

108TH CONGRESS  
1ST SESSION

# H. R. 3579

To ease credit union regulatory burdens, advance credit union efforts to promote economic growth, and modernize credit union capital standards.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 21, 2003

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

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## A BILL

To ease credit union regulatory burdens, advance credit union efforts to promote economic growth, and modernize credit union capital standards.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Credit Union Regu-  
5 latory Improvements Act of 2003”.

1                   **TITLE I—REGULATORY**  
2                   **FLEXIBILITY**

3   **SEC. 102. LEASES OF LAND ON FEDERAL FACILITIES FOR**  
4                   **CREDIT UNIONS.**

5           (a) **IN GENERAL.**—Section 124 of the Federal Credit  
6 Union Act (12 U.S.C. 1770) is amended—

7           (1) by striking “Upon application by any credit  
8 union” and inserting “Notwithstanding any other  
9 provision of law, upon application by any credit  
10 union”;

11           (2) by inserting “on lands reserved for the use  
12 of, and under the exclusive or concurrent jurisdiction  
13 of, the United States or” after “officer or agency of  
14 the United States charged with the allotment of  
15 space”;

16           (3) by inserting “lease land or” after “such of-  
17 ficer or agency may in his or its discretion”; and

18           (4) by inserting “or the facility built on the  
19 leased land” after “credit union to be served by the  
20 allotment of space”.

21           (b) **CLERICAL AMENDMENT.**—The heading for sec-  
22 tion 124 is amended by inserting “OR FEDERAL LAND”  
23 after “BUILDINGS”.

1 **SEC. 103. INVESTMENTS IN SECURITIES BY FEDERAL CRED-**  
2 **IT UNIONS.**

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

5 (1) in the matter preceding paragraph (1) by  
6 striking “A Federal credit union” and inserting “(a)  
7 IN GENERAL.—Any Federal credit union”; and

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

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

12 “(1) IN GENERAL.—A Federal credit union may  
13 purchase and hold for its own account such invest-  
14 ment securities of investment grade as the Board  
15 may authorize by regulation, subject to such limita-  
16 tions and restrictions as the Board may prescribe in  
17 the regulations.

18 “(2) PERCENTAGE LIMITATIONS.—

19 “(A) SINGLE OBLIGOR.—In no event may  
20 the total amount of investment securities of any  
21 single obligor or maker held by a Federal credit  
22 union for the credit union’s own account exceed  
23 at any time an amount equal to 10 percent of  
24 the net worth of the credit union.

25 “(B) AGGREGATE INVESTMENTS.—In no  
26 event may the aggregate amount of investment

1 securities held by a Federal credit union for the  
2 credit union's own account exceed at any time  
3 an amount equal to 10 percent of the assets of  
4 the credit union.

5 “(3) INVESTMENT SECURITY DEFINED.—

6 “(A) IN GENERAL.—For purposes of this  
7 subsection, the term ‘investment security’  
8 means marketable obligations evidencing the in-  
9 debtedness of any person in the form of bonds,  
10 notes, or debentures and other instruments  
11 commonly referred to as investment securities.

12 “(B) FURTHER DEFINITION BY BOARD.—  
13 The Board may further define the term ‘invest-  
14 ment security’.

15 “(4) INVESTMENT GRADE DEFINED.—The term  
16 ‘investment grade’ means with respect to an invest-  
17 ment security purchased by a credit union for its  
18 own account, an investment security that at the time  
19 of such purchase is rated in one of the 4 highest rat-  
20 ing categories by at least 1 nationally recognized  
21 statistical rating organization.

22 “(5) CLARIFICATION OF PROHIBITION ON  
23 STOCK OWNERSHIP.—No provision of this subsection  
24 shall be construed as authorizing a Federal credit  
25 union to purchase shares of stock of any corporation

1 for the credit union’s own account, except as other-  
2 wise permitted by law.”.

3 **SEC. 104. INCREASE IN GENERAL 12-YEAR LIMITATION OF**  
4 **TERM OF FEDERAL CREDIT UNION LOANS TO**  
5 **15 YEARS.**

6 Section 107(a)(5) of the Federal Credit Union Act  
7 (12 U.S.C. 1757(5)) (as so designated by section 103 of  
8 this title) is amended—

9 (1) in the matter preceding subparagraph (A),  
10 by striking “to make loans, the maturities of which  
11 shall not exceed twelve years except as otherwise  
12 provided herein” and inserting “to make loans, the  
13 maturities of which shall not exceed 15 years or any  
14 longer maturity as the Board may allow, in regula-  
15 tions, except as otherwise provided in this Act”;

16 (2) in subparagraph (A)—

17 (A) by striking clause (ii);

18 (B) by redesignating clauses (iii) through  
19 (x) as clauses (ii) through (ix), respectively; and

20 (C) by inserting “and” after the semicolon  
21 at the end of clause (viii) (as so redesignated).

22 **SEC. 105. INCREASE IN 1 PERCENT INVESTMENT LIMIT IN**  
23 **CREDIT UNION SERVICE ORGANIZATIONS.**

24 Section 107(a)(7)(I) of the Federal Credit Union Act  
25 (12 U.S.C. 1757(7)(I)) (as so designated by section 103

1 of this title) is amended by striking “up to 1 per centum  
2 of the total paid” and inserting “up to 3 percent of the  
3 total paid”.

4 **SEC. 106. MEMBER BUSINESS LOAN EXCLUSION FOR LOANS**  
5 **TO NONPROFIT RELIGIOUS ORGANIZATIONS.**

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

10 **SEC. 107. CHECK CASHING AND MONEY TRANSFER SERV-**  
11 **ICES OFFERED WITHIN THE FIELD OF MEM-**  
12 **BERSHIP.**

13 Paragraph (12) of section 107(a) of the Federal  
14 Credit Union Act (12 U.S.C. 1757(12)) (as so designated  
15 by section 103 of this title) is amended to read as follows:

16 “(12) in accordance with regulations prescribed  
17 by the Board—

18 “(A) to sell, to persons in the field of  
19 membership, negotiable checks (including trav-  
20 elers checks), money orders, and other similar  
21 money transfer instruments (including elec-  
22 tronic fund transfers); and

23 “(B) to cash checks and money orders and  
24 provide electronic fund transfer services for per-  
25 sons in the field of membership for a fee;”.

1 **SEC. 108. VOLUNTARY MERGERS INVOLVING MULTIPLE**  
2 **COMMON-BOND CREDIT UNIONS.**

3 Section 109(d)(2) of the Federal Credit Union Act  
4 (12 U.S.C. 1759(d)(2)) is amended—

5 (1) by striking “or” at the end of clause (ii) of  
6 subparagraph (B);

7 (2) by striking the period at the end of sub-  
8 paragraph (C) and inserting “; or”; and

9 (3) by adding at the end the following new sub-  
10 paragraph:

11 “(D) a merger involving any such Federal  
12 credit union approved by the Board on or after  
13 August 7, 1998.”.

14 **SEC. 109. CONVERSIONS INVOLVING COMMON-BOND CRED-**  
15 **IT UNIONS.**

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

19 “(3) CRITERIA FOR CONTINUED MEMBERSHIP  
20 OF CERTAIN MEMBER GROUPS IN COMMUNITY CHAR-  
21 TER CONVERSIONS.—In the case of a voluntary con-  
22 version of a common-bond credit union described in  
23 paragraph (1) or (2) of subsection (b) into a com-  
24 munity credit union described in subsection (b)(3),  
25 the Board shall prescribe, by regulation, the criteria  
26 under which the Board may determine that a mem-

1 ber group or other portion of a credit union’s exist-  
2 ing membership, that is located outside the well-de-  
3 fined local community, neighborhood, or rural dis-  
4 trict that shall constitute the community charter,  
5 can be satisfactorily served by the credit union and  
6 remain within the community credit union’s field of  
7 membership.”.

8 **SEC. 110. CREDIT UNION GOVERNANCE.**

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

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

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

23 “(2) **WRITTEN NOTICE OF POLICY TO MEM-**  
24 **BERS.**—If a policy described in paragraph (1) is  
25 adopted, written notice of the policy as adopted and

1 the effective date of such policy shall be provided  
2 to—

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

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

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

15 (c) **REIMBURSEMENT FOR LOST WAGES DUE TO**  
16 **SERVICE ON CREDIT UNION BOARD NOT TREATED AS**  
17 **COMPENSATION.**—Section 111(c) of the Federal Credit  
18 Union Act (12 U.S.C. 1761(c)) is amended by inserting  
19 “, including lost wages,” after “the reimbursement of rea-  
20 sonable expenses”.

21 **SEC. 111. PROVIDING THE NATIONAL CREDIT UNION AD-**  
22 **MINISTRATION WITH GREATER FLEXIBILITY**  
23 **IN RESPONDING TO MARKET CONDITIONS.**

24 Section 107(a)(5)(A)(v)(I) of the Federal Credit  
25 Union Act (12 U.S.C. 1757(5)(A)(v)(I)) (as so designated

1 by sections 103 and 104 of this title) is amended by strik-  
2 ing “six-month period and that prevailing interest rate lev-  
3 els” and inserting “6-month period or that prevailing in-  
4 terest rate levels”.

5 **SEC. 112. CREDIT UNIONS AUTHORIZED TO LEASE SPACE**  
6 **IN BUILDINGS IN CREDIT UNION OFFICES IN**  
7 **UNDERSERVED AREAS.**

8 (a) IN GENERAL.—Section 107(a) of the Federal  
9 Credit Union Act (12 U.S.C. 1757) (as so designated by  
10 section 103 of this title) is amended—

11 (1) by striking “and” at the end of paragraph  
12 (16);

13 (2) by redesignating paragraph (17) as para-  
14 graph (18); and

15 (3) by inserting after paragraph (16) the fol-  
16 lowing new paragraph:

17 “(17) with regard to any building purchased or  
18 constructed by the credit union for a credit union of-  
19 fice or credit union operations in an underserved  
20 area, to lease office space in such building that is  
21 separate and clearly distinct from any office or oper-  
22 ation of the credit union to any business enterprise,  
23 subject to such regulations the Board may prescribe,  
24 taking into account the safety and soundness of the  
25 credit union; and”.

1 (b) UNDERSERVED AREA DEFINED.—Section 101 of  
2 the Federal Credit Union Act (12 U.S.C. 1752) is amend-  
3 ed by adding at the end the following new paragraph:

4 “(10) UNDERSERVED AREA.—The term ‘under-  
5 served area’ means an area consisting of 1 or more  
6 census tracts that have—

7 “(A) a poverty rate of 20 percent or great-  
8 er, based on the most recent census data; or

9 “(B) a median family income that does not  
10 exceed 80 percent of the greater of—

11 “(i) the median family income for the  
12 metropolitan area in which such census  
13 tract or tracts are located; or

14 “(ii) the median family income for the  
15 State in which such census tract or tracts  
16 are located.”.

17 **SEC. 113. CREDIT UNION CONVERSION VOTING REQUIRE-**  
18 **MENTS.**

19 Section 205(b)(2)(B) of the Federal Credit Union  
20 Act (12 U.S.C. 1785(b)(2)(B)) is amended by inserting  
21 “, in a vote in which at least 20 percent of the credit union  
22 membership participates” before the period at the end.

1 **SEC. 114. EXEMPTION FROM PRE-MERGER NOTIFICATION**  
2 **REQUIREMENT OF THE CLAYTON ACT.**

3 Section 7A(c)(7) of the Clayton Act (15 U.S.C.  
4 18a(e)(7)) is amended by inserting “section 205(b)(3) of  
5 the Federal Credit Union Act (12 U.S.C. 1785(b)(3)),”  
6 before “or section 3”.

7 **SEC. 115. TREATMENT OF CREDIT UNIONS AS DEPOSITORY**  
8 **INSTITUTIONS UNDER SECURITIES LAWS.**

9 (a) DEFINITION OF BANK UNDER THE SECURITIES  
10 EXCHANGE ACT OF 1934.—Section 3(a)(6) of the Securi-  
11 ties Exchange Act of 1934 (15 U.S.C. 78c(a)(6)) (as  
12 amended by section 201(a)(1) of this Act) is amended—

13 (1) by striking “this title, and (D) a receiver”  
14 and inserting “this title, (D) an insured credit union  
15 (as defined in section 101(7) of the Federal Credit  
16 Union Act) but only for purposes of paragraphs (4)  
17 and (5) of this subsection and only for activities oth-  
18 erwise authorized by applicable laws to which such  
19 credit unions are subject, and (E) a receiver”; and

20 (2) in subparagraph (E) (as so redesignated by  
21 paragraph (1) of this subsection) by striking “(A),  
22 (B), or (C)” and inserting “(A), (B), (C), or (D)”.

23 (b) DEFINITION OF BANK UNDER THE INVESTMENT  
24 ADVISERS ACT OF 1940.—Section 202(a)(2) of the In-  
25 vestment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(2))

1 (as amended by section 201(b)(1) of this Act) is amend-  
2 ed—

3 (1) by striking “this title, and (D) a receiver”  
4 and inserting “this title, (D) an insured credit union  
5 (as defined in section 101(7) of the Federal Credit  
6 Union Act) but only for activities otherwise author-  
7 ized by applicable laws to which such credit unions  
8 are subject, and (E) a receiver”; and

9 (2) in subparagraph (E) (as so redesignated by  
10 paragraph (1) of this subsection) by striking “(A),  
11 (B), or (C)” and inserting “(A), (B), (C), or (D)”.

12 (c) DEFINITION OF APPROPRIATE FEDERAL BANK-  
13 ING AGENCY.—Section 210A(c) of the Investment Advis-  
14 ers Act of 1940 (15 U.S.C. 80b–10a(c)) is amended by  
15 inserting “and includes the National Credit Union Admin-  
16 istration Board, in the case of an insured credit union (as  
17 defined in section 101(7) of the Federal Credit Union  
18 Act)” before the period at the end.

## 19 **TITLE II—MEMBER BUSINESS** 20 **LENDING**

### 21 **SEC. 201. LIMITS ON MEMBER BUSINESS LOANS.**

22 Section 107A(a) of the Federal Credit Union Act (12  
23 U.S.C. 1757a(a)) is amended by striking “the lesser  
24 of—” and all that follows and inserting “20 percent of  
25 the total assets of the credit union.”.

1 **SEC. 202. DEFINITION OF MEMBER BUSINESS LOAN.**

2 Section 107A(c)(1)(B)(iii) of the Federal Credit  
 3 Union Act (12 U.S.C. 1757a(c)(1)(B)(iii)) is amended by  
 4 striking “\$50,000” and inserting “an amount, not to ex-  
 5 ceed \$100,000, which the Board shall prescribe by regula-  
 6 tion”.

7 **SEC. 203. RESTRICTION ON MEMBER BUSINESS LOANS.**

8 Section 216(g)(2) of the Federal Credit Union Act  
 9 (12 U.S.C. 1790d(g)(2)) is amended by striking “until  
 10 such time as the credit union becomes adequately capital-  
 11 ized” and inserting “unless otherwise approved by the  
 12 Board”.

13 **TITLE III—CAPITAL LEVELS**

14 **SEC. 301. AMENDMENTS TO NET WORTH CATEGORIES.**

15 Section 216 of the Federal Credit Union Act (12  
 16 U.S.C. 1790d) is amended—

17 (1) by striking subsection (o)(3) and inserting  
 18 the following new paragraph:

19 “(3) NET WORTH RATIO.—The term ‘net worth  
 20 ratio’ means, with respect to a credit union, the  
 21 ratio of the net worth of the credit union to the risk  
 22 assets of the credit union as defined by the Board.”;

23 (2) by striking subsection (d) and inserting the  
 24 following new subsection

25 “(d) [Repealed]”; and

1           (3) by striking subparagraph (E) of subsection  
2           (c)(1) and inserting the following new subparagraph:

3                   “(E) CRITICALLY UNDERCAPITALIZED.—

4           An insured credit union is ‘critically under-  
5           capitalized’ if the credit union has—

6                   “(i) a net worth of less than 2 percent  
7                   of actual assets; or

8                   “(ii) a net worth ratio of less than a  
9                   minimum net worth ratio prescribed by the  
10                  Board in excess of 2 percent but not more  
11                  than 3 percent.”.

○