



CUNA Issue Summary

CREDIT UNION REGULATORY IMPROVEMENTS ACT (CURIA)

ISSUE: The last major changes to the *Federal Credit Union Act* occurred in 1998. The past nine years have provided an opportunity to identify unnecessary and outdated provisions and recommend common sense improvements.

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. Of particular interest for credit unions is raising the cap on member business lending, and implementing a risk-based capital approach.

OPPOSING VIEWS: The banking industry is strongly opposed to any efforts by Congress to ease burdens and restrictions on credit unions.

IMPACT ON CREDIT UNIONS: Credit unions remain the most highly regulated and restricted of all insured financial institutions. The *Credit Union Regulatory Improvements Act (CURIA)*, H.R. 1537, seeks to undo burdensome requirements by allowing:

Title I: Capital Reform:

Title I seeks to modernize credit union capital requirements by redefining the net worth ratio to include a risk-based asset approach to Prompt Correction Action (PCA), thereby instituting a new measurement that would improve the safety and soundness of credit unions. Credit unions historically have had the lowest default/delinquency rates in virtually all categories of loans and have maintained average net worth ratios well in excess of those held by banks.

Title II: Economic Growth:

Title II seeks to increase the current limit on credit union MBLs from 12.25% to 20%, and permit the National Credit Union Administration (NCUA) to increase the threshold for defining a MBL from \$50,000 to \$100,000 – opening a significant source of credit to small businesses. Title II would also enhance the ability of credit unions to assist underserved communities with their economic revitalization efforts by providing all Federal credit unions with an equal opportunity to expand services to individuals and groups working or residing in areas that meet the income, unemployment and other distress criteria identified by the Treasury Department.

Title III: Regulatory Modernization:

- Investments in investment grade securities by federal credit unions
- Increase in 1 percent investment and loan limits in credit union service organizations
- Member business loan exclusion for loans to non-profit religious organizations
- Voluntary mergers involving multiple common bond credit unions
- Allowing certain member groups to be retained in conversions to community charters
- Permitting certain governance charges in credit union bylaws
- Providing the National Credit Union Administration with greater flexibility in setting loan maturities and maximum loan interest rates
- Exemption from pre-merger notification requirement of the Clayton Act

STATUS/OUTLOOK: The *Credit Union Regulatory Improvements Act* was introduced on March 15, 2007 by Reps. Kanjorski (D-PA) and Royce (R-CA), and was referred to the House Financial Services Committee.

Four provisions of CURIA were included in the Regulatory Relief bill that passed Congress late September 2006. The provisions included: (1) increasing the current 12-year limitation term of unsecured federal credit union loans to 15 years; (2) leasing of land on federal facilities for credit unions; (3) check cashing and money transfer services offered to non-credit union members who otherwise fall within the field of membership; (4) clarifying the definition of net worth for the purposes of credit union mergers; and (5) clarifies notices that privately insured credit unions must make to members and potential members that accounts are not covered by federal insurance.

On February, 7, 2008, the House and Senate passed H.R. 5140, the *Economic Stimulus Act of 2008*. For several weeks prior to its passage, CUNA lobbied the Congress to include provisions from CURIA, namely PCA reform and lifting MBL limits, in the stimulus bill. CUNA's efforts were well-received but Congressional negotiators were ultimately given specific instructions that all provisions in the stimulus bill would be temporary, thus no changes in permanent law would be permitted.

On a parallel track, CUNA continues to urge the House and Senate to pass these important regulatory relief provisions independently or attached to other pieces of legislation coming out of the House Financial Services Committee and the Senate Banking Committee.

On March 6, 2008, the House Financial Services Committee held a hearing on CURIA titled, ["The Need for Credit Union Regulatory Relief and Improvements"](#). CUNA Chairman Tom Dorety testified on the association's behalf. Chairman Barney Frank (D-MA) opened the hearing by congratulating credit unions and the credit unions regulators for not being part of the subprime lending crisis. He said that the credit union model is one we want to adhere to. He indicated that the goal was sensible regulation that allows credit union members to be served. He continued by saying that the best thing that Congress can do for low-and moderate-income people is to get them into depository institutions.

During the hearing, Ranking Member Spencer Bachus (R-AL) noted that the millions of credit union members are a testament to what credit unions are doing. He indicated that he was strongly opposed to expanding CRA to credit unions, and that Congress should instead provide appropriate regulatory relief. CRA for credit unions would be counter productive.

Representative Paul Kanjorski (D-PA), who chaired much of the hearing, indicated his support for swift action on legislation, noting that no credit unions specific legislation had been enacted since H.R. 1151, in 1998. He called on Congress to allow NCUA to implement a modern risk based capital system and facilitate the ability of credit unions to do business lending.

Kanjorski noted that H.R. 1537, the *Credit Union Regulatory Improvements Act*, had 147 supporters in the House of Representatives and would soon be introduced in the Senate. He noted that enacting all of the provisions of H.R. 1537 would be a multistage process.

On May 1, 2008, Senator Joseph Lieberman (I-CT) introduced CURIA in the Senate.

CUNA continues to seek cosponsors and legislative movement on CURIA.

CONTACTS: [Ryan Donovan](mailto:rdonovan@cuna.coop), (202) 508-6750, rdonovan@cuna.coop
[John Hildreth](mailto:jhildreth@cuna.coop), (202) 508-6724, jhildreth@cuna.coop
[Michele Johnson](mailto:mjjohnson@cuna.coop), (202) 508-6718, mjjohnson@cuna.coop

 [Additional CURIA information](#)

RELATED DOCUMENTS:

[CURIA: General Summary](#)

[CURIA: Capital Summary \(Title I\)](#)

[CURIA: Reforming Prompt Corrective Action for Credit Unions](#)

[CURIA: Economic Growth Summary \(Title II\)](#)

[CURIA: Increasing Credit Union Member Business Loan Limits](#)

[CURIA: State by State Bank/Credit Union Member Business Loan Comparisons](#)

[Expanding Credit Union Service to Underserved Areas](#)

[CURIA: Section by Section Analysis](#)

[Response to Bank Attacks on CURIA](#)

[Why Support CURIA?](#)

[Congressional Research Service Report on CURIA](#)

[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](#)

[Thank You Letter from CUNA President and CEO Dan Mica to Reps. Kanjorski and Royce Regarding CURIA](#)

[Thank You Letter from CUNA President and CEO Dan Mica to Co-Sponsors of CURIA CURIA Cosponsors and Bill Text](#)

[CUNA President and CEO Dan Mica's Letter to the House of Representatives Urging Co-sponsorship of CURIA](#)

[Letter from CURIA Co-Sponsors Requesting Support from other Lawmakers](#)

LAST UPDATED: July 11, 2008

Copyright © 2008 - Credit Union National Association, Inc.