Regulatory Relief

BACKGROUND

On January 24, 2003, Chairman Dennis Dollar provided House Financial Services Committee Chairman Mike Oxley (R-OH) with suggestions that could be included in legislation that would lessen the regulatory burden and improve productivity for depository institutions. NCUA has also provided the Committee a series of technical amendments to the Federal Credit Union Act.

NCUA recommended that the legislation include provisions that would:

- Allow credit unions to provide check cashing, wire transfer and other money transfer services for non-members within the field of membership
- Increase the twelve-year maturity on loans
- Increase the one percent investment limit on CUSO's
- Expand the "reasonable proximity" requirement
- Expand investment options
- Expand voluntary merger authority
- Provide relief from SEC registration requirements

LEGISLATIVE STATUS

U.S. House of Representatives

Last year, Reps. Shelley Moore-Capito (R-WV) and Mike Ross (D-AR) introduced legislation that would provide regulatory relief and improve productivity for insured depository institutions. Reps. Capito and Ross reintroduced similar legislation (H.R. 1375) on March 20, 2003. The legislation is cosponsored by the following members of the Financial Services Committee: Chairman Oxley (R-OH), and Reps. Spencer Bachus (R-AL), Ed Royce (R-CA), Bob Ney (R-OH), Steve LaTourette (R-OH), Melissa Hart (R-PA), Pat Tiberi (R-OH), Max Sandlin (D-TX), and Jeb Hensarling (R-TX).

The legislation includes all the provisions suggested by NCUA except for the provision that would expand the "reasonable proximity" requirement.

The legislation would:

- Provide additional investment authority to purchase for the credit union's own account certain investment securities
- Increase the maturity of Federal credit union loans to 15 years, or longer if approved by the NCUA Board, from 12 years
- Raise to 3% from 1% the investment limit in credit union service organizations (CUSOs)

- Allow Federal credit unions to sell negotiable checks and cash checks to persons eligible for membership
- Permit voluntary mergers of multiple bond credit unions for employee groups, regardless of size, retroactive to August 7, 1998
- Exempt federally-insured credit unions from the SEC's broker-dealer and investment adviser registration requirements
- Exclude from the member business loan limitation member business loans to non-profit religious organizations
- Authorize privately insured credit unions to become members of a Federal Home Loan Bank
- Give military and civilian authorities responsible for buildings erected on Federal property the discretion to extend to credit unions that finance the construction of credit union facilities on Federal land real estate leases at a favorable rate
- Allow community charter credit unions to retain all employee groups in its membership field from the multiple bond credit union that has merged or converted into it
- Give federal credit union boards greater flexibility to expel a disruptive member
- Provide NCUA with greater flexibility in setting the usury ceiling for federal credit unions
- Exempt federal credit unions from the pre-merger notification requirement of the Clayton Act

On March 27, 2003, the House Financial Services Subcommittee on Financial Institutions and Consumer Credit held a hearing on the legislation. Chairman Dollar testified on behalf of NCUA.

On April 9, 2003, the Subcommittee approved the legislation, as amended, by voice vote. The Subcommittee approved an amendment that would require all banking regulators, including NCUA, to report to Congress on the number of minorities and women employed by the agencies.

The full Committee approved the legislation by voice vote on May 21. The House Judiciary Committee approved the legislation on July 14.

The full House is approved (392-25) the legislation, as amended, March 18, 2004. To see the final version of the legislation, click here: H.R. 1375.

United States Senate

Senate Banking Committee Chairman Richard Shelby (R-AL) has requested from the various agencies suggestions that could be included in regulatory relief legislation he plans to introduce this fall.

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