

Summary on the Credit Union Regulatory Improvements Act of 2007

The Credit Union Regulatory Improvements Act of 2007 (H.R.1537) consists of three titles that (1) modernize credit union capital and net worth standards, (2) advance credit union efforts to promote economic growth, and (3) make needed modifications to credit union activities, governance, and oversight. The bill is often referred to by its acronym – **CURIA**.

Capital Modernization

The first title of CURIA would update current capital requirements for credit unions. The title incorporates the net worth and Prompt Corrective Action (PCA) reform proposals of the National Credit Union Administration (NCUA), the federal regulator responsible for the safety and soundness of the credit union system. In an April 2005 report, NCUA determined that the PCA system created by Congress in the 1998 Credit Union Membership Access Act was too inflexible and that a more fully risk-based system would both foster healthy capitalization levels and encourage more effective capital management.

CURIA would replace the current “one-size-fits-all” leverage capital requirement for credit unions with a more rigorous two-part net worth structure that would more closely monitor actual asset risk. The revised credit union capital/PCA structure would incorporate the relevant international risk-based standards for BASEL I and IA financial institutions and closely resemble the current risk-based capital standards for FDIC-insured banks and thrift institutions.

Economic Growth

The second title of CURIA would help America’s credit unions promote local economic growth by providing for modest expansion in credit union business lending. The title would increase the 12.25% of assets limit on credit union business lending put in place by Congress in 1998. A 2001 Treasury study found that credit union business loans are “generally smaller and fully collateralized” and tend to more closely resemble consumer loans rather than traditional business loans. The study concluded that business lending “is a niche market” for credit unions that presents no threat “to the viability or profitability on business lending by other insured depository institutions.” In response, CURIA would replace the arbitrary 12.25% business lending cap with a higher 20% of total assets limit, which is comparable to the current limit on non-real estate commercial lending for thrift institutions.

The title also includes three provisions to permit credit unions to extend services to areas with high unemployment and below median incomes that are generally underserved by other depository institutions. It would reverse a recent NCUA rule change to restore the ability of all credit unions to expand their membership to designated underserved areas. It would permit a credit union with offices in an underserved area to lease excess space to other commercial businesses. It would also expand the criteria for determining eligible underserved areas.

Regulatory Modernization

The final title of CURIA would provide credit unions with limited relief from certain specific outdated regulatory burdens and make other necessary changes to the credit union regulatory system. Among other things, CURIA would provide NCUA with increased flexibility in setting maximum loan terms and interest rates, increase credit union investments in credit union service organizations, allow limited investments in securities, improve credit union governance, and increase credit union conversion voting requirements.