



Credit Union National Association

CUNA Issue Summary

REGULATORY RELIEF

ISSUE: The last major changes to the *Federal Credit Union Act* occurred in 1998. For the past several years, Representatives Paul Kanjorski (D-PA) and Ed Royce (R-CA) have introduced the *Credit Union Regulatory Improvements Act* (CURIA), a bill which would update and modernize several statutory restrictions on the regulation of credit unions. H.R. 5519, the *Credit Union Regulatory Relief Act* (CURRA) is another piece of legislation to provide regulatory relief for credit unions. It includes several of provisions from CURIA as well as two new provisions. Recently, a new piece of legislation passed the House of Representatives that would provide regulatory relief for credit unions, banks, and thrifts.

CUNA POSITION: Regulatory relief for credit unions will help improve productivity and efficiency in a competitive and dynamic marketplace, and will translate into better and lower-cost service to credit union members.

STATUS/OUTLOOK: H.R. 5519 was introduced on March 3, 2008. The House Financial Services Committee held a hearing on the “Need for Credit Union Regulatory Improvements” on March 6, 2008, during which both this legislation as well as H.R. 1537, the *Credit Union Regulatory Improvements Act*, were discussed extensively.

This legislation (H.R. 5519) was put on the House calendar for a vote during the week of April 28, 2008. The House leadership placed the bill on the “suspension calendar”, a list of bills that are usually noncontroversial and usually pass by voice vote. If a recorded vote is requested, the bill must receive a two-thirds vote in favor of the bill. In the week previous to the vote, House Financial Services Committee Chairman Barney Frank (D-MA) indicated that he would place allow a House vote on CURRA and a bill to benefit banks and thrifts (H.R. 5841). The Chairman requested that the trade associations representing the banking industry and the credit union movement not attack either of the bills and not approach Members of Congress requesting a recorded vote. Both sides agreed and both bills were placed on the calendar for the following week. However, the bank lobby quickly shifted gears, mobilizing their grassroots against CURRA and seeking a Member of Congress who would request a recorded vote on CURRA.

As a result, House Majority Leader Steny Hoyer (D-MD) pulled both bills from consideration. CURRA was expected to be the first package of credit union regulatory relief legislation to move through the House of Representatives in the 110th Congress and paired with similar regulatory relief for banks and thrifts.

However, on June 19, 2008, Reps. Kanjorski, Royce, and Dennis Moore (D-KS) introduced H.R. 6312, the [Credit Union, Bank and Thrift Regulatory Relief Act of 2008](#). The bill combines most of CURRA ([with minor modifications](#)) with H.R. 5841, *Bank and Thrift Regulatory Relief Act of 2008* (as modified). The bill passed the House of Representatives by voice vote on June 24, 2008. CUNA continues to urge the Senate to act quickly on this bill before the end of this session of Congress.

For all financial institutions, H.R. 6312 would provide exceptions to annual privacy notice requirements under the *Gramm-Leach-Bliley Act* for institutions that do not share information with affiliates or have not changed their privacy policies. For credit unions, the bill:

1. Permits federally-chartered credit unions (FCUs) to have up to 10 percent of aggregate assets in investment-grade securities;
2. Raises from 1 percent to 3 percent of assets the limit on an FCU's total investment in or loans to a credit union service organization (CUSO);
3. Excludes member business loans (MBLs) to non-profit religious groups from the credit union MBL cap;
4. Permits the NCUA to set longer maturities for certain FCU loans;
5. Allows the NCUA greater flexibility in adjusting the FCU usury ceiling;
6. Permits the NCUA to set rules for continued service to previous groups by credit unions converting voluntarily to a community charter;
7. Permits the NCUA to allow FCUs of any charter type to serve underserved areas, while modifying the definition of an underserved area;
8. Codifies FCUs' ability to provide short-term loans as an alternative to payday loans to anyone within their fields of membership;
9. Revises credit union governance provisions; and
10. Excludes MBLs provided in underserved areas from the MBL cap.

On September 30, 2008, CUNA President and CEO Dan Mica sent [letters](#) to President Bush, Treasury Secretary Paulson, Senate Banking Committee Chairman Chris Dodd (D-CT), Senate Majority Leader Harry Reid (D-NV), and Senate Majority Whip Dick Durbin (D-IL), urging that they work toward a temporary increase in deposit insurance as well as risk-based prompt corrective action reform for credit unions.

On October 21, 2008, as Congress began consideration of economic recovery legislation, CUNA President and CEO Dan Mica wrote a [letter](#) to remind federal lawmakers they should increase credit unions' ability to be part of the solution for problems faced by consumers and small businesses. In letters to the leaders of the Senate Banking Committee and the House Financial Services Committee, Mica highlighted several regulatory changes that he said should be considered as part of an economic recovery plan. The letter urged changes that would:

- Allow the National Credit Union Administration to implement a risk-based capital system for credit unions—similar to that of banks-- to help credit unions to better manage unexpected circumstances;
- Eliminate the 12.25 % of assets credit union business lending cap as a means to provide much needed credit to America's small businesses without costing taxpayers a dime; and
- Permit all credit unions to accept secondary capital.

On October 28, 2008, CUNA sent [letters](#) to the leaders of the House Committee on Small Business, urging them to include MBL relief for credit unions in the economic stimulus legislation that Congress is expected to consider. CUNA's letters were sent to Chairwoman Nydia Velazquez (D-NY) and Ranking Member Steve Chabot (R-OH) as the small business panel conducted a hearing on "Creating Opportunities for Small Business in Economic Recovery." CUNA stated that the infusion of funds by credit unions into small businesses would "provide much needed economic stimulus without costing the taxpayers a dime." If no longer restricted by a statutory business lending cap, credit unions likely could provide \$10 billion of new credit to small businesses within the first 12 months of receiving new authority. That would be in addition to the approximately \$30 billion already in outstanding business loans provided by credit unions.

CUNA continues to work in Congress to advance legislation to provide regulatory relief for credit unions. In addition, CUNA continues to push for CURIA, including capital reform and raising the general member business loan limit.

CONTACTS: [Ryan Donovan](#), (202) 508-6750, rdonovan@cuna.coop
[Tom Gannon](#), (202) 508-6727, tgannon@cuna.coop
[John Hildreth](#), (202) 508-6724, jhildreth@cuna.coop
[Chris Gaginis](#), (202) 508-6796, cgaginis@cuna.coop

RELATED DOCUMENTS:

[Text of the Credit Union, Bank and Thrift Regulatory Relief Act of 2008](#)

[Section by Section Summary of H.R. 6312, the Credit Union, and Thrift Regulatory Relief Act of 2008](#)

[Section by Section of H.R. 5519, Credit Union Regulatory Relief Act](#)

[July 9, 2008: Letter from CUNA President and CEO Dan Mica to House Financial Services Committee Chairman Barney Frank \(D-MA\) and Ranking Member Spencer Bachus \(R-AL\) Regarding Regulatory Restructuring and the Need for Prompt Corrective Action Reform](#)

[March 6, 2008: Written Testimony of Tom Dorety on Behalf of CUNA on "The Need for Credit Union Regulatory Relief and Improvements," Before the House Financial Services Committee](#)

[Press Release from Representative Paul Kanjorski \(D-PA\) Announcing the Introduction of H.R. 5519, the Credit Union Regulatory Relief Act](#)

[April 28, 2008: Letter from CUNA President and CEO Dan Mica to House Non Cosponsors of H.R. 1537 \(CURIA\), urging support for H.R. 5519 \(CURRA\)](#)

[April 25, 2008: Letter from CUNA President and CEO Dan Mica to House Cosponsors of H.R. 1537 \(CURIA\), urging support for H.R. 5519 \(CURRA\)](#)

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