

Summary of CURIA's Economic Growth Provisions

The second title of H.R. 1537, the Credit Union Regulatory Improvements Act of 2007 (CURIA), would advance credit union efforts to promote economic growth in two ways. First, the title would make modifications to limits imposed on credit union business lending activities. Second, it affords many underserved Americans the opportunity to obtain financial services they would not otherwise have access to, via a federal credit union

Member Business Lending

CURIA would make changes to the current limits on credit union business lending activities put in place in 1998 as part of the *Credit Union Membership Access Act (CUMAA)*. When Congress initially imposed these limits, it realized that such action was arbitrary. As a result, it instructed the Treasury Department to conduct a thorough study of credit union member business lending.

Released in January 2001, the Treasury study concluded that member business lending "is a niche market for credit unions. Overall, credit unions are not a threat to the viability and profitability of other insured depository institutions." The report also found that 45 percent of the business loans made by credit unions went to households with incomes under \$50,000.

A recent study by the Federal Reserve Bank of Atlanta also identified a real need for more small business lending. This report found that as financial institutions increased their size through mergers, they did less small business lending. Easing credit union member business lending restrictions would therefore help to fill this vacuum.

CURIA would alter credit union member business lending activities in four main ways. First, it would replace the 12.25 percent of assets cap on credit union member business lending with a more practical level of 20 percent of total assets. This update facilitates member business lending without jeopardizing safety and soundness at participating credit unions. The new cap would still be equal to or stricter than business lending caps imposed on other depository institutions and, as the 2001 Treasury report found, "... the credit risk associated with member business loans may be less than that for most bank and thrift commercial loans."

Second, CURIA would allow the National Credit Union Administration (NCUA) to exclude loans under \$100,000 from the calculation of the business lending cap. This number provides a necessary update to the \$50,000 small loan exemption that was included in 1998 and has not been adjusted since for inflation. Third, it would exempt loans or loan participations by federal credit unions to non-profit religious organizations from the member business loan limits. These two changes would facilitate the ability of credit unions to make very small business loans and support non-profit community development efforts.

Fourth, CURIA would modify the statutory language that currently prohibits a credit union from making any new member business loans if its net worth falls below six percent. This change would permit NCUA to determine if such a policy is appropriate and to oversee all member business loans granted by an undercapitalized institution.

Service to Underserved Areas

In order to enhance the ability of credit unions to assist underserved communities with their economic revitalization efforts, CURIA would make three important changes in current

law. First, it would revise a provision of the 1998 Credit Union Membership Access Act that has been incorrectly interpreted as expressing Congressional intent that only multiple group credit unions are eligible to expand credit union services to areas with high unemployment and below median income that have traditionally been underserved by other traditional depository institutions. In response to pending litigation, NCUA revised its long-standing rules on underserved areas in June 2006 to restrict future service to underserved areas only to credit unions with multiple-group charters, effectively prohibiting 56% of all Federal credit unions with single-group and community charters from adding any new, or any additional underserved areas to their fields of membership.

CURIA would provide 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.

Second, it would allow a credit union to lease space in a building, or on property in an underserved area in which it maintains an office, branch or other physical presence, to other parties, including commercial businesses, on a more permanent basis. The provision is intended to allow a credit union branch or facility to become a focus point and catalyst for broader commercial and economic development in the area.

Third, CURIA would expand the criteria for determining whether a community or rural area qualifies as an underserved area. The bill's definition of a qualified underserved area includes not only areas currently eligible as "investment areas" under the Treasury Department's Community Development Financial Institutions (CDFI) program, but also census tracts qualifying as "low income areas" under the New Markets Tax Credit targeting formula adopted by Congress in 2000.