



# CEO Alert

June 25, 2008

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TO: ABA Member CEOs

FROM: Ed Yingling, ABA President  
Diane Casey-Landry, ABA Chief Operating Officer

RE: **The Credit Union Regulatory Relief Act**

**Background:** After we successfully blocked the Credit Union Regulatory Improvements Act (CURIA) for five years, credit union lobbyists tried scaling back their requests into a narrower proposal in an effort to pass something this year. When that bill, the Credit Union Regulatory Relief Act (CURRA) was introduced earlier this year, they marketed it as a measure that would make minor technical adjustments. In April, it was similarly portrayed as appropriate for the Suspension Calendar, on which noncontroversial bills are placed. Our analysis proved otherwise. In addition to some noncontroversial issues that had previously passed the House, the proposed bill contained loopholes that would have allowed any federal credit union to branch into entire cities and counties by claiming they are “underserved,” as well as expand commercial lending authority and payday-lending products.

ABA staff educated key House members about credit unions’ practice of using the underserved provision to offer financial services in broad geographic regions, not underserved ones. At the same time, bankers from around the country and the state bankers associations responded in force to our call to action, sending letters and making calls to their House members. Working together, we succeeded in getting CURRA pulled from the Suspension Calendar, an exceptional grassroots victory over the credit unions.

**Revising CURRA:** The ABA banker leadership defined the specific changes that were needed in CURRA. We are pleased to report that our changes were included in the final product. They are as follows:

*A narrower definition of underserved areas than current law.* As revised: The definition of “underserved area” was narrowed to census tracts that meet an existing low-income test and, in addition, in no case can more than 50 percent of the families earn over \$75,000 annually.

*No grandfathering of the areas that are currently approved as “underserved.”* As revised: The National Credit Union Administration would need to use the narrower definition of “underserved area” for all applications. Under current law, over 700 cities, counties and smaller areas have been designated “underserved” by NCUA. Federal multiple-common-bond CUs that received approval before the bill’s enactment to expand into underserved areas would be grandfathered only if the credit union has opened a facility in the area.

*A strict limit to the business loans that would be exempt from the commercial-lending cap.* As revised: Credit union commercial loans made to a principal residence or place of business located in and serving an underserved area would be exempt from the commercial lending cap, and the loan must be used in the underserved area. The business could not simply have real estate in that area for a credit union’s loan to qualify for the exemption.

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*Required reporting of credit unions' activities in these underserved areas.* As revised: Importantly, the NCUA would be required to annually report the applications approved under this authority, the number and location of the underserved areas approved, and the number of CU members as a result of this authority.

*Tightly restricted loans that are considered alternatives to payday loans.* As revised: Credit unions could make short-term, unsecured loans as an alternative to payday loans in amounts of not more than \$1,000 each, for a term of not more than 90 days to nonmembers in the field of membership, and subject to strict, existing interest rate caps.

For procedural reasons, CURRA (H.R. 5519) was combined with a bank regulatory relief bill (H.R. 6312) that ABA supported. Among other things, it would provide exceptions to annual privacy notice requirements under the Gramm-Leach-Bliley Act for institutions that don't share information with affiliates or have not changed their privacy policies; authorize banks and thrifts to offer interest on business checking accounts two years after enactment; and increase saving associations' ability to invest in small-business investment companies and make commercial real estate loans, while removing limits on small-business and auto loans.

Revising the credit union legislative language in meaningful ways was important, and we will not oppose its passage. What we have now is a bill that our banker leaders and our special ABA Credit Union Committee believe is better than current law. Here's why:

- As revised, CURRA limits the ability of credit unions to exploit the current underserved-area provision because it establishes a clear, objective test rather than leaving it up to the NCUA to define.
- It requires CUs to report whom they are serving in underserved areas. This is a significant precedent, which we have been seeking, because it helps make our case that many credit unions are not delivering on their mission of serving people of modest means. It puts the focus back on serving the underserved.

**What's next?** The bill has just passed the House, but there is no companion bill in the Senate, and its prospects are uncertain. As the Senate looks at CURRA, we'll keep you informed and ask for your help if it's needed. We would like to hear from you and get your thoughts on the revisions. Please contact either of us at [yingling@aba.com](mailto:yingling@aba.com) or [dcasey@aba.com](mailto:dcasey@aba.com).

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