970, becoming P.L. 91–473.

Digest of Statute

Senate Joint Resolution 242 provided for the temporary extension of the Federal Housing Administration's insurance authority for 30 days, from November 1, 1970, to December 1, 1970.

VETERANS' PARAPLEGIC HOUSING PROGRAM

[S. 3775]

To amend sec. 1811 of title 38, United States Code, to authorize the Veterans' Administration to make direct loans to any veteran who is determined to be eligible for assistance in acquiring specially adapted housing under ch. 21 of title 38, United States Code.

History of Legislation

S. 3775 was introduced by Senator Sparkman on April 30, 1970 and on May 1 the bill was referred to the Subcommittee on Housing and Urban Affairs.

S. 3775 was included in the 1970 hearings on housing and urban development legislation on July 13–15, 20–24, 27 and 30. After consideration by the committee in executive session the bill was reported with an amendment (S. Rept. 91–1130) on August 20, 1970. The bill was considered and passed by the Senate on August 28, 1970 and was sent to the House of Representatives where it was referred to the House Committee on Veterans' Affairs on September 9, 1970.

No further action was taken on the measure by the House of Representatives during the 91st Congress.

INTERNATIONAL FINANCE

AMENDING THE EXPORT-IMPORT BANK ACT OF 1945, AS AMENDED, TO ALLOW FOR GREATER EXPANSION OF U.S. EXPORT TRADE

[S. 4268]

To amend the Export-Import Bank Act of 1945, as amended, to allow for greater expansion of the export trade of the United States, to exclude bank receipts and disbursements from the budget of the U.S. Government, and for other purposes.

History of Legislation

S. 4268 was introduced by Senator Sparkman, for himself and Senator Bennett, on August 20, 1970. The bill was referred to the Subcommittee on International Finance on September 15, 1970, and hearings were held on the measure on September 17, 1970. After consideration by the Committee in Executive Session, the bill was reported (S. Rept. 91–1462), with an amendment, on December 16, 1970. S. 4268 was considered and passed by the Senate on December 18, 1970, and was sent to the House of Representatives where it was referred to the House Committee on Banking and Currency on December 19, 1970. On December 29, 1970, the measure was considered by the House of Representatives under a suspension of the rules but failed to get the required two-thirds majority for passage.

Digest of Bill

Section 1. Exclusion from budget of U.S. Government and exemption from annual expenditure and net lending limitations. Excludes the receipts and disbursements of the Export-Import Bank of the United States in the discharge of its functions from the totals of the budget of the U.S. Government and exempts the Bank's operations from any annual expenditure and net lending (budget outlays) limitations imposed on the budget of the U.S. Government; requires, in accordance with the provisions of the Government Corporation Control Act, as amended, that the President submit annually to the Congress a budget for program activities and for administrative expenses of the Bank.

Section 2(1). Report on effect on fiscal year 1971 expenditure and net lending limitation. Requires the President to report to the Congress not later than January 31, 1971, the amount by which the annual expenditure and net lending limitation imposed on the budget of the U.S. Government by title V of the Second Supplemental Appropriations Act, 1970, will be reduced as a result of the amendment to the Export-Import Bank Act of 1945, as amended, contained in section 1.

Section 2(2). Report on effect on operations of the Export-Import Bank. Requires the President to report to the Congress not later than September 30, 1971, with respect to the effect of the amendment to the Export-Import Bank Act of 1945, as amended, contained in section 1 on the operations of the Bank.

Section 3. Effective date. Provides that the amendment made by section 1 becomes effective on the date upon which the President makes the report to Congress referred to in section 2(1).

MASS TRANSPORTATION

URBAN MASS TRANSPORTATION ASSISTANCE ACT OF 1969

[S. 3154]

[Public Law 91–453, approved October 15, 1970]

To provide long term financing for expanded urban public transportation programs and for other purposes

History of Legislation

S. 3154 was introduced by Senator Williams of New Jersey and others on November 19, 1969, and referred to the committee. On November 20, 1969, the bill was referred to the Subcommittee on Housing and Urban Affairs. After consideration the bill was reported (S. Rept. 91–633) with amendments on December 22, 1969. S. 3154 was placed on the Senate Calendar and no further action was taken on it during the first session of the 91st Congress.

On February 3, 1970, the bill was considered, amended, and passed by the Senate and sent to the House of Representatives where it was referred to the House Committee on Banking and Currency. After hearings and consideration in executive session the House Committee reported (H. Rept. 91–1264) its own bill, H.R. 18185, on June 30, 1970. H.R. 18185 was considered, amended, and passed by the House on September 29, 1970, at which time the provisions of H.R. 18185 were substituted for the provisions of S. 3154. S. 3154, as amended, was sent to the Senate and on October 5, 1970, the Senate agreed to the House amendment.

S. 3154 was signed into law by the President on October 15, 1970, becoming P.L. 91–453.

Digest of Statute

$10 BILLION INTENT

The Act states a Federal intention to provide $10 billion for urban mass transportation over the next 12 years.

AUTHORIZATION OF $3.1 BILLION

The Act authorizes $3.1 billion to finance projects of the Urban Mass Transportation Administration (UMTA) beginning in fiscal year 1971.

UMTA capital assistance activities (capital grants and loans, technical studies and relocation assistance) may be financed by "contract authority," whereby the Secretary of Transportation is authorized

to incur obligations on behalf of the United States, and the full faith and credit of the Congress is pledged to appropriate the funds required to liquidate such obligations.

The amount which may be appropriated annually for all UMTA activities is limited by a schedule contained in the Act. This schedule authorizes appropriations of $80 million for fiscal year 1971 and rises at a graduated rate up to an aggregate amount of $1.86 billion in fiscal year 1975, and to $3.1 billion thereafter.

In addition, beginning in 1972, the Secretary would be required to submit to Congress biennially requests for authority to obligate for changes in the schedule for appropriations to liquidate obligations.

This arrangement provides localities assurance that Federal financial assistance will be available on a continuing basis, while ensuring orderly development of mass transportation programs.

ADVANCE ACQUISITION OF REAL PROPERTY

The Act authorizes loans to local governments for the acquisition of real property expected to be required for urban mass transportation purposes within ten years. The real estate would be for rights-of-way, station sites, terminals, maintenance, and other buildings, parking lots, and access roads.

If it is subsequently determined that such acquired real property is not to be used for urban mass transportation purposes, the Federal government shall receive two-thirds of any increase in value over the cost of acquisition.

Such advance acquisition of real property is extremely important as the cost of urban land is rising sharply.

PUBLIC HEARINGS

Applicants for Federal assistance for capital projects which would substantially affect a community or its mass transportation service must hold (or provide the opportunity for) public hearings on the economic, social, and environmental impacts of the projects. (Where hearings have been held, a copy of the transcript must accompany the application.)

ENVIRONMENTAL PROTECTION

An applicant for capital assistance must carefully analyze environmental impacts of its proposed project and consider alternatives to the project to minimize environmental damage. The Secretary is required to consult with the heads of other Federal agencies with regard to projects affecting the environment and, before approving an application, must determine in writing that the hearing requirement has been fulfilled, that there is no feasible and prudent alternative to any adverse environmental effect which may result from the project, and that all reasonable steps have been taken to minimize the effect.

STATE LIMITATION

Capital grants received by any one state may not exceed 12½% of the aggregate amount of funds authorized to be obligated by the Act, with the proviso that an additional 15 percent of this aggregate may be used by the Secretary without regard to this basic limitation.

This provision allows the Secretary the flexibility necessary to adequately assist cities in states where the magnitude of urban transportation problems is unusually great.

STUDY OF OPERATING SUBSIDIES

The Act requires the Secretary to conduct a study of the desirability of providing Federal grants to assist local mass transportation systems in meeting their operating costs (as distinguished from capital costs), and to report his findings and recommendations to the Congress within one year.

SOURCE OF LOCAL SHARE

The Act removes restrictions which required that at least 50 percent of the local matching funds must be provided from public sources unless the applicant can demonstrate its fiscal inability to provide such funds.

COMMENTS OF GOVERNORS

The Act requires an applicant for capital assistance for a project located in a state which has statewide comprehensive transportation planning to submit a copy of its application to the Governor of the state. The Secretary is required to consider any comments submitted by the Governor before taking final action on the application.

SPECIAL CONSIDERATIONS

The Act contains a provision that special consideration be given to the needs of the elderly and handicapped with regard to the planning, design, and operation of urban mass transportation services.

The Act also stipulates that special efforts be made to encourage industries hurt by cut-backs in other areas of Federal spending to compete for contracts involving UMTA projects.

MEDALS

STONE MOUNTAIN MEDALS

[S. 3435]

[Public Law 91–254, Approved May 14, 1970]

History of Legislation

S. 3435 was introduced by Senators Talmadge and Russell on February 16, 1970. The bill was reported with an amendment on April 23, 1970 (S. Rept. 91–768). The bill passed the Senate on April 27, 1970. An identical bill, H.R. 15929, was reported on April 28, 1970, by the House Banking and Currency Committee (H. Rept. 91–1023). S. 3435 passed the House on May 4, 1970. The bill was approved by the President on May 14, 1970, becoming Public Law 91–254.

Digest of Statute

Public Law 91–254 authorized the Secretary of the Treasury to strike not more than 500,000 medals to commemorate the completion of the carvings on Stone Mountain, Georgia, depicting the heroes of the Confederacy. No medals will be struck after December 31, 1971. The medals will be struck at no cost to the United States.

OHIO NORTHERN UNIVERSITY MEDALS

[H.R. 15118]

[Public Law 91–381, Approved August 17, 1970]

History of Legislation

H.R. 15118 was introduced by Congressman McCulloch on June 20, 1970. It was reported to the House on June 29, 1970 (H. Rept. 91–1245). It passed the House on July 6, 1970. The bill was reported to the Senate on July 30, 1970 (S. Rept. 91–1042). It passed the Senate on August 3, 1970. The bill was approved by the President on August 17, 1970, becoming Public Law 91–381.

Digest of Statute

Public Law 91–381 authorized the Secretary of the Treasury to strike not more than 16,000 medals commemorating the 100th anniversary of Ohio Northern University located in Ada, Ohio. No medals will be struck after December 31, 1971. The medals will be struck at no cost to the United States.

JOSE ANTONIO NAVARRO MEDAL

[H.R. 13959]

[Public Law 91–244, Approved May 9, 1970]

History of Legislation

H.R. 13959 was introduced by Congressman Gonzalez on September 23, 1969. It was reported to the House with an amendment on December 9, 1969 (H. Rept. 91–724). It was passed by the House on December 15, 1969. The bill was reported to the Senate on April 23, 1970 (S. Rept. 91–769). It passed the Senate on April 27, 1970. The bill was approved by the President on May 9, 1970, becoming Public Law 91–244.

Digest of Statute

Public Law 91–244 authorizes the Secretary of the Treasury to strike not more than 100,000 medals commemorating the contributions to the founding of the State of Texas, and the City of San Antonio, of Jose Antonio Navarro. No medals will be minted after December 31, 1970. The medals will be minted at no cost to the United States.

MORTGAGE CREDIT

EMERGENCY HOME FINANCE ACT OF 1970

[S. 3685]

[Public Law 91–351, approved July 24, 1970]

To increase the availability of mortgage credit for the financing of urgently needed housing, and for other purposes.

History of Legislation

The Committee held hearings on March 2–6, 1970, and considered in Executive Session on March 19, 1970, the following bills: S. 2958, S. 3443, S. 3503, S. 3508, and S. 3355. Following consideration of these matters the Committee reported (S. Rept. 91–761) a Committee bill, S. 3685, on April 7, 1970. The measure was considered, amended, and passed by the Senate on April 16, 1970, and was sent to the House of Representatives where it was referred to the House Banking and Currency Committee on April 20, 1970.

Subsequently, the House Committee, after hearings and consideration in Executive Session, reported (H. Rept. 91–1131) a Committee bill, H.R. 17495, on May 28, 1970. H.R. 17495 was considered, amended, and passed by the House on June 25, 1970. The provisions of H.R. 17495 were then substituted for S. 3685 and the measure was sent to the Senate. S. 3686 then became the subject of a conference between the Senate and the House of Representatives. The Senate agreed to the Conference Report (H. Rept. 91–1311) on July 17, 1970, and the House agreed to the Report on July 20, 1970.

S. 3685 was approved by the President on July 24, 1970, becoming Public Law 91–351.

Digest of Statute

TITLE I—REDUCTION OF INTEREST CHARGES FOR MEMBERS OF THE FEDERAL HOME LOAN BANK SYSTEM

Section 101 authorizes an appropriation of $250 million to be used by the Federal Home Loan Bank Board for disbursements to Federal home loan banks for the purpose of providing funds for mortgage financing at reduced rates of interest to home buyers and other borrowers. The disbursements of the funds shall be administered to assist in the provision of housing for low- and middle-income families. In no case may the lending institution use the funds for a loan with an effective interest rate in excess of such percentile amount above the effective rate of interest payable by the lending institution to the Federal home loan bank as is determined by the Federal Home Loan Bank Board as appropriate in furtherance of the purposes of this section.

TITLE II—AUTHORITY FOR THE FEDERAL NATIONAL MORTGAGE ASSOCIATION TO PROVIDE A SECONDARY MARKET FOR CONVENTIONAL MORTGAGES

Section 201(a) expands the purchase authority of the Federal National Mortgage Association to include conventional mortgages, in addition to the Federally underwritten mortgages it now purchases and sells. These purchases would be limited generally to mortgages with a maximum loan-to-value ratio of 75 percent; this restriction would not apply (1) if the excess above such 75 percent is privately insured or guaranteed (2) if the seller agrees, for such period and under such circumstances as FNMA may require, to repurchase or replace the mortgage upon demand of FNMA in the event of a default, or (3) if the seller retains a participation of at least 10 percent.

There could be no advance commitments to purchase conventional mortgages in cases where the seller retains a participation in the mortgage. No more than 10 percent of all purchases of conventional mortgages may be of mortgages more than 1 year old at time of purchase. Also, mortgages over 1 year old could be purchased only from sellers continuing in the mortgage lending business. Lastly, the maximum dollar limits on mortgages purchased could not exceed comparable limits applicable under section 203(b) (for sales housing) and 207 (for rental housing) of the National Housing Act.

Section 201(b) excludes from the limitations on obligations of National Banks those resulting from sale of mortgages to FNMA or the Federal Home Loan Mortgage Corporation.

TITLE III—FEDERAL HOME LOAN MORTGAGE CORPORATION

Section 301 provides that title III may be cited as the "Federal Home Loan Mortgage Corporation Act."

Section 302 contains definitions of terms used in title III.

Section 303(a) creates the Federal Home Loan Mortgage Corporation, to be under the direction of a board of directors composed of the members of the Federal Home Loan Bank Board, the chairman of which would be the chairman of the board of directors.

Section 303(b) sets forth the powers of the Corporation and gives it authority to incur expenditures and employ personnel without regard to certain statutory restrictions.

Section 303(c) provides for the investment of funds of the Corporation, which may be made as prescribed by the board of directors. It further provides that any Federal Reserve bank or Federal home loan bank, or any bank designated by the Secretary of the Treasury as a depository or public money, may be designated by the Corporation as a depository or custodian or fiscal agent. When so designated by the Secretary of the Treasury the Corporation may become a depository of public funds.

Section 303(d) provides that the Corporation itself shall be exempt from State and local taxes except for real property taxes.

Section 303(e) gives the Corporation clear authority to bring suit in Federal court and to remove to such court any judicial proceedings in which it is involved, and prohibits the issuance of any attachment or execution against the Corporation or its property before final judgment.

Section 304 provides for the issuance and retirement of capital stock of the Corporation. Subsection (a) provides that such stock shall consist only of nonvoting common stock, and that it shall be issued only to Federal home loan banks, and that it shall have such par value and other characteristics as the Corporation shall prescribe.

Section 304(b) provides that the Federal home loan banks shall subscribe for such amounts of stock as are prescribed by the Corporation, but that the payments for which the banks may be obligated under such subscriptions shall not exceed $100 million.

Section 304(c) provides specifically for the allocation of stock among the several banks by the Corporation.

Section 304(d) provides for the retirement of the stock, and imposes the restriction that no call for the retirement of stock shall be made, and no stock shall be retired without call, if, immediately after such action, the total of the stock not called for retirement and of the reserves and surplus of the Corporation would be less than $100 million.

Section 305(a)(1) would authorize the Corporation to purchase, and make commitments to purchase, mortgages on residential property from any Federal home loan bank, the Federal Savings and Loan Insurance Corporation, any member of a Federal home loan bank, or any other financial institution the deposits or accounts of which are insured by an agency of the United States. The Corporation is further authorized to hold and deal with, and sell or otherwise dispose of, mortgages or interests therein.

Section 305(a)(2) provides that mortgages shall be of the type which generally meet the purchase standards imposed by private institutional mortgage investors. No purchase shall be made if the outstanding principal balance of the mortgage exceeds 75 percent of the value of the property, unless (a) the seller retains at least a 10-percent participation, or (b) the seller agrees to repurchase or replace the mortgage upon demand of the Corporation in the event of a default, or (c) the portion of the unpaid principal balance exceeding 75 percent is guaranteed by a qualified private insurer. The Corporation's authority to purchase conventional mortgages more than 1 year old is limited, and the principal obligation of any conventional mortgage purchased by the Corporation shall not exceed the dollar limitations on comparable mortgages insured by the Secretary of Housing and Urban Development under section 203(b) (for sales housing) or 207 (for rental housing) of the National Housing Act.

Section 305(a)(3) provides that sales or other dispositions of mortgages by the Corporation may be with or without recourse, and upon terms and conditions prescribed by the Corporation.

Section 305(b) confers the authority to enter into the transactions enumerated in section 305 upon any Federal home loan bank, the Federal Savings and Loan Insurance Corporation, any Federal savings and loan association, any Federal home loan bank member, and any other financial institution the deposits or accounts of which are insured by an agency of the United States to the extent that Congress has the power to confer such authority.

Section 306(a) authorizes the Corporation to borrow, to give security, to pay interest, and to issue securities, including mortgage-backed securities guaranteed by the Government National Mortgage Association.

Section 306(b) authorizes the Corporation to establish prohibitions or restrictions upon the creation of indebtedness or obligations of the Corporation, and to create liens or charges upon its property.

Section 306(c) provides that the Federal home loan banks shall, to the extent prescribed by the Corporation's board of directors, guarantee any obligations of the Corporation other than its capital stock.

Section 306(d) states that the provisions of the section, and of any restriction, prohibition, lien, or charge created thereunder, shall be effective notwithstanding any other law.

Section 307(a) is designed to assure that the rights and remedies of the Corporation with respect to mortgages or other property acquired by it could not be impaired by restrictive laws, such as moratorium laws, or administrative actions of a similar nature, which take effect after the Corporation has acquired the mortgage or other property.

Section 307(b) provides that the financial transactions of the Corporation shall be subject to audit by the General Accounting Office and gives representatives of the General Accounting Office access to all records of the Corporation which may be necessary to facilitate the audit. A report on each such audit shall be made by the Comptroller General to the Congress.

Section 308 contains penal provisions protecting the name of the Corporation, its sign, devices, and so forth.

Section 309 provides that the act shall be applicable to the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

Section 310 contains customary language regarding separability.

TITLE IV—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE FUNDS

Section 401 provides an additional $1.5 billion in Presidential special assistance authority for the GNMA, $750 million of which is new special assistance authority and $750 million of which is transferred from the program 14 Congressional allocation (emergency special assistance program for low and moderate income housing). This title also removes the par purchase requirement from the Congressional authority and authorizes higher (sec. 235) dollar ceilings under that authority to make the program more workable.

Section 402 authorizes GNMA to purchase sec. 236 mortgages covering property receiving local tax abatement benefits even though per unit costs on the property exceed $22,000.

TITLE V—FUNDS FOR FINANCING MIDDLE-INCOME HOUSING

Section 501 states as the purpose of this title the provision, during periods of high mortgage interest rates, of a source of mortgage credit for families of middle income which is within their financial means.

Section 502 adds a new section 243 to the National Housing Act which authorizes the Secretary of HUD to make interest subsidy payments to FNMA and to the new Federal Home Loan Mortgage Corporation with respect to special home mortgages purchased by them during periods of high mortgage interest rates. The payments would be equal to the difference between the total amount of interest per calendar quarter received on those mortgages and the total amount

of interest which would have been received if the yield on the mortgages was equal to (1) the average cost of all borrowed funds FNMA or FHLMC had outstanding in the immediately preceding calendar quarter plus (2) an amount which the Secretary determines is necessary and appropriate for administrative and other expenses.

The mortgagor must make monthly payments on the mortgage equal to an amount which would be required if the mortgage bore an effective interest rate of 7 percent or such higher rate which the mortgagor could pay by applying at least 20 percent of his income toward homeownership expenses. Incomes would be recertified at least every 2 years for purposes of adjusting the amount of the mortgagor's payment.

The Secretary may require that the mortgagor, in order to qualify for assistance payments, have an income of not more than the median income for the area.

Mortgages with respect to which assistance payments are made may be (1) conventional mortgages meeting the requirements of this title, (2) VA mortgages, or (3) mortgages insured by the Secretary under this title. Such mortgages shall involve a single family dwelling or condominium unit having an appraised value not in excess of $20,000 ($30,000 in high cost areas). In the discretion of the Secretary 25 percent of the mortgages insured under this title may cover existing housing. Mortgages insured under section 213 and covering middle income cooperative projects would also be eligible for assistance payments.

The aggregate amount of contracts to make assistance payments under this title may not exceed amounts approved in appropriations acts, and payments pursuant to such contracts shall not exceed $105 million during the first year of such contracts which amount shall be increased by an additional $105 million during the first year of an additional number of such contracts on July 1 of each of the years 1971 and 1972. After June 30, 1973, no interest subsidy payments shall be made except pursuant to contracts entered into on or before that date.

Section 503 amends section 238 of the National Housing Act to provide that the Secretary of HUD shall sue the Special Risk Insurance Fund for carrying out the mortgage insurance obligations of the new section 243 of the National Housing Act.

TITLE VI—FLEXIBLE INTEREST RATE AUTHORITY

Section 601 extends from October 1, 1970, to January 1, 1972, the authority of the Secretary of HUD to set maximum interest rates on FHA–VA mortgages.

TITLE VII—MISCELLANEOUS

Section 701 directs the Secretary of HUD and the Administrator of Veterans' Affairs, after consultation with each other, to prescribe standards governing the amounts of settlement costs allowable in any area in connection with the financing of FHA and VA assisted housing.

The Secretary and the Administrator would also be directed to undertake a joint study and to make recommendations to the Congress no later than 1 year after enactment of this act, as to legislative and administrative actions to reduce and standardize settlement costs.

Section 702 provides that from July 24, 1970 until July 1, 1972 urban renewal and public housing loans may bear interest at a rate less than the applicable going Federal rate but at not less than 6 percent in cases where the Secretary of HUD determines this is necessary because of interest rate limitations of State laws.

Section 703 amends section 407(a) of the Housing and Urban Development Act of 1968 to authorize the Secretary of Housing and Urban Development to issue obligations to the Treasury in an amount sufficient to enable the Secretary to make timely payments of liabilities incurred as a result of the guarantees covering the obligations of new community developers. Such authority would be needed only when the amounts in the guarantee fund from fees, charges and other receipts were inadequate to make such payments. Any obligations issued by the Secretary would be repayable and have maturities and bear interest at a rate determined by the Secretary of the Treasury.

Section 704 amends section 24 of the Federal Reserve Act to extend the ratio of loan to value from 80 to 90 percent for fully amortized conventional mortgage loans by national banks. It would also increase the term of conventional mortgage loans for national banks from 25 to 30 years. In addition it would permit national banks to make construction loans for a period of up to 60 months. Existing law limits such period to 36 months.

Section 705 amends section 407(c)(a) of the National Housing Act to extend the time during which divestiture must take place under the Savings and Loan Holding Company Act. That Act provided for a period of divestiture of 2 years for nonqualified affiliates of savings and loan holding companies. This section extends the period of divestiture for an additional 3 years, until February 14, 1971, in order to allow sufficient time for the enactment of tax legislation to permit divestiture under circumstances which are fair and equitable.

Section 706 amends section 5(c) of the Home Owners Loan Act of 1933 to authorize federally chartered savings and loan associations to engage in statewide lending in States where State-chartered associations are allowed to engage in such lending. Statewide lending by federally chartered associations would be subject to regulation by the Federal Home Loan Bank Board.

Section 707 amends section 403(b) of the National Housing Act to increase from 20 to 30 years the amount of time insured associations may be given by the Federal Savings and Loan Insurance Corporation to build up their reserves to 5 percent of all insured accounts.

Section 708 amends section 5(c) of the Home Owners Loan Act of 1933 to authorize Federal savings and loan associations to accept, and act as trustees of trusts for, retirement funds of self-employed persons—the so-called Keogh-Smathers funds. The Internal Revenue Code now permits savings and loan associations to act as trustees for these funds, but in order for federally chartered savings and loans to accept these funds, the Home Owners' Loan Act must be amended so that these institutions would be allowed to perform this function.

Section 709 amends section 5(c) of the Home Owners Loan Act of 1933 to increase, from $40,000 to $45,000, the statutory lending limit per single family dwelling applicable to savings and loan associations.

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Section 710 amends section 401(f)(2) of the Housing Act of 1950 to increase by $2.1 million the aggregate amount of contracts which may be entered into to make annual debt service grants to help finance college housing facilities.

Section 711 is a technical amendment to title IX of the Housing and Urban Development Act of 1968. It adds a new section which, while reaffirming the authority of State and local governments to tax and regulate local limited partnerships and their members, assures limited partners in the National Housing Partnership that their participation would not, of itself, expose them to unanticipated responsibilities and risks of State and local taxation and process.

SECURITIES

ADDITIONAL CONSUMER PROTECTION IN CORPORATE EQUITY OWNERSHIP AND IN CORPORATE TAKEOVER BIDS

[S. 3431]

[Public Law 91–567, approved December 22, 1970]

To extend the coverage of secs. 13(d), 14(d) and 14(e) of the Securities Exchange Act of 1934 in order to provide additional protection for investors

History of Legislation

S. 3431 was introduced by Senator Williams of New Jersey for himself and Senator Brooke on February 10, 1970. The bill was the subject of hearings on March 25, 1970 and after consideration by the committee in executive session was reported (S. Rept. 91–1125) on August 14, 1970.

The bill was considered and passed by the Senate on August 18, 1970 and was referred to the House Interstate and Foreign Commerce Committee on September 9, 1970. The House Committee reported (H. Rept. 91–1655) the bill with amendments on December 2, 1970. The measure was considered, amended, and passed by the House on December 7, 1970, and sent to the Senate. On December 9, 1970, the Senate agreed to the House amendment with an amendment, and the bill was returned to the House of Representatives on December 10, 1970. The House agreed to the Senate amendment to the House amendment on December 10, 1970.

The measure was approved by the President on December 22, 1970, becoming Public Law 91–567.

Digest of Statute

The act will amend the Securities Exchange Act of 1934 as follows:

Section 1.—This section will amend section 13(d)(1) of the Securities Exchange Act of 1934, which requires any person who acquires 10 percent, or more, of any class of equity security subject to its provisions to forward to the issuer of that security, and file with the Commission, a statement containing specified information with respect to such matters as the background and identity of the person who has acquired such security, the source and amount of funds used or to be used in the transaction, and if the purpose of the purchase is to acquire control of the issuer, the acquiring person's plans with respect to major changes in the business of the issuer.

Under this legislation the coverage of section 13(d) would be made applicable to acquisitions of equity securities of insurance companies. Section 1 of the bill would also reduce the 10-percent figure in section 13(d)(1) to 5 percent. Thus a report must be filed when 5 percent of

the class of a company's stock has been acquired rather than at the 10-percent figure required by current law. However, the Commission may, if the securities were acquired in the ordinary course of business and not for the purpose or have the effect of changing control of the issuer, file a notice of acquisition in lieu of the statement required under the Act.

Section 2.—This section will amend section 13(e)(2) of the Securities Exchange Act to authorize the Commission to adopt rules and regulations as may be appropriate under that section. Section 13(e) authorizes the Commission to adopt rules and regulations with respect to purchases by certain issuers of their own securities. Subsection (e)(2) provides that a purchase by or for a person in a control relationship with the issuer is considered to be a purchase by the issuer for the purpose of section 13(e). This section will give the Commission rulemaking power to distinguish between purchases by or for the issuer and purchases by or for a person in a controlling relationship with the issuer. It will allow the Commission flexibility in exempting persons in a control relationship with the issuer from all of the requirements of the act such as notice to shareholders and other restrictions, which may be appropriate when an issuer purchases its own securities.

Section 3.—This section will make the same changes in section 14(d) of the Securities Exchange Act as section 1 makes in section 13(d); that is, it covers insurance companies and reduces the percentage figure upon which the applicability of the section depends from 10 percent to 5 percent. Section 14(d) presently makes it unlawful to make a tender offer for securities without filing with the Commission a statement containing essentially the same information as is provided for in section 13(d) and furnishing this information, and such other information as the Commission may deem appropriate, to security holders who are invited to tender their shares. Section 14(d) also provides certain limitations on the terms of tender offers including a provision limiting the period within which security holders may withdraw tendered securities and a limited period during which securities tendered must be taken up on a pro rata basis rather than on a first-come, first-served basis. It further includes a provision that if a person varies a tender offer by increasing the price, he must also provide the increased price to those persons who have already tendered their shares. Section 14(d) also provides for regulation by the Commission of solicitations in favor of or in opposition to a tender offer.

Section 4.—This section will eliminate the existing exemption from the provisions of section 14(d) for a stock or stock exchange offer registered under the Securities Act of 1933. An exchange offer is made when a person or company making a tender offer, instead of offering to purchase securities for cash, offers to exchange its own securities for them. Registration under the Securities Act provides for appropriate disclosure, and is an alternative for the disclosures called upon under section 14(d). However, it does not provide for any of the act's substantive protections in connection with exchange offers. In addition it does not provide for regulation of solicitations in opposition to an exchange offer. These protections which are provided for in the case of cash tender offers are extended under this section to exchange offers.

Section 5.—This section will amend section 14(e) of the Securities Exchange Act, which prohibits false statements and fraudulent or deceptive practices in connection with tender offers. It would grant to the Commission rulemaking power to define and prescribe means reasonably designed to prevent fraudulent, deceptive and manipulative practices in connection with such offers. The committee by adopting this section intends to allow the Commission to deal more adequately with the sophisticated devices sometimes employed by both sides in contested tender offers.

Section 6.—This section will exempt under section 3(a)(2) of the Securities Act of 1933 single or collective trust funds maintained by a bank or separate accounts maintained by an insurance company which meet the applicable requirements for qualification under Sections 401 and 404 of the Internal Revenue Code.

It also exempts under section 3(a) the Securities Exchange Act and the Trust Idenure Act municipal corporate instrumentalities of one or more states which are industrial development bonds as defined by section 103 of the Internal Revenue Code.

INCREASING THE SECURITIES ACT EXEMPTION FROM REGISTRATION FOR SMALL BUSINESS

[S. 336]

[Public Law 91–565, approved December 19, 1970]

To amend Sec. 3(b) of the Securities Act of 1933 to permit the exemption of security issues, not exceeding $500,000 in aggregate amount from the provision of such Act.

History of Legislation

S. 336 was introduced by Senator Sparkman and others on January 16, 1969. The bill was the subject of hearings on March 25, 1970, and after consideration by the committee in executive session was reported (S. Rept. 91–1082) on August 10, 1970.

The bill as reported was passed by the Senate on August 13, 1970, and was sent to the House of Representatives where it was referred to the House Interstate and Foreign Commerce Committee on August 14, 1970. S. 336 was reported (H. Rept. 91–1654) to the House of Representatives on December 2, 1970. The measure was considered and passed by the House on December 7, 1970.

S. 336 was approved by the President on December 19, 1970, becoming Public Law 91–565.

Digest of Statute

S. 336 amends the Securities Act of 1933 in order to assist small businesses in raising capital by authorizing the Securities and Exchange Commission to increase the size of offerings of securities that may be made without compliance with the full registration requirements of the Securities Act of 1933 from $300,000 to $500,000.

SECURITIES INVESTOR PROTECTION CORPORATION

[S. 2348—H.R. 19333]

[Public Law 91–598, approved December 30, 1970]

To establish a Federal Broker-Dealer Insurance Corporation

History of Legislation

S. 2348 was introduced by Senator Muskie, for himself and Senator Moss, on June 9, 1969. On March 23, 1970, the bill was referred to the Subcommittee on Securities. S. 2348 was the subject of hearings on April 16 and 17, June 18, and July 16, 1970. Following consideration of the bill by the Committee in executive session, it was reported to the Senate (S. Rept. 91–1218), with amendments, on September 21, 1970.

Concurrently, the House Committee on Interstate and Foreign Commerce considered and reported (H. Rept. 91–1613) its own bill, H.R. 19333, on October 1, 1970. The bill was considered and passed by the House of Representatives on December 1, 1970. It was referred to the Senate Committee on Banking and Currency on December 3, 1970. The Committee was discharged from consideration of H.R. 19333 on December 10, 1970, and on the same day S. 2348 was called from the Senate Calendar, considered, and passed by the Senate. The provisions of S. 2348 were then substituted for H.R. 19333, and the Senate asked for a conference with the House. A conference report on H.R. 19333 was filed on December 18, 1970 (H. Rept. 91–1788). The House agreed to the conference report on December 21, 1970, and the Senate agreed to it on December 22, 1970.

The measure was approved by the President on December 30, 1970, becoming Public Law 91–598.

Digest of Statute

Section 1 is the short title and table of contents.

Section 2 makes the Act applicable as if it were an amendment to the 34 Act.

Section 3(a) establishes the Securities Investor Protection Corporation (SIPC) as a non-profit corporation under the District of Columbia Non-Profit Corporation Act, and specifically designates it not to be an agency of the United States Government. This provision is intended to maintain consistency with the self-regulatory character of the securities industry under the overall supervision and oversight of the SEC. The corporation is a membership corporation whose membership consists of all registered brokers and dealers and members of national securities exchanges except those engaged exclusively in the sale of mutual funds or variable annuities, the business of insurance, or the rendering of investment advice to investment companies or insurance company separate accounts.

For this category, membership in SIPC is made voluntary by section 3(f). The purpose of this distinction is to place the burden of membership costs in SIPC upon those brokers and dealers whose activities are most likely to place their customers' securities and/or cash holdings at risk. At the same time, there may well be brokers

and dealers who, although they create no such risks for their customers, may wish to take advantage of SIPC membership as a general asset in the conduct of their business.

Section 3(b) establishes the general corporate powers of SIPC, which will, in addition, have the powers of a corporation under the D.C. Non-Profit Corporation Act. The powers conferred here are in addition to those specifically granted elsewhere in the Act.

Subsection 3(c). Establishes a board of directors consisting of seven members who are to serve staggered three year terms.

The members consist of a designee of the Secretary of the Treasury from among the employees of the Treasury; a designee of the Federal Reserve Board from among their employees; three representatives of the industry appointed by the President with the advice and consent of the Senate; and two members of the general public also appointed by the President. The latter two directors are to be designated as Chairman and Vice Chairman. Matters of compensation are left to the bylaws.

Subsection 3(d) provides that the board meets at the call of its Chairman unless otherwise provided in the bylaws.

Subsection 3(e) provides for adoption by the Board of Directors of initial bylaws, rules and regulations within 45 days after enactment of this Act and the filing of those bylaws with the Commission.

It provides that bylaws, rules and regulations and any subsequent amendment or addition thereto shall become effective on the 30th day after filing unless the Commission disapproves them.

Finally, it provides that the Commission may, by rule or regulation, require the adoption, amendment or revision of any bylaw. Like subsection 9 in exercising its rulemaking authority under this subsection, the Commission must give notice and opportunity for an Administrative Procedure Act hearing and for submission of views.

Subsections 4(a)–4(e) establish the insurance fund into which all moneys are to be paid and from which all expenditures are made. Moneys collected or received may be revenues from regular assessments, revenues from a transaction charge when and if levied, any transfers to the Corporation from existing trust funds, the proceeds of any borrowing by the Corporation, and recoveries the Corporation may make, as subrogee, from the estates of bankrupt brokers and dealers, and interest earnings. Expenditures include the salaries of officers directors, or employees of the Corporation, administrative and business expenses, advances to complete open contracts for customers, and advances to pay the claims which are the main purpose of this proposal: to pay unsatisfied claims of customers up to $50,000. This protection is limited, of course, to no more than $20,000 claims for cash.

This section also establishes initial and future funding levels for the Corporation. The fund is to aggregate $75 million within 120 days. Part of this will be a firm line of credit which will be established with a consortium of banks.

In addition to the line of credit, the fund will be invested at the outset—within 120 days—with at least $10 million in cash. This will result from an assessment of one-eighth of 1 percent of 1969 gross revenues of SIPC members, and a transfer of existing trust funds of self-regulatory bodies. The initial assessment is set at a minimum of $150 million. Thus the Corporation will commence operations with

assets within 120 days of $75 million to provide almost immediate protection against customer losses. Industry representatives have made clear to the Committee that such losses sustained by firms in capital violation prior to the effective date of this legislation are regarded as an industry responsibility.

Apart from the initial assessment rate of one-eighth of 1 percent, the regular annual assessment, to be in effect until the fund aggregates $150 million (or such other amount as the Commission may determine), will be one-half of 1 percent of the gross revenues of the previous 12 month period. The dollar implications of this assessment rate, which commences with enactment of the legislation, will of course depend on the course of future gross revenues in the securities industry. On the assumption of growth of 5 percent annually, this assessment rate would enable the fund to reach $150 million before the end of the fifth year of operation. More or less rapid growth of industry revenues would, of course, either shorten or lengthen this period.

The act provides that upon reaching $150 million, the Corporation will phase out of its fund all lines of credit, replacing these lines with cash. During this period of credit phase-out, the Corporation will endeavor to reduce the annual assessment rate to an average level no higher than one-quarter of 1 percent. When eventually the fund consists of all cash, the assessment rate presumably would be reduced further to a sustaining level. In the event that the fund at any time falls below $100 million (or a lesser amount, if the Commission, with the approval of the Secretary of the Treasury, determines) the assessment rate is to revert to the one-half of 1 percent level. When it will not materially harm SIPC members or their customers, the corporation is permitted to impose assessments of up to $190 million.

Except during periods when the maximum rate is in effect, the act does not contemplate that all members of SIPC would pay the same assessment rate. It contemplates that the SIPC, subject to Commission determination, will develop a formula by which assessments will be geared to any or all of several risk factors, as well as to gross revenues of the member firm: such factors specifically include net capital, the nature of the business, the number of customers, the dollar volume of transactions, and such other factors as the Commission may regard as pertinent.

Subsection (e) provides that underpayments bear interest and that overpayments are recoverable only as a credit against future assessments.

Section 4(f) establishes the general power of the Corporation to borrow and to pledge to secure borrowings. The Corporation may determine the terms of any borrowing except borrowings from the Treasury. Such borrowings are technically effected through the Commission, and must be at a rate of interest equal to that payable by the Commission to the Treasury.

Section 4 (g) and (h) provide, in essence, for borrowing by the Corporation (indirectly) from the Treasury of up to $1 billion. The borrowings are to be made by the Commission from the Treasury, and thereafter lent by the Commission to the Corporation. The Corporation must file with the Commission a statement with respect to the use of the proceeds and the Commission must certify to the Secretary of the

Treasury that such a loan is necessary. The interest on the loan is to be set at a level related to the then-current yield on comparable Government obligations.

The Act sets the Treasury borrowing authority at $1 billion as a figure unlikely to be required in any except the most extreme situations of financial stress.

Assessments as described in a preceding section should be sufficient to finance the insurance fund under non-extreme conditions. However, those assessments would not be adequate to service and to repay any large borrowings from the Treasury. This will be particularly true during the early years of the fund, when a large (but declining) proportion of the private fund will consist of standby credits from private banks. If, as may reasonably be expected, the Corporation will be able to confine its borrowing to commercial banks under the line of credit, the entire one-half of 1 percent would be available to service such loans, allowing full repayment in an acceptably short time period. However, if the Corporation finds it necessary, in addition, to borrow from the Treasury, only half of the annual assessment (i.e., one-quarter of 1 percent) would remain available to repay bank credit because the rest must be set aside for servicing the Government's loan. In light of this, the bank line of credit now being negotiated by industry representatives provides that the Corporation will reduce the principal amount of the agreement by $10 million annually.

The Corporation would then have revenue from the remaining one-quarter percent for servicing the borrowing from the Government, plus any unused portion of the remaining one-quarter of 1 percent. If industry gross revenues rise by 5 percent annually, this assessment rate would be enough to pay interest on, but no amortize, a Government loan ranging from $144 million to $321 million, depending upon the market rate of interest. If provision is made for repayment, the amount would be correspondingly smaller.

For this reason, the Committee considered that an additional, contingent source of revenue might prove necessary to assure repayment of funds advanced by the Government. In addition to assessments transactions charged of up 20 cents per one thousand dollars is therefore provided by determination of the Commission in the event of a borrowing from the Treasury. The transaction charge does not apply to transactions under $5,000; its incidence, therefore, falls largely on institutional and other substantial investors and only to a minor extent upon individuals with more modest security holdings. The transaction fee would be imposed on public purchasers or brokers buying for investment, except that the Commission may exempt certain over-the-counter transactions in order to make the conditions of imposition of fees in the over-the-counter market comparable with those pertaining to exchange transactions. This is intended to deal with the situation in the over-the-counter and exchange market where there may be more than one dealer acting as principal between the seller and the purchaser.

Section 4(i) defines "gross revenue" as income derived from eleven enumerated sources. Each source is intended to be computed separately, and thus a loss in one area cannot be taken as a set-off against the others, nor is provision made for a carry-over from year to

year. The eleven sources of revenue are (1) commissions from transactions in securities and markups on transactions; (2) execution and clearance; (3) net realized gain from trading accounts; (4) net underwriting profit; (5) interest on customer accounts; (6) advisory fees or management fees; (7) fees for proxy solicitation; (8) services charges or surcharges; (9) dividends and interests on investment accounts; (10) fees for puts and calls; and (11) income from other investment banking services.

Gross revenues excludes revenues from the sale of mutual funds or variable annuities or the business of insurance. The "business" of a broker or dealer includes subsidiaries and any business to which it has succeeded. The definitions in this section may be elaborated on by the Corporation.

Section 5 requires the commission or any self-regulatory organization to notify SIPC if it knows that a member is in or is approaching financial difficulty.

SIPC is permitted to apply to a court for a decree adjudicating that customers of a member are in need of protection whenever it concludes that such member is in danger of failing to meet its obligations to customers or is notified of such a situation by the Commission or any self-regulatory body and determines that one or more of certain specified conditions exist. Under subsection (b) the court must grant such application if it finds any of five specified conditions to exist. These are (i) insolvency in the bankruptcy or equity sense, (ii) the commission of an act of bankruptcy, (iii) the pendency of a proceeding in which a receiver, trustee, or liquidator has been appointed, (iv) noncompliance with financial responsibility rules or rules governing the hypothecation of customers' securities or, (v) inability to make computations necessary to establish compliance.

Paragraph 9(3) if the debtor consents to or fails to controvert any material allegation of the application within three business days the court must immediately grant the application providing that the Commission may join any other action with such application and finally, that such application supersedes any previously instituted action of a nature indicative of bankruptcy or financial difficulty (e.g., mortgage foreclosure or reorganization) against the member (hereafter called the debtor).

Paragraph 5b(2) gives the court exclusive jurisdiction over the property of the debtor and allows the court to stay any previous action against the debtor which relates to bankruptcy or the like.

Paragraph 5b(3) requires prompt appointment of a trustee after the application is granted and requires the trustee to be "disinterested."

Paragraph 5b(4) defines "debtor" and "filing date."

Subsection 5(c) allows the commission to appear as a party in any proceeding.

Section 6 establishes procedures for prompt orderly liquidation of SIPC members when required and for making prompt distributions and payments on account of customers' claims without need for formal proofs of claim. The liquidation of stockbrokers is at present governed by section 60e of the Bankruptcy Act (11 U.S.C. 96), enacted in 1938.

Subsection 6(a)(7) defines the purposes of a proceeding under this subsection as: (1) The appointment of a trustee to return "specifically identifiable" property and distribute the "single and separate fund"

(as set up in section 60e of the Bankruptcy Act with the modifications introduced by Section (6)) as quickly as possible. To complete certain contractual commitments which in general are those in which a customer had an interest and those others whose completion the committee introduced by Section (6) as quickly as possible. (2) To complete certain contractual commitments which in general are those in which a customer had an interest and those others whose completion the Commission may determine to be in the public interest. (3) To enforce the Corporation's rights of subrogation, and (4) To liquidate the debtor.

Paragraph 6b(1) provides the trustee with the same powers as a bankruptcy or Chapter X trustee have with respect to the debtor's property and the additional powers to hire persons to liquidate the debt or and to operate the business in order to complete open contractual commitments (the limits of which are defined in paragraph (m)(9) below). The Corporation is authorized to advance monies to pay expenses of liquidation, and is required to advance monies to the extent required to complete open contractual commitments.

Paragraph 6(b)(2) imposes on the trustee the same duties as a trustee under the Bankruptcy Act except that he need not reduce securities to cash.

Paragraph 6c(1) provides that, except that the debtor may not be reorganized, the proceedings shall be conducted in accordance with Chapter X of the Bankruptcy Act and so much of Chapters I–VII as § 102 of Chapter X makes applicable. In addition the court may stay, but not abrogate, the rights of set-off provided in section 68 of the Bankruptcy Act and the right to enforce a valid lien.

Subparagraph 6(c)(2) defines the term property to include cash and securities. It also defines "customer" as any person whether dealt with by the debtor as principal or agent (thus clearing up an uncertainty of the Bankruptcy Act) who has a claim for securities received or held by the debtor for one of six reasons. These are (1) safekeeping, (2) for sale, (3) to cover sales, (4) pursuant to purchases, (5) as collateral or (6) as a loan; or the proceeds of such securities. It also includes a person who has a claim for cash deposited for the purpose of purchasing securities.

The subparagraph also defines "cash customer" as one entitled to immediate possession of securities without any payment.

It defines net equity, in general, as the dollar amount of a customer's accounts after deducting any indebtedness the customer owes the debtor, and giving effect to any open contracts which are completed. Specifically indentifiable property is excluded.

It defines securities as having the same meaning given that term in the Exchange Act.

Subparagraph c(2)(B) defines "single and separate fund" and is essentially consistent with the present provision of Section 60(e) of the Bankruptcy Act.

Subparagraph 6(C) defines specifically identifiable property as that term is defined in the Bankruptcy Act except that to the extent that securities are in bulk or individual segregation or in a central depository they are considered specifically identified and therefore directly recoverable by the customer. In addition, the Commission may define other methods of holding property as constituting specific identification. Customers share ratably in these securities if they are insufficient.

Subsection (6d) provides for the completion of open contractual committments in which a customer had an interest or in which a customer did not have an interest but the completion of which are found by the Commission to be in the public interest.

For the purposes of this subsection only customer is defined as any person other than a broker-dealer. And a customer is deemed to "have an interest" if a broker was acting as agent or the customer's order was part of the transaction.

The proceeds of such completed transaction is deemed to be specifically identified property to the extent that the property used to complete the transaction was specifically identifiable.

Subsection 6(e) first provides that the trustee shall publish notice of the commencement of the proceedings in accordance with the same requirements as in the Bankruptcy Act and, in addition, shall mail notice to each customer at the address appearing in the books and records of the debtor. The subsection limits the time for the filing of claims in a two-fold manner. First, claims in general must be filed within the time set by the court but not to exceed 60 days after publication of notice. Except as the trustee may otherwise permit, claims which are filed after that period may be paid only from the general estate of the debtor and thus are not payable from SIPC funds, or from most types of specifically identifiable property or from the single and separate fund. Secondly, claims which are not filed within the time provided in section 57 of the Bankruptcy Act are barred.

Subsection 6(f) authorizes the Corporation to advance monies to the trustee to satisfy the claims of each customer up to $50,000. However, no more than $20,000 may be for claims for cash. Further, a customer who holds accounts in separate capacities is a different customer in each capacity. Claims of partners, officers, directors or substantial owners (5 percent) of the debtor may not be paid from the moneys of the Corporation. No advance may be made to satisfy claims of customers who are brokers, dealers or banks, except to the extent that the books and records of such broker, dealer, or bank, show to the satisfaction of the trustee that the broker, dealer, or bank was acting for a customer. In this case each such ultimate customer is a separate claim. Finally, to the extent that monies are advanced, the Corporation is subrogated to the claims of the customers who are paid.

The subsection also provides that money may be advanced to pay personal or complete open contractual commitment.

Subsection 6(g) makes it the obligations of the trustee to discharge as promptly as possible obligations of the debtor which are ascertainable from the books and records whether or not the customer files a formal proof of claim. Customers must, however, file with the trustee such documents or execute such releases or other papers as the trustee requires.

Subsection 6(h) excludes "associated persons" or persons owing 5 percent of the stock of the debtor from participation without formal proof of claim, though such persons may file such proof and thereby recover on their claims.

Subsection 6(i) provides that reports to the court by the trustee shall be in such form as the Commission determines will fairly reflect the results.

Subsection 6(j) simply reiterates the rights of persons to make claims against the debtor under the existing Bankruptcy Act and without dependence on SIPC.

Section 7 covers the functions of the Commission under the bill.

Subsection 7(a) requires notice and opportunity for a hearing as specified in section 4f of the Administrative Procedure Act and the submission of views of interested persons for decisions made under subsections 3(e) and 9(f). In order to assure the speedy and efficient execution of the policies of this Act, such rules are not stayed within the 30-day period even though a hearing is being held. In addition, the hearing is not required to be on a record as specified in the Administrative Procedure Act.

Subsection 7(b) accords the Commission the power to apply to a District Court for an order in the nature of a mandatory injunction in the unlikely event that the Corporation refuses to carry out its duties.

Subsection 7(c) permits the Commission to make inspections of and require reports from SIPC. It provides for an annual report by SIPC to be submitted to the Commission for comment and then transmitted to the President and Congress.

Subsection 7(d) amends section 15(c)(3) of the 1934 Act. Testifying before the House Subcommittee on Commerce and Finance on July 9, Hamer Budge, then Chairman of the SEC noted that "certain doubts . . . have arisen over the years, primarily as a result of unsuccessful legislative proposals and of recommendations of the Commission's Special Study of Securities Markets, as to the extent of the Commission's broad powers to provide safeguards with respect to the financial responsibility of broker-dealers to whatever extent the public interest requires, whether by capital rules or otherwise." The Act dispels such doubts by amending section 15(c)(3) to specify the applicability of the section to broker-dealers who do business only on an exchange and by reaffirming the Commission's authority with regard to financial responsibility of brokers and dealers, including practices that bear on that responsibility such as the custody and use of customers' securities, and the carrying and use of customers' deposits or credit balances.

In addition the Commission must promulgate rules requiring the maintenance of reserves with respect to free credit balances.

Section 8 provides for the filing by members of reports concerning their activities including the amount and sources of revenues. The reports are filed with the broker's examining authority, which is a self-regulatory body selected by the Corporation to assume responsibility for examining that broker. The provision is intended to avoid duplication in the case of membership in more than one self-regulatory organization. The Commission itself will act as examining authority for SECO brokers. These reports must be filed, in whole or in part, with the Corporation, to the extent that the Corporation prescribes.

Section 9 sets forth the responsibilities of the self-regulatory bodies.

Subsection 9(a) provides that assessments are to be collected by the examining authority; where the Commission is the examining authority they are to be paid directly to the Corporation. The self-regulatory bodies are obligated only to remit assessments actually received.

Subsection 9(b) exculpates the self-regulatory organization from any liability to any person for action taken or omitted in good faith in connection with the giving of notice pursuant to paragraph (5a)(1). This subsection is intended only to relate to this Act and does not alter any liability of self-regulatory organizations which may already exist.

Subsection 9(c) provides that the self-regulatory organization of which a SIPC broker-dealer is a member shall inspect that broker dealer for compliance with financial responsibility rules. Where a broker-dealer is a member of more than one self-regulatory body SIPC may designate one on the basis of convenience, staff, etc.

Subsection 9(d) provides for the filing with the Corporation of such copies of such reports of inspections and examinations as it shall prescribe.

Subsection 9(e) exhorts the Corporation and the self-regulatory organizations to cooperate in establishing standard procedures for inspections and examinations which will minimize the risk to the fund.

Subsection 9(f) grants to the Commission, in addition to its existing powers under the 1934 Act, the power by rule or regulation to require any self-regulatory organization; (i) to adopt or amend rules relating to the frequency and scope of inspections of the financial condition of its members; (ii) to file reports of financial inspections with the Corporation and the Commission; and (iii) to conduct inspections of such members as the Commission may designate. In exercising its rule-making authority under this subsection the Commission is required by subsection (o) to give notice and opportunity for an Administrative Procedure Act hearing and for the submission of views. The giving a hearing, however, shall not prevent the rule or regulation from becoming effective within 30 days.

Subsection 10(a) makes it unlawful for a broker-dealer who is a member of SIPC to continue in business if he fails to pay any assessment or file any report required under the Act and does not cure such failure within five days of notice of such failure. If he denies owing an assessment he must pay and then sue to recover.

Subsection 10(b) bars from the business of broker-dealer any person for whom a trustee has been appointed under this Act unless the Commission otherwise determines in the public interest. In addition, the Commission may, by order, bar or suspend any officers, directors, general partners, owners of more than 10 percent of the voting stock or controlling persons of such debtor.

Subsection 10(c) provides criminal penalties for misuse of the corporate assets.

Section 11(a) provides that all SIPC documents shall be available for public inspection unless SIPC or the Commission finds such disclosure not in the public interest.

The provision also assures the Congress of access to all information.

Subsection 11(b) limits the application of the provisions of the Act in relation to those offices of foreign broker-dealers which are located within the United States.

Subsection 11(c) exculpates from liability a member of the Corporation as a member of the Corporation for the acts of any other member of the Corporation or for the debts and liabilities of the Corporation itself. It is not intended to exculpate members from liabilities they may have as members of a self-regulatory organization or otherwise.

Subsection 11(d) exculpates from liability the Corporation and its Board of Directors for actions taken in good faith. It is essentially consistent with general corporate law practice.

Subsection 11(e) prohibits a broker-dealer from advertising its SIPC participation except in the manner prescribed in the SIPC by-laws.

Subsection 11(f) deals with the tax ramifications of this Act. It makes the Corporation a tax exempt entity except that it is subject to State and local real and personal property taxes. In addition, it provides that the payment of assessments shall constitute an ordinary and necessary business expense of the broker or dealer. Moreover, contributions from existing trust funds by a self-regulatory body shall not result in taxable gain to the self-regulatory body. Finally, upon dissolution of the Corporation, the assets may not inure to the benefit of the Corporation's members.

Subsection 11(g) makes the provisions of subsection 20(a) of the 1934 Act inapplicable to any liability under this section. Subsection 20(a) makes controlling persons jointly and severally liable for violations of 1934 Act rules and regulations to the same extent that any controlled person is liable unless the controlled person acted in good faith and did not cause the violation of the rule or regulation. It is not considered to be appropriate to create such additional liabilities for controlling persons for acts taken or omitted under the Act.

Subsection 11(h) requires submission to Congress within 12 months an SEC study of unsound brokerage practices.

Subsection 12 defines: "self-regulatory organization" to mean a national securities exchange or the NASD; "financial responsibility rules" as those prescribed by the Commission under 15(c)(3) of the 34 Act; and "examining authority" with respect to any SIPC member as the self-regulatory body that examines that member or for SECO members the Commission.

SMALL BUSINESS

SMALL BUSINESS ACT AND SMALL BUSINESS INVESTMENT ACT

[S. 4316]

To clarify and extend the authority of the Small Business Administration, and for other purposes.

History of Legislation

On June 15, 16, and 17, 1970, the Small Business Subcommittee held hearings on S. 2609, S. 3528, and 3699. Subsequently Senator McIntyre reported a committee bill, S. 4316, on September 1, 1970. (S. Rept. 91–1158). It passed the Senate on September 18, 1970. No action was taken on the bill by the House.

Digest of Bill

Section 101(a)(1) of the bill would permit SBA to make loans in cooperation with persons and organizations not normally engaged in lending activities as well as with banks and other lending institutions.

Section 101(a)(2) authorized SBA to grant interest subsidies to small business which have been in business less than five years and which receive loans guaranteed by SBA.

Section 101(b) requires SBA to include in its annual report to Congress a full report on activities under subsection (a) of this section.

Section 101(c) amends section 402 of the Economic Opportunity Act of 1964 by increasing the size of loan which may be made under that section from $25,000 to $50,000.

Section 102 of the bill repeals section 406 of the Economic Opportunity Act of 1964 and transfers its provisions to the Small Business Act with several changes.

Section 103 of the bill clarifies and restates SBA's authority to conduct research and studies and emphasizes SBA's authority to hire consultants in this connection.

Section 201 of the bill defines minority enterprise small business investment companies (MESBICs.).

Section 202 of the bill would allow MESBICs to be licensed by SBA as corporations not organized for profit under State law.

Section 203 of the bill would amend the provisions of the Small Business Investment Act of 1958 to permit a bank to own more than 50 percent of the voting stock of a MESBIC.

Section 204 of the bill would amend section 203(b) of the Small Business Investment Act of 1958 to clarify SBA's authority to guarantee loans to SBICs from private lenders.

Section 205 of the bill would permit SBICs to invest in unincorporated businesses.

Section 206 of the bill would remove the present 90 percent limitation on SBICs in amount which they can participate with other lenders in loans to small businesses.

Section 301 of the bill would establish a program at SBA whereby SBA would guarantee any surety against up to 90 percent of its loss as a result of the breach of the terms of a bond on any contract up to $500,000.

Section 302 of the bill would provide for the development of programs at SBA to provide technical assistance and counseling for small business contractors.

Section 401 of the bill would require that any equipment, facilities, or machinery acquired with the proceeds of an SBA loan shall meet pollution standards. It would give priority to those loan applications from firms who are in the business of pollution control.

Section 402(a) of the bill would authorize SBA to make disaster loans to those small businesses which have to reestablish their businesses because of the pollution of a stream, lake, or other body of water from sources other than the business operation of the concern.

Section 402(b) of the bill would authorize SBA to make disaster loans to those small business firms which must upgrade their facilities to meet new environmental standards and the Wholesome Meat Act.

Section 403 of the bill would change the rate of interest charged on all disaster loans to a rate based on the current average market yield on outstanding marketable obligations of the United States with remaining periods of maturity of 10 to 12 years less not to exceed 2 percent. This change is tied to the passage of the Disaster Assistance Act of 1970.

[S. 4536]

[Public Law 91–558, Approved December 18, 1970]

To amend the Small Business Act

History of Legislation

S. 4536 was introduced and reported by Senator McIntyre on November 23, 1970. (S. Rept. 91–1366.) It passed the Senate on November 25, 1970. On the same day, November 25, 1970, the House passed a similar bill, H.R. 19828. On December 7, 1970, the House took up S. 4536, struck out all after the enacting clause and inserted the language of H.R. 19828 and passed it. On December 10, 1970, the Senate agreed to the House amendments. The bill was approved by the President on December 17, 1970, becoming Public Law 91–558.

Digest of Statute

Section 101 of Public Law 91–558 increases from $1.9 billion to $2.2 billion the amounts which may be outstanding at any one time in SBA's regular business loan program, displaced business loans, prime contract authority, trade adjustment loans, and loans made under title IV of the Economic Opportunity Act of 1964. There is an increase

in the sublimitation of title IV loans from $200 to $300 million. The Act also increases from $300 to $500 million the amount which may be outstanding under title V of the Small Business Investment Act of 1958. (State and local development company loans).

Section 201 of Public Law 91–558 would extend for one month, from February 28, 1971 to March 31, 1971, the President's standby authority to set Wage and Price Controls under Public Law 91–379.

HOME HEATING OIL HEARINGS

On April 6 and 7, 1970, the Small Business Subcommittee held hearings on the availability of Number 2 home heating oil in New England.

OIL SITUATION IN NORTHEAST AND GREAT LAKES REGION HEARINGS

On September 22, 23, 24, and 25, 1970, the Small Business Subcommittee held hearings on the home heating oil situation in the Northeast and Great Lakes Region.

DISASTER RELIEF BILL

In August 1970, the Senate Committee on Banking and Currency considered a Public Works Committee bill, S. 3619, as it related to disaster loans made by the Small Business Administration. The Senate Banking and Currency Committee recommended several amendments to the bill which were adopted by the Senate Public Works Committee. The bill was enacted with several of the Banking and Currency amendments. The bill was signed by the President on Dec. 31, 1970 becoming Public Law 91–606.

COMMITTEE PUBLICATIONS,[1] 91ST CONG., 2D SESS., 1970

Title	Bill No.	Kind of publication	Date
Banking:			
Foreign Bank Secrecy	S. 3678	Hearing	June 8, 9, 10, and 11.
One Bank Holding Legislation of 1970 (Parts 1 and 2).[4]	H.R. 6778	do	May 12–28.
Consumer Credit:			
Credit in Low Income Areas	S. 2146 and S. 2259	do	Jan. 14 and 15.
Federal Share Insurance for Credit Unions	S. 3822	do	June 18 and 19.
Secondary Mortgage Market and Mortgage Credit	S. 3685	do	Mar. 2–6.
Defense Production: Extension of the Defense Production Act and Uniform Cost Accounting Standards.[2]	S. 3302	do	Mar. 31; Apr. 1 and 2.
Economic Policy:			
Inflation: The Need for a More Balanced Policy Mix.	S. Res. 357	do	Mar. 10, 11, and 12.
State of the National Economy		do	Mar. 18.
Housing: Housing and Urban Development Legislation of 1970 (Parts 1 and 2).[3]	S. 4368	do	July 13–30.
International Finance: Amend the Export-Import Bank Act of 1945.	S. 4268	do	Sept. 17.
Nominations:			
Bertoglio, Peter John, National Corporation for Housing Partnerships.		do	Dec. 16.
Hunter, Allan Oakley, Federal National Mortgage Association.		do	Mar. 24.
Nickerson, Herman, Jr., National Credit Union Administration.		do	Sept. 11.
Watt, Ray A., National Corporation for Housing Partnerships.		do	Dec. 16.
Wille, Frank, Federal Deposit Insurance Corporation.		do	Mar. 5.
Mass Transportation: Mass Transportation—1970	S. 676 and S. 3499	do	Apr. 8 and 9.
Securities:			
Additional Consumer Protection in Corporate Takeovers and Increasing the Securities Act Exemptions for Small Business.	S. 336 and S. 3431	do	Mar. 25.
Federal Broker-Dealer Insurance Corporation	S. 2348	do	Apr. 16, 17, and 18.
Small Business:			
Foreign Trade Zone Application of the State of Maine.		do	Dec. 19 and 30, 1968; Jan. 13 and 14, 1969.
High Cost of No. 2 Heating Oil		do	Apr. 6 and 7.
Problems of the Small Domestic Shoe Manufacturers.		do	Sept. 16 and 17, Oct. 2 and 3, 1969.
Small Business Legislation 1970	S. 4316	do	June 15, 16, and 17.
The Oil Situation in the Northeast and Great Lakes Regions.		do	Sept. 22–25.
Special Reports:			
19th Annual Report of the Joint Committee on Defense Production.[2]	S. Rept. 91–636		January.
20th Annual Report of the Joint Committee on Defense Production.[3]	S. Rept. 91–1509		December.
Housing Partnerships—1st Annual Report [3]		Committee print	September.
Progress Report on Federal Housing and Urban Development Programs.[3]		do	March.
Summary of Activities (1970)		do	December.

[1] Copies of hearings and committee prints may be obtained, except as indicated, from the Senate Committee on Banking, Housing and Urban Affairs, room 5300, Senate Office Building, Washington, D.C. 20510, until the supply is exhausted.

[2] Available from the Joint Committee on Defense Production, room 459, Senate Office Building, Washington, D.C. 20510, until the supply is exhuasted.

[3] Copies of publications on housing legislation may be obtained from Housing and Urban Affairs Subcommittee, Room 5226, New Senate Office Building.

[4] Also available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

ADDITIONAL PUBLICATIONS FROM PAST SESSIONS OF CONGRESS STILL AVAILABLE FROM THE COMMITTEE[1]

91ST CONG., 1ST SESS. (1969)

Title	Bill No.	Kind of publication	Date
Banking:			
Deposit Rates and Mortgage Credit	S. 2499 and S. 2577	Hearing	Sept. 9, 10, and 22.
High Interest Rates		do	Mar. 25, 26, and Apr. 1.
Independent Agency for Credit Unions	S. 2298 and H.R. 2	do	Sept. 23.
National Capital Area Bank Holding Amendment.	S. 2569	do	Oct. 7 and 8.
Taxes on National Banks	S. 2906 and H.R. 7491.	do	Sept. 24.
Consumer credit:			
Consumer Credit Insurance Act of 1969	S. 1754	do	June 26, 27, and 30, and July 1.
Unsolicited Credit Cards	S. 721	do	Dec. 4, 7, and 8.
Defense production: Joint Committee on Defense Production, 18th Annual Report.[2]		H. Rept. 91–3	January.
Housing:[4]			
Effect of Lumber Prices and Shortages on the Nation's Housing Goals.		S. Doc. 91–27	June 16.
Housing and Urban Development Legislation of 1969.	S. 2864	Hearing	July 15, 17, 18, 21, 22, and 25.
Mass Transportation—1969	S. 3154	do	July 23, 24, and 29, Oct. 14, 15, and 16.
Mobile Homes	S. 2740	do	Sept. 12 and 15.
Mortgage Interest Rate Commission Report		do	Sept. 25, 26, 29, 30 and Oct. 1.
Problems in Lumber Pricing and Production		do	Mar. 19, 20, and 21
Progress Report on Federal Housing and Urban Development Programs.		Committee print	September.
International finance:			
Cargo Preference Provision of the Export Expansion and Regulation Act.	S. 296	Hearing	July 10.
Export Expansion and Regulation	S. 813 and S. 1940	do	Apr. 23, 24, 28, 29, 30, and May 1 and 28.
Nominations:			
Burns, Arthur F., Federal Reserve System		do	Dec. 18.
Cox, Lawrence M., Housing and Urban Development.		do	Feb. 26.
Clark, John Conrad, Export-Import Bank of the United States.		do	May 27.
Clarke, Thomas Hal, Federal Home Loan Bank Board.		do	July 28.
Finger, Harold B., Housing and Urban Development.		do	Apr. 21.
Gulledge, Eugene A., Housing and Urban Development.		do	Sept. 25.
Houthakker, Hendrik S., Council of Economic Advisers.		do	Jan. 27.
Hyde, Floyde H., Housing and Urban Development.		do	Feb. 3.
Herlong, A. Sydney, Securities and Exchange Commission.		do	Sept. 18.
Jackson, Samuel C., Housing and Urban Development.		do	Feb. 3.
Kearns, Henry, Export-Import Bank of the United States.		do	Mar. 13.
Kamp, Carl O., Jr., Federal Home Loan Bank Board.		do	Do.
McCracken, Paul W., Council of Economic Advisers.		do	Jan 27.
Martin, Preston, Federal Home Loan Bank Board.		do	May 15.
McCullough, R. Alex, Export-Import Bank of the United States		do	Do.
Needham, James J., Securities and Exchange Commission.		do	June 7.
Romney, George W., Housing and Urban Development.		do	Jan 16.
Stein, Herbert, Council of Economic Advisers		do	Jan. 27.
Simmons, Samuel J., Housing and Urban Development.		do	Feb. 3.

See footnotes at end of table, p. 110.

91ST CONG., 1ST SESS. (1969)—Continued

Title	Bill No.	Kind of publication	Date
Nominations—Continued			
Sandoval, Hilary J., Jr., Small Business Administration.		do	Mar. 25.
Sauer, Walter C., Export-Import Bank of the United States.		do	May 15.
Theodore, Nicholas G., U.S. Mint		do	Do.
Unger, Sherman, Housing and Urban Development.		do	Feb. 3.
Van Dusen, Richard C., Housing and Urban Development.		do	Do.
Villarreal, Carlos C., Urban Mass Transportation		do	Mar. 13.
Securities:			
Analysis of Investment Company Amendments of 1969.		Committee print	Jan. 17.
Small business:			
Federal Government's Disaster Loan Programs			Feb. 6.
Federal Minority Enterprise program		do	Dec. 9, 10, 11, and 12.
Small Business Legislation of 1969	S. 2540 and S. 2815	do	July 8, 9, and 11.
Summary of Activities 1969		Committee print	December.

90TH CONG., 2D SESS. (1968)

Banking:			
Bank Protection Act of 1968	S. 3001	Hearing	Apr. 1 and 2.
Federal Credit Union Act Amendments	S. 3002, S. 3214, and S. 3395.	do	May 24.
Financial Institutions and the Urban Crisis		do	Sept. 30 and Oct. 1, 2, 3, and 4.
Michigan National Bank Branch Offices	S. 356	do	Mar. 25.
Purchase of Treasury Securities and Interest on Savings Deposits.	S. 2923 and S. 3133	do	Apr. 3.
Savings and Loan Receiverships	S. 3436	do	May 20.
Consumer credit:			
Consumer Credit and the Poor [3]		do	Apr. 19.
Bank Credit-Card and Credit-Check Plans		do	Oct. 9 and 10.
Defense production:			
Amendments to the Defense Production Act [2]	S. 3097	do	June 18.
Joint Committee on Defense Production, 17th Annual Report.[2]		H. Rept. 1052	January.
Gold: Gold Cover	S. 1307, S. 2815, and S. 2857.	do	Jan. 30, 31, and Feb. 1.
International Finance: East-West Trade (Pts. 1, 2, and 3).	S.J. Res. 169	do	June 4, 13, and 27; July 17, 24, and 25
Securities: Securities Exchange Act Amendments	S. 1299 and S.J. Res. 160.	do	May 16.
Special reports:			
Congress and American Housing, 1892–1967 [4]		Committee print	February.
Summary of Activities, 1968		do	November.

90TH CONG., 1ST SESS. (1967)

Banking:			
Prohibition on Use of Financial Institutions as Lottery Agencies.	H.R. 10595	Hearing	Aug. 18.
Bank Underwriting of Revenue Bonds	S. 1306	do	Aug. 28, 29, and 30.
Credit Union Bills	S. 1084 and S. 1085	do	July 11.
Revolving Credit Provisions of Truth in Lending	S. 5	do	June 23.
Miscellaneous Banking and Credit Union Bills	S. 714, S. 965, and S. 966.	do	Mar. 14.
Export-Import Bank Act Amendments of 1967	S. 1155	do	May 16.
Export-Import Bank Participation and Financing in Credit Sales of Defense Articles.	do	Executive meeting	July 25.
National Flood Insurance Act of 1967	S. 1290, S. 1797, and S. 1985.	Hearing	June 26, 27, and 28.
Housing:[4]			
Housing Legislation of 1967 (pts. 1 and 2)	S. 2700	Hearing	July 17, 18, 19, 20, 21, 24, 25, 26, 27, and 28; Aug. 7.
Fair Housing Act of 1967	S. 1358, S. 2114, and S. 2280.	do	Aug. 21, 22, and 23.
Mortgage Credit		do	June 12, 26, 27, and 28.
Mint legislation:			
Mint Marks	S. 1008	do	May 2.
Mint Operating Fund	S. 1156	do	Do.
Silver certificates	S. 1352	do	May 4.

See footnotes at end of table, p. 110.

90TH CONG. 1ST SESS. (1967)—Continued

Title	Bill No.	Kind of publication	Date
Small business:			
Small Business Amendments of 1967	S. 1862	do	June 1.
Small Business Crime Insurance	S. 1484	do	Sept. 13.
Defense Production Act:			
Progress Report 46 [2]		do	June 16.
Progress Report 47 [2]		do	June 19.
Progress Report 48 [2]		do	June 23.
Progress Report 49 [2]		do	June 24.
Defense Production, 16th Annual Report [2] (Joint Committee on Defense Production).		H. Rept. 1	Jan. 12.
Special reports:			
Federal Credit Programs		Committee print	Jan. 21.
Mortgage Discounts		do	Feb. 12.
Investment Company Amendments of 1967	S. 1695	do	May 1.
Progress Report on Federal Housing Programs		do	May 9.
A Study of Mortage Credit		do	May 22.
Rehabilitation Programs		do	August.
Summary of Activities (1967)		do	January 1968.

89TH CONG., 2D SESS. (1966)

Banking:			
Collective Investment Funds	S. 2704	Hearing	Mar. 8, 10, and 11.
Financial Institutions Supervisory Act of 1966	S. 3158	do	Apr. 4 5, 7, 12, and 14; May 17, 18, and 19.
Michigan National Bank Branch Offices	S. 308	do	Aug. 17.
Participation Sales Act of 1966	H.R. 13544 and S. 3283.	do	Apr. 26 and 28.
Savings and loans:			
Interest Rates and Mortgage Credit	S. 3687, S. 3627, and S. 3529.	do	Aug. 4.
Regulation of Maximum Rates of Interest Paid on Savings.	S. 3687 and H.R. 14026.	do	Sept 13.
Small Business:			
Assistance to Kansas Areas Damaged by Tornadoes.	S. 3493	do	June 20.
Establish Separate SBA Revolving Funds	S. 2729	do	Jan. 25 and 26.
Small Business Investment Act Amendments of 1966.	S. 3695	do	Aug. 24 and 25.
Small Business Investment Company Program		do	July 15, 19, and 29.
Special reports:			
Amendments to the Bank Holding Company Act List of Companies and of Organizations Covered by S. 2353.		Committee print	February.
Summary of Activities (1966)		do	December.

89TH CONG., 1ST SESS. (1965)

SEC Registration Fees	S. 1707	Hearing	Sept. 22.
SBA Authorization Fund Income	H.R. 7847	do	June 18.
Summary of Activities (1965)		do	December

[1] Copies of hearings and committee prints may be obtained, except as indicated, from the Senate Committee on Banking, Housing and Urban Affairs, room 5300, Senate Office Building, Washington, D.C., 20510 until the supply is exhausted.
[2] Available from Joint Committee on Defense Production, room 459, Senate Office Building, Washington, D.C. 20510.
[3] Also available from the Superintendent of Documents, U.S Government Printing Office, Washington, D.C., 20402
[4] Copies of publications on housing legislation may be obtained from Housing and Urban Affairs Subcommittee, Room 5226, New Senate Office Building, Washington, D.C. 20510.