

Background on H.R. 5519 – The Credit Union Regulatory Relief Act

For several years, the focus of the battle with the credit unions has been on CURIA, the credit unions' expansion bill that would, among other things, greatly expand their permissible commercial lending and weaken their capital requirements, which would permit more rapid growth. When the credit union lobbyists came to the conclusion that ABA had once again successfully blocked CURIA, and it would not move in this Congress, they had a more narrow bill introduced, H.R. 5519, the Credit Union Regulatory Relief Act (CURRA).

This bill was advertised as containing a number of non-controversial changes, most of which had passed the House on previous occasions. When the House Financial Services Committee tried earlier this year to move this bill on a fast-track basis used for non-controversial bills (the Suspension Calendar) ABA successfully objected, and the bill was not offered. During a hearing on the bill and in numerous subsequent discussions with Members and staff, we have made a strong case that the language of the bill goes much further than its proponents say, and that the bill, in fact, broadly expands credit union authorities.

ABA has been negotiating in good faith for about two months to narrow the bill to one that might be acceptable to us. During the hearing and in private discussions, proponents of the bill had indicated they were willing to make changes that would in fact limit the existing law on "underserved" areas (discussed below) in a way that is a positive for us. With this new limitation on existing law, and a narrowing of several other provisions, we might have been able to agree to the bill.

However, it now appears that the credit unions will not compromise and that H.R. 5519 could go to the floor as early as Tuesday, April 29 on the Suspension Calendar, which requires two-thirds votes to pass. Therefore, we are launching an all out grassroots campaign to urge Representatives to vote against the bill on the House floor. If we generate sufficient heat, it is possible that the bill will not even be brought to the floor. This is a critical time. It is our first real open fight for votes with the credit unions in many years, and our ability to generate a massive grassroots wave now will determine Congressional attitudes toward the credit union issue for a long time. We need thousands of banker leaders across the country to contact their Representatives and to have their employees and board members make contacts as well.

H.R. 5519 contains unacceptable authorities for credit union expansion in three areas. The first relates to "underserved" areas. Under current law, some types of credit unions are allowed to add underserved areas to their common bonds. A few years ago, when the credit union regulator, the NCUA, tried to allow all types of credit unions, especially community common bond credit unions, to add underserved areas, the ABA sued, and the NCUA was forced to abandon its illegal effort. However, the credit union lobby has been trying to have Congress expand the authority to all credit unions. A big problem is that the NCUA, in typical fashion, has taken a provision clearly intended by Congress to cover low-income neighborhoods and interpreted it so that entire cities – such as Washington, D.C., and Houston – have been declared "underserved." To compound the offense, the NCUA does not even require that the credit union serve any low income people in those areas – for example, the D.C. branch could be in Georgetown.

H.R. 5519 does limit the definition of underserved going forward so that entire cities cannot qualify, and that is a plus. However, we think the definition is still too broad. More than 600 existing areas already declared underserved by NCUA are protected (including Washington, D.C.), and for the first time, community common bond credit unions would qualify for this type of expansion. Also, there

still is no requirement for providing, or reporting on, services to low-income persons. Thus, this provision provides a major loophole in the common bond definition.

The second problem is that the bill would allow commercial lending in areas that qualify under the new definition of underserved to be excluded from the limits on credit union commercial loans. While proponents argue that this provision merely encourages credit unions to make small business loans in low-income neighborhoods, we firmly believe the bill permits loans to all businesses that happen to have any location in one of the designated areas. For example, a loan could be made to a national retailer that had a store in one of the qualifying areas and that loan would not count toward the commercial lending cap.

Third, the bill's proponents say it merely allows credit unions to make small dollar loans to non-members that are a substitute for payday loans. However, since the bill does not clearly define what is a permissible substitute for payday loans, we firmly believe the NCUA would use this provision to allow consumer loans to non-members. For example, the NCUA could rule that a credit card loan is a substitute for payday lending.

In sum, the bill, as currently drafted, if enacted will enable the NCUA to issue interpretations that go well beyond what the bill's proponents say it does. It is also important to note that its proponents are trying to use a fast-track method that would by-pass normal committee consideration.

It is urgent that the House of Representatives receive as many calls as our industry can generate against this bill. Please call and, importantly, have as many of your bank employees as possible call.