

Public Law 95-22
95th Congress

An Act

To extend the authority for the flexible regulation of interest rates on deposits and accounts in depository institutions.

Apr. 19, 1977
[H.R. 3365]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Depository
institutions.
Interest rates,
extension.

TITLE I

SEC. 101. Section 7 of the Act of September 21, 1966 (Public Law 89-597), is amended by striking out "March 1, 1977" and inserting in lieu thereof "December 15, 1977".

12 USC 461 note.

TITLE II

SEC. 201. Section 14(b) of the Federal Reserve Act (12 U.S.C. 355) is amended (1) by striking out "November 1, 1976" and inserting in lieu thereof "November 1, 1978"; and (2) by striking out "October 31, 1976" and inserting in lieu thereof "October 31, 1978".

TITLE III

SEC. 301. Section 201 of the Federal Credit Union Act (12 U.S.C. 1781) is amended by repealing subsection (c) (3) thereof.

Repeal.

SEC. 302. (a) Paragraph (5) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757) is amended to read as follows:

"(5) to make loans, the maturities of which shall not exceed twelve years except as otherwise provided herein, and extend lines of credit to its members, to other credit unions, and to credit union organizations and to participate with other credit unions, credit union organizations, or financial organizations in making loans to credit union members in accordance with the following:

Federal credit
unions, powers.

"(A) Loans to members shall be made in conformity with criteria established by the board of directors: *Provided*, That—

Loans to
members.

"(i) a residential real estate loan which is made to finance the acquisition of a one-to-four-family dwelling for the principal residence of a credit union member, the sales price of which is not more than 150 per centum of the median sales price of residential real property situated in the geographical area (as determined by the board of directors) in which the property is located, and which is secured by a first lien upon such dwelling, may have a maturity not exceeding thirty years, subject to the rules and regulations of the Administrator;

Residential loans.

"(ii) a loan to finance the purchase of a mobile home, which shall be secured by a first lien on such mobile home, to be used by the credit union member as his residence, or for the repair, alteration, or improvement of a residential dwelling which is the residence of a credit union member shall have a maturity not to exceed fifteen years

Mobile home
loans.

unless such loan is insured or guaranteed as provided in subparagraph (iii);

“(iii) a loan secured by the insurance or guarantee of the Federal Government, of a State government, or any agency of either may be made for the maturity and under the terms and conditions specified in the law under which such insurance or guarantee is provided;

“(iv) a loan or aggregate of loans to a director or member of the supervisory or credit committee of the credit union making the loan which exceeds \$5,000 plus pledged shares, be approved by the board of directors;

“(v) loans to other members for which directors or members of the supervisory or credit committee act as guarantor or endorser be approved by the board of directors when such loans standing alone or when added to any outstanding loan or loans of the guarantor or endorser exceeds \$5,000;

“(vi) the rate of interest not exceed 1 per centum per month on the unpaid balance inclusive of all service charges;

“(vii) the taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made;

“(viii) a borrower may repay his loan, prior to maturity in whole or in part on any business day without penalty;

“(ix) loans shall be paid or amortized in accordance with rules and regulations prescribed by the Administrator after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Administrator deems relevant.

“(B) A self-replenishing line of credit to a borrower may be established to a stated maximum amount on certain terms and conditions which may be different from the terms and conditions established for another borrower.

“(C) Loans to other credit unions shall be approved by the board of directors.

“(D) Loans to credit union organizations shall be approved by the board of directors and shall not exceed 1 per centum of the paid-in and unimpaired capital and surplus of the credit union. A credit union organization means any organization as determined by the Administrator, which is established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve.

“(E) Participation loans with other credit unions, credit union organizations, or financial organizations shall be in accordance with written policies of the board of directors:

Self-replenishing
line of credit.

Loans to other
credit unions.

Loans to credit
union
organizations.

Participation
loans.

Provided, That a credit union which originates a loan for which participation arrangements are made in accordance with this subsection shall retain an interest of at least 10 per centum of the face amount of the loan.”

(b) Paragraph (6) of such section is repealed.

Repeal.

SEC. 303. (a) Paragraph (7) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757) is redesignated as paragraph (6) and is amended to read as follows:

“(6) to receive from its members, from other credit unions, from an officer, employee, or agent of those nonmember units of Federal, State, or local governments and political subdivisions thereof enumerated in section 207 of this Act and in the manner so prescribed, and from nonmembers in the case of credit unions serving

Payments on shares and share certificates.

12 USC 1787.

predominately low-income members (as defined by the Administrator) payments on shares which may be issued at varying dividend rates, and payments on share certificates which may be issued at varying dividend rates and maturities, subject to such terms, rates, and conditions as may be established by the board of directors, within limitations prescribed by the Administrator.”

(b) Paragraph (8) of such section is redesignated as paragraph (7) and amended by adding the following paragraph:

“(I) in the shares, stocks, or obligations of any other organization, providing services which are associated with the routine operations of credit unions, up to 1 per centum of the total paid in and unimpaired capital and surplus of the credit union with the approval of the Administrator: *Provided, however*, That such authority does not include the power to acquire control directly or indirectly, of another financial institution, nor invest in shares, stocks or obligations of an insurance company, trade association, liquidity facility or any other similar organization, corporation, or association, except as otherwise expressly provided by this Act;”

(c) Paragraphs (9) through (14) of section 107 are redesignated paragraphs (8) through (13).

(d) Paragraph (13), as redesignated, of section 107 is amended by inserting after the first comma the following: “to purchase, sell, pledge, or discount or otherwise receive or dispose of, in whole or in part, any eligible obligations (as defined by the Administrator) of its members and”.

(e) Section 107 is further amended by adding the following new paragraph after paragraph (13):

“(14) to sell all or a part of its assets to another credit union, to purchase all or part of the assets of another credit union and to assume the liabilities of the selling credit union and those of its members subject to regulations of the Administrator;”

SEC. 304. Section 114 of the Federal Credit Union Act (12 U.S.C. 1761c) is amended as follows:

Credit committee.

(1) by adding “and lines of credit” after “loans” in the first sentence;

(2) by striking “No loan shall be made unless it is approved” in the third sentence and inserting in lieu thereof “Except for those loans or lines of credit required to be approved by the board of directors in section 107(5) of this Act, approval of an application shall be” and by adding “and lines of credit” after “the power to approve loans”;

(3) by striking "loan" as it appears after "each" and before "approved" in the fourth sentence, and inserting in lieu thereof "application";

(4) by striking "loans" in the fifth sentence and inserting in lieu thereof "applications";

(5) by striking "for any loan which" in the sixth sentence and inserting in lieu thereof "with respect to any loan or line of credit for which the application";

(6) by adding "and lines of credit" after "loans" in the eighth sentence and by striking "the purpose for which the loan is desired";

(7) by striking the ninth sentence; and

(8) by striking "\$200 or" and "whichever is greater", in the tenth sentence.

Reserves.

SEC. 305. Section 116 of the Federal Credit Union Act (12 U.S.C. 1762) is amended by striking out the first sentence of subsection (a) and inserting in lieu thereof "At the end of each accounting period the gross income shall be determined." and by striking out all after the colon in subsection (a), by striking out subsection (b), and by inserting in lieu thereof the following:

"(1) A credit union in operation for more than four years and having assets of \$500,000 or more shall set aside (A) 10 per centum of gross income until the regular reserve shall equal 4 per centum of the total of outstanding loans and risk assets, then (B) 5 per centum of gross income until the regular reserve shall equal 6 per centum of the total of outstanding loans and risk assets.

"(2) A credit union in operation less than four years or having assets of less than \$500,000 shall set aside (A) 10 per centum of gross income until the regular reserve shall equal 7½ per centum of the total of outstanding loans and risk assets, then (B) 5 per centum of gross income until the regular reserve shall equal 10 per centum of the total of outstanding loans and risk assets.

"(3) Whenever the regular reserve falls below the stated per centum of the total of outstanding loans and risk assets, it shall be replenished by regular contributions in such amounts as may be needed to maintain the stated reserve goals.

Reserve requirement, decrease.

"(b) The Administrator may decrease the reserve requirement set forth in subsection (a) of this section when in his opinion such a decrease is necessary or desirable. The Administrator may also require special reserves to protect the interests of members either by regulation or for an individual credit union in any special case."

SEC. 306. Subsection (b) (3) (B) of section 120 of the Federal Credit Union Act (12 U.S.C. 1766) is amended by striking out "shares" and inserting in lieu thereof "member accounts".

Director, officer, or committee member, removal.

SEC. 307. (a) Subsection (g) (1) of section 206 of the Federal Credit Union Act (12 U.S.C. 1786) is amended by striking out "and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director, officer, or committee member".

(b) Subsection (g) (2) of such section is amended by changing "dishonesty and unfitness" to read "dishonesty or unfitness" each place it appears therein.

Member account.

SEC. 308. Paragraph (4) of section 101 of the Federal Credit Union Act (12 U.S.C. 1752), the second time it appears therein, is amended by inserting immediately before the semicolon at the end thereof the following: "and such terms mean those accounts of nonmember credit unions and nonmember units of Federal, State, or local governments and political subdivisions thereof in which payments are received by a credit union pursuant to section 107(6) of this Act;".

SEC. 309. The third sentence of section 113 of the Federal Credit Union Act (12 U.S.C. 1761b) is amended by striking out "that may be held by an individual" and inserting in lieu thereof "and share certificates and the classes of shares and share certificates that may be held", and by striking out "and the maximum amount which may be loaned with or without security to any member" and inserting in lieu thereof "the security, and the maximum amount which may be loaned or provided in lines of credit".

Board of
directors.

SEC. 310. Section 117 of the Federal Credit Union Act (12 U.S.C. 1763) is amended to read as follows:

"DIVIDENDS

"SEC. 117. At such intervals as the board of directors may authorize, and after provision for required reserves, the board may declare, pursuant to such regulations as may be issued by the Administrator, a dividend to be paid at different rates on different types of shares and at different rates and maturity dates in the case of share certificates. Dividend credit may be accrued on various types of shares and share certificates as authorized by the board of directors."

Approved April 19, 1977.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 95-23 (Comm. on Banking, Finance and Urban Affairs) and No. 95-160 (Comm. of Conference).

SENATE REPORT No. 95-33 accompanying S. 756 (Comm. on Banking, Housing, and Urban Affairs).

CONGRESSIONAL RECORD, Vol. 123 (1977):

Mar. 1, considered and passed House; considered and passed Senate, amended, in lieu of S. 756.

Apr. 4, Senate agreed to conference report.

Apr. 5, House agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 13, No. 17:

Apr. 19, Presidential statement.