

CREDIT UNION BOARD MODERNIZATION ACT

SEPTEMBER 28, 2022.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Ms. WATERS, from the Committee on Financial Services,
submitted the following

R E P O R T

[To accompany H.R. 6889]

The Committee on Financial Services, to whom was referred the bill (H.R. 6889) to amend the Federal Credit Union Act to modify the frequency of board of directors meetings, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

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The amendments are as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Credit Union Board Modernization Act”.

SEC. 2. FREQUENCY OF BOARD OF DIRECTORS MEETINGS.

Section 113 of the Federal Credit Union Act (12 U.S.C. 1761b) is amended—
(1) by striking “monthly” each place such term appears;

- (2) in the matter preceding paragraph (1), by striking “The board of directors” and inserting the following:
- “(a) IN GENERAL.—The board of directors”;
- (3) in subsection (a) (as so designated), by striking “shall meet at least once a month and”; and
- (4) by adding at the end the following:
- “(b) MEETINGS.—The board of directors of a Federal credit union shall meet as follows:
- “(1) With respect to a de novo Federal credit union, not less frequently than monthly during each of the first five years of the existence of such Federal credit union.
- “(2) Not less than six times annually, with at least one meeting held during each fiscal quarter, with respect to a Federal credit union—
- “(A) with composite rating of either 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system); and
- “(B) with a capability of management rating under such composite rating of either 1 or 2.
- “(3) Not less frequently than once a month, with respect to a Federal credit union—
- “(A) with composite rating of either 3, 4, or 5 under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system); or
- “(B) with a capability of management rating under such composite rating of either 3, 4, or 5.”.

Amend the title so as to read:

A bill to amend the Federal Credit Union Act to modify the frequency of board of directors meetings, and for other purposes.

PURPOSE AND SUMMARY

On July 27, 2022, Representative Juan Vargas introduced H.R. 6889, the “Credit Union Board Modernization Act”, which would reduce the required amount of meetings for the board of directors of highly rated federal credit unions.

BACKGROUND AND NEED FOR LEGISLATION

H.R. 6889 would revise federal credit union board meeting requirements to bring highly rated federal credit unions in line with state credit union charter requirements in 17 states (Alabama, California, Colorado, Delaware, Idaho, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, New Hampshire, Ohio, Pennsylvania, Washington, and Wyoming), which currently allow their state-chartered credit union boards to meet less frequently than every month, or even allow meetings on an as-needed basis. Specifically, federal credit unions with a composite rating of either 1 or 2 and a capability management rating of 1 or 2 under the Uniform Financial Institutions Rating System would be required to meet at least six times annually, with at least one meeting held during each fiscal quarter. De novo federal credit unions would be required to meet at least monthly during the first five years of their charter, as well as Federal credit unions with composite ratings of either 3, 4, or 5 or with a capability of management rating of either 3, 4, or 5.

To mitigate the risk of institutional failure, newer institutions and credit unions with lower ratings would still be required to meet monthly. Additionally, if emergencies or issues arise requiring a board meeting, credit unions would still be able to meet as frequently as needed.

SECTION-BY-SECTION ANALYSIS

Section 1. Short title

- This section establishes the short title of the bill as the “Credit Union Board Modernization Act”.

Section 2. Frequency of board of directors meetings

- This section requires that the board of directors of a de novo Federal credit union meet not less frequently than monthly during each of the first five years of its existence.
- The section requires that the board of directors of a Federal credit union with a composite rating of either 1 or 2 under the Uniform Financial Institutions Rating System and with a capability management rating of either 1 or 2 meet not less than six times annually, with at least one meeting held during each fiscal quarter.
- This section requires that the board of directors of a Federal credit union with a composite rating of either 3, 4, or 5 under the Uniform Financial Institutions Rating System or with a capability management rating of either 3, 4, or 5 meet not less frequently than once a month.

HEARINGS

The Committee on Financial Services did not hold a hearing to consider H.R. 6889 entitled.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on July 27, 2022, and ordered H.R. 6889 to be reported favorably to the House with an amendment in the nature of a substitute by a voice vote, a quorum being present.

COMMITTEE VOTES AND ROLL CALL VOTES

No roll call votes occurred on H.R. 6889.

STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee’s oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause (3)(c) of rule XIII of the Rules of the House of Representatives, the goals of H.R. 6889 are to reduce the required amount of meetings for the board of directors of highly rated federal credit unions.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, and pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congress-

sional Budget Act of 1974, the Committee has requested an estimate from the Director of the Congressional Budget Office. CBO was unable to provide an estimate in a timely manner.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 6889. After careful review, including discussions with the Congressional Budget Office, the Committee estimates that H.R. 6889 would have an insignificant impact on spending.

UNFUNDED MANDATE STATEMENT

Pursuant to Section 423 of the *Congressional Budget and Impoundment Control Act* (as amended by Section 101(a)(2) of the *Unfunded Mandates Reform Act*, Pub. L. 104-4), the Committee adopts its own the estimate of federal mandates regarding H.R. 6889, as amended.

ADVISORY COMMITTEE

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Pursuant to section 102(b)(3) of the *Congressional Accountability Act*, Pub. L. No. 104-1, H.R. 6889, as amended, does not apply to terms and conditions of employment or to access to public services or accommodations within the legislative branch.

EARMARK STATEMENT

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 6889 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as described in clauses 9(e), 9(f), and 9(g) of rule XXI.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of H.R. 6889 establishes or reauthorizes a program of the Federal Government known to be duplicative of another federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

CHANGES TO EXISTING LAW

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, H.R. 6889, as reported, are shown as follows:

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

FEDERAL CREDIT UNION ACT

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TITLE I—FEDERAL CREDIT UNIONS

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BOARD OF DIRECTORS; MEETINGS; POWERS AND DUTIES EXECUTIVE COMMITTEE; MEMBERSHIP OFFICERS; MEMBERSHIP APPLICATIONS

SEC. 113. **[The board of directors]** *(a) IN GENERAL.—The board of directors* **[shall meet at least once a month and]** shall have the general direction and control of the affairs of the Federal credit union. Minutes of all meetings shall be kept. Among other things, the board of directors shall—

- (1) act upon applications for membership or appoint membership officers from among the members of the credit union, other than the board member paid as an officer, the financial board officer, any assistant to the paid officer of the board or to the financial officer, or any loan officer;
- (2) provide adequate fidelity coverage for officers and employees having custody of or handling funds according to regulations issued by the Board;
- (3) fill vacancies on the board of directors until successors elected at the next annual meeting have qualified;
- (4) if the bylaws provide for an elected credit committee, fill vacancies on the credit committee until successors elected at the next annual meeting have qualified;
- (5) appoint the members of the supervisory committee and, if the bylaws so provide, appoint the members of the credit committee;
- (6) have charge of investments including the right to designate an investment committee of not less than two to act on its behalf;
- (7) determine the maximum number of shares, share certificates, and share draft accounts, and the classes of shares, share certificates, and share draft accounts;
- (8) subject to any limitations of this subchapter, determine the interest rates on loans, the security, and the maximum amount which may be loaned and provided in lines of credit;
- (9) authorize interest refunds to members of record at the close of business on the last day of any dividend period from income earned and received in proportion to the interest paid by them during that dividend period;
- (10) if the bylaws so provide, appoint one or more loan officers and delegate to these officers the power to approve or disapprove loans, lines of credit, or advances from lines of credit;

- (11) establish the par value of the share;
- (12) subject to the limitations of this title and the bylaws of the credit union, provide for the hiring and compensation of officers and employees;
- (13) if the bylaws so provide, appoint an executive committee of not less than three directors to act on its behalf and any other committees to which it can delegate specific functions;
- (14) prescribe conditions and limitations for any committee which it appoints;
- (15) review at each [monthly] meeting a list of approved or pending applications for membership received since the previous [monthly] meeting together with such other related information as it or the bylaws require;
- (16) provide for the furnishing of the written reasons for any denial of a membership application to the applicant upon the written request of the applicant;
- (17) in the absence of a credit committee, and upon the written request of a member, review a loan application denied by a loan officer;
- (18) declare the dividend rate to be paid on shares, share certificates, and share draft accounts pursuant to the terms and conditions of section 117;
- (19) establish and maintain a system of internal controls consistent with the regulations of the Board;
- (20) establish lending policies; and
- (21) do all other things that are necessary and proper to carry out all the purposes and powers of the Federal credit union, subject to regulations issued by the Board.

(b) *MEETINGS.—The board of directors of a Federal credit union shall meet as follows:*

- (1) *With respect to a de novo Federal credit union, not less frequently than monthly during each of the first five years of the existence of such Federal credit union.*
- (2) *Not less than six times annually, with at least one meeting held during each fiscal quarter, with respect to a Federal credit union—*
 - (A) *with composite rating of either 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system); and*
 - (B) *with a capability of management rating under such composite rating of either 1 or 2.*
- (3) *Not less frequently than once a month, with respect to a Federal credit union—*
 - (A) *with composite rating of either 3, 4, or 5 under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system); or*
 - (B) *with a capability of management rating under such composite rating of either 3, 4, or 5.*

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