



## H.R. 6312 – TO ADVANCE CREDIT UNION EFFORTS TO PROMOTE ECONOMIC GROWTH, MODIFY CREDIT UNION REGULATORY STANDARDS AND REDUCE BURDENS, TO PROVIDE REGULATORY RELIEF AND IMPROVE PRODUCTIVITY FOR INSURED DEPOSITORY INSTITUTIONS, AND FOR OTHER PURPOSES

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### FLOOR SITUATION

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H.R. 6312 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Paul Kanjorski (D-PA) on June 19, 2008. The resolution was referred to the House Committee on Financial Services, but was never considered.

H.R. 6312 is expected to be considered on the floor of the House on June 24, 2008.

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### SUMMARY

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#### Investments made by Credit Unions

H.R. 6312 permits Federal Credit Unions to invest in securities for their own account, subject to any limitations prescribed by the National Credit Union Administration Board. The bill does not allow a credit union's investment holdings in a single security to exceed ten percent of the credit union's net worth, and no credit union's aggregate investments may exceed ten percent of the credit union's total assets. The legislation prohibits Federal Credit Unions from purchasing shares of stock in any corporation for the credit union's own account, unless authorized by law.

The bill increases the limit that credit unions may invest in credit union service organizations from one percent to three percent. The bill excludes credit union loans made to nonprofit religious organizations from limitations placed on credit union member business loans. The legislation authorizes the Board to extend the time period over which the repayment of a loan is due. Credit unions are authorized to increase interest rates above fifteen percent if money market interest rates have risen over the preceding six-month period or prevailing interest rate levels threaten the safety and soundness of individual credit unions.

#### Underserved Areas

H.R. 6312 allows Federal Credit Unions to approve the membership applications of people or organizations who live or have a business in a low income census tract or group of census tracts, also called underserved areas (if the Board determines that the credit union is well capitalized and is adequately established and maintains an office or facility in the area within two years of the Board's approval). Among the criteria that qualify an area as underserved, is that not more than 50 percent of the resident families have annual incomes of over \$75,000 (as adjusted by the Consumer Price Index published by the Department of Labor).

#### Payday Loan Alternative for Non-Members

The legislation allows Federal Credit Unions to provide short term, unsecured loans as an alternative to payday loans, in amounts not greater than \$1,000 and for terms of no longer than 90 days.

#### Small Business Investment

The bill allows any federal savings association to invest in small business investment companies or entities that invest solely in small business investment companies. The total amount of these investments



made by federal savings associations may not exceed an amount equal to five percent of the capital surplus of the savings association.

### Interest on Business Checking

Depository institutions may permit the owner of any deposit account which earns interest or dividends to make up to 24 transfers to accounts held by the owner with the same financial institution. Additionally, the bill allows for businesses in underserved areas to earn interest on business checking accounts.

### Reporting

The legislation requires the Board of Governors of the Federal Reserve System to report to Congress every two years on discernable trends taking place in financial institutions, as well as samples of transactional fees and services that are offered by financial institutions of similar size and regional location.

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## BACKGROUND

H.R. 6312 amends the Federal Credit Union Act (12 USC 1785), which was signed into law in 1934 by President Franklin Roosevelt. The law authorized the formation of Federal Credit Unions in all states, with the intended purpose of making credit available while promoting competition between nonprofit, cooperative credit unions. Federal Credit Unions are supervised by the National Credit Union Administration (NCUA). The NCUA also operates the National Credit Union Share Insurance Fund, insuring the savings of all Federal Credit Unions and as well as many State chartered credit unions.

Congress passed the Financial Services Regulatory Relief Act (P.L. 109-351) in 2006. The enactment of this legislation marked the first major adjustment to the banking system since the 1980's. When this legislation was being considered, the House included a number of provisions dealing with credit unions, but the Senate stripped these from the bill and they were not included in the enacted version.

To join a credit union, a person must usually belong to an organization participating in the union. Once a person deposits money into the credit union, they become members of the union and are considered partial owners of the credit union. Today, there are over 48.5 million people enrolled in Federal Credit Unions. There are more than 5,000 individual federal credit unions with over \$417.6 billion in assets.

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## COST

The Congressional Budget Office estimates that H.R. 6312 will result in approximately \$18 million in savings over fiscal years 2009-2013.

[Full CBO cost estimate for H.R. 6312](#)

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## STAFF CONTACT

For questions or further information contact Justin Hanson at (202) 226-2302.