

leasing, financing, et cetera. This bill preserves the integrity of the credit union concept.

Mr. VENTO. Mr. Speaker, will the gentleman yield to me?

Mr. LAFALCE. I yield to the gentleman from Minnesota.

Mr. VENTO. Mr. Speaker, I appreciate the gentleman yielding. I came from a credit union family. My father ran a credit union. But, nevertheless, I understand their role in terms of they fill a very special place.

I was glad the gentleman mentioned the financial modernization. I want to recognize the leadership, first of all, for pulling the rule off the floor and preventing any polarization with regard to that important issue. Many of us have worked on it for a decade. As I said to my chairman and chairwoman, its demise, its death is greatly exaggerated. I think after Easter, those of us that claim a Christian affiliation do believe in resurrection, and we hope that we can vote on it.

I am pleased that the leadership saw fit to give us the opportunity to vote on this important bill today, and want to publicly and on the floor thank the leadership for that and for the gentleman from Iowa (Mr. LEACH) and others that have gone ahead with this.

I think it is important that Members be able to record a vote in favor of this. And I thank the gentleman from New York (Mr. LAFALCE), the ranking member and my friend, for yielding.

Mr. LAFALCE. Mr. Speaker, I see that the gentleman from New York (Mr. SOLOMON), the distinguished chairman of the House Committee on Rules, has returned to the floor on this important bill. And I look forward to working with the chairman on financial modernization.

Mr. Speaker, I yield back the balance of my time.

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, first, let me thank my two good friends for their thoughtful words. As chairman of the Committee on Banking and Financial Services, I support a strong and competitive financial service sector. We need solid and viable banks, solid and viable saving and loans, insurance companies, mutual funds, securities firms, and credit unions.

What is best for the American people is competition, choice. This bill ensures a stable future for a solid industry, one that deserves our respect because it has served the public so well.

In huge letters in the basement of a credit union in Iowa City, Iowa is a quote from one of my State's heroes, a man named Nile Kinnick. It was 3 years after Nile Kinnick won the Heisman Trophy in the few days before his death in World War II as a pilot that he wrote a letter home in which he said "people must come before profits."

That is what the credit union movement is all about. That is why I believe this House, despite angst from com-

petitors, is obligated to give the benefit of doubt to the credit union movement. I would urge all my colleagues to support this bill.

Mr. KENNEDY of Massachusetts. Mr. Speaker, I would like to take this opportunity to support H.R. 1151, the "Credit Union Membership Access Act."

I have long been a strong supporter of credit unions. Credit unions are an important alternative source of credit in our diverse financial marketplace. Credit unions also represent the concept of voluntary, non-profit membership.

This legislation resolves an ambiguity in credit union membership rights that has been raised by the recent Supreme Court decision. We need to act quickly to resolve this ambiguity.

At the same time, this legislation seeks to address important questions of competitive balance and fairness between credit unions on the one hand and banks and thrifts on the other.

I particularly want to take this opportunity to talk about an important provision in H.R. 1151—the provision setting out credit union community reinvestment obligations. With the enactment of this provision, we will be reaffirming an important principle: a financial institution which enjoys the benefits of federal deposit insurance has an affirmative obligation to meet the credit needs of the entire community or field of membership which it is chartered to serve, including neighborhoods and individuals of low- and moderate-income. With the enactment of H.R. 1151 in its current form, we will be extending this obligation, currently imposed on federally insured banks and thrifts, to federally insured credit unions.

Specifically, H.R. 1151 requires all credit unions nationwide to provide affordable services to all individuals, including "low- and moderate-income individuals", within their field of membership. It further requires all credit unions organized on the basis of community, neighborhood, or rural district to meet the credit and service needs of the entire community which they are chartered to serve.

As with the implementation of the Community Reinvestment Act for banks and thrifts, the bill requires the credit union regulator, the NCUA, to evaluate credit unions in meeting these obligations, and requires the public release of those evaluations. Finally, the bill requires the NCUA to take remedial action against credit unions which fail to meet these obligations.

A community reinvestment requirement for banks and thrifts has been in effect since the passage of the CRA law in 1977. Despite early concerns by the banks, CRA has proven to be a tremendous success. To date, banks have made CRA commitments of \$400 billion in low-income and minority neighborhoods.

So many of the banks which originally opposed CRA now support it, recognizing that low-income lending can be a new source of profits. And, the banking regulators acknowledge that community lending does not negatively affect safety and soundness.

During the course of debate and markup on H.R. 1151, it was debated whether a community reinvestment standard was necessary for credit unions, since by definition they are chartered to serve their members. While it is true that the majority of credit unions ably and responsibly serve low-income and minority members, there was also committee testimony

that some credit unions did not have such a sterling record.

The great benefit of requiring the credit union regulator to evaluate credit unions' record of community reinvestment is that we will no longer have to guess which credit unions are and which are not serving the credit and service needs of their entire field of membership. Credit unions which are meeting those needs will have no problem with this requirement. Those that are not merit the scrutiny that this provision will give.

A community reinvestment standard for credit unions has been in existence for 16 years in Massachusetts. The record there is that such a standard is both necessary and effective. CRA exams for Massachusetts credit unions have demonstrated that there were a number of institutions that did not have a good record. However, over time, with the scrutiny of this process, the community lending record of Massachusetts credit unions has improved. Quite simply, this requirement works.

Now, it is time to extend this requirement nationally to all federally insured credit unions. As we move into conference with the Senate, I urge members to support the community reinvestment provisions in H.R. 1151, and to fight the efforts of the enemies of community reinvestment who may try to strip out or water down these provisions.

I urge adoption of H.R. 1151 in its present form.

Mr. PAUL. Mr. Speaker, since I was the first one in this Congress to step forward and introduce legislation affirming the NCUA's position allowing multiple common bonds for credit unions and signed on as a cosponsor of H.R. 1151 as originally written, I feel that I am in a disagreement among friends. I must oppose this bill because of the new regulations it imposes on credit unions and does nothing to address the legitimate concerns of the banks.

While I strongly support the expansion of the field of membership for credit unions, the new regulations imposed upon them demonstrate a decision to follow the wrong path to "level the playing field" with banks and other financial institutions. A better approach would have been to lead the congress towards less taxes and less regulation. H.R. 1151, The Credit Union Membership Access Act, as amended by the committee, follows a path of more regulations and leads toward higher taxes on credit unions while the Financial Freedom Act, H.R. 1121, which I introduced a year ago, lowers taxes and regulations on banks. While H.R. 1151 does not impose new, direct taxes on credit unions, I fear that that day is just around the corner.

The NCUSIF was the only deposit insurance fund started without any federal seed money and the credit unions never came to Washington for a taxpayer-funded bailout. In fact, allowing multiple common bonds for credit unions enhanced their safety and soundness. This bill will add new "safety and soundness" and CRA-like regulations on credit unions. These regulations will add a burdensome regulatory cost. This cost will be passed on to the consumer in the form of higher fees, higher interest rates and less service. It is the marginal consumer who will lose the most when this bill becomes law.

The estimated, aggregate cost of bank regulation (noninterest expenses) on commercial banks was \$125.9 billion in 1991, according to The Cost of Bank Regulation: A Review of the

Evidence, Board of Governors of the Federal Reserve System (Staff Study 171 by Gregory Elliehausen, April 1998). It reports that studies estimate that this figure amounts to 12 percent to 13 percent of noninterest expenses. These estimates only include a fraction of the "most burdensome" regulations that govern the industry, it adds, "The total cost of all regulations can only be larger."

These regulations, under which the credit unions will now suffer a greater burden with the passage of this bill, impose a disproportionate burden on smaller institutions. These increased, and unfairly imposed, regulations will stifle the possibility of new entrants into the financial sector and contribute to a consolidation and fewer market participants of the industry. As the introduction of new entrants into the market becomes more costly, smaller institutions will face a marginally increased burden and will be more likely to consolidate. "The basic conclusion is similar for all of the studies of economies of scale: Average compliance costs for regulations are substantially greater for banks at low levels of output than for banks at moderate or high levels of output," the Staff Study concludes.

Smaller banks face the highest compliance cost in relation to total assets, equity capital and net income before taxes, reveals Regulatory Burden: The Cost to Community Banks, a study prepared for the Independent Bankers Association of America by Grant Thornton, January 1993. CRA compliance costs for small banks was \$1 billion and 14.4 million employee hours in 1991. For each \$1 million in assets, banks under \$30 million in assets incur almost three times the compliance cost of banks between \$30–65 million in assets. This regulation almost quadruples costs on smaller institutions to almost four times when compared to banks over \$65 million in assets. These findings are consistent for both equity capital and net income measurements, according to the report.

The IBAA study identifies the Community Reinvestment Act as the most burdensome regulation with the estimated cost of complying with CRA exceeding the next most burdensome regulation by approximately \$448 million or 77%. Respondents to the IBAA study rated the CRA as the least beneficial and useful of the thirteen regulatory areas surveyed. In short, this bill takes the most costly and least beneficial and useful regulation on banks and adds a similar, new regulation on credit unions. Reducing the most costly, and least beneficial and useful regulation on the banks would have been a better approach.

In addition to all of the problems associated with the obligations and requirements that the government regulations impose on the productive, private sectors of the economy, the regulations amount to a government credit allocation scheme. As Ludwig von Mises explained well in the Theory of Money and Credit in 1912, governmental credit allocation is a misdirection of credit which leads to malinvestment and contributes to an artificial boom and bust cycle. Nobel laureate Frederick A. Hayek and Murray Rothbard expounded on this idea.

The unintended consequences of the passage of this bill, as written, will be to stifle the formation on new credit unions, consolidate current credit unions into larger ones better able to internalize the cost of the additional regulations, and lower productivity and eco-

nomical growth due to the misallocation of credit. This increased burden must ultimately be passed on to the consumer. The increased costs on credit unions this bill imposes will lead to a reduction of access to credit unions, higher fees and higher rates. These provisions are anti-consumer. The marginal consumers, those who currently can only receive a loan from a credit union without the burden of CRA, are the ones who will suffer under the provision of this bill. I hope that the bill can be improved as the process continues and lead to less regulations and other taxes on banks rather than more regulations and other taxes on credit unions.

Mr. ABERCROMBIE. Mr. Speaker, I rise in support of H.R. 1151, the Credit Union Membership Access Act, and I urge my colleagues to vote in favor of the bill today.

Development of this bill is the product of long and hard work, not only by the House Committee on Banking which has brought the bill to the House floor, but by millions of individual members of credit unions across the country who let Congress know of the importance of the Supreme Court decision on this matter earlier, and of the need to move H.R. 1511 as a result of that decision.

The legislation we are considering today is a compromise that ends a dispute largely between credit unions and the nation's banks. Federal regulators had interpreted federal law to allow multiple common bond memberships, and one result was a rapid increase in credit union membership. The increase in credit union membership came at a time when there was an expansion in the scope and type of services they had traditionally provided members, resulting in competition with commercial banks, thrift institutions and other financial services. Congress is now in the process of redefining the nature of all financial institutions so it is timely that we make a specific decision on the nature and scope of credit unions and the services they provide. And I believe enactment is H.R. 1151 is essential for competition with the new types of financial institutions now becoming a reality with the distinctions ending between banks, insurance firms, securities and commercial businesses. This bill is about making sure consumers have a choice, today and in the future.

With a population of 1.3 million people, Hawaii has more than 550,000 credit union members in 113 affiliated credit unions. Hawaii's traditional cultural values have resulted in one of the strongest credit union movements in America. Many first generation immigrants brought with them a system called *tanomoshi*. Workers and families in sugar cane and pineapple plantations in Hawaii pooled savings from which loans were provided for emergencies or more often for one family to start a business. When the business prospered, the funds would be repaid to the group and it would revolve to another family. In this way, much of the business, middle class in Hawaii developed from its plantation agriculture economy. The reality is that we had credit unions in Hawaii long before the mainland. It was simply called *tanomoshi* instead of credit unions. This is a grass-roots democratic movement built on the foundation of self-help and group identity.

H.R. 1151 allows current credit union members to continue their membership. New membership groups must have less than 3,000 common bond members at the time of joining,

and groups will be within reasonable proximity to the credit union. However, there are circumstances when even these restrictions can be waived. It is important to credit union members as well as to their competitors that depositor insurance provisions be strengthened under the bill. It would also require that "persons of modest means" within each credit union membership field be served.

Mr. Speaker, I believe H.R. 1151 is a solid, reasonable and responsible compromise. We must have a healthy and vigorous credit union movement in the 21st Century to meet the needs of individuals as well as the need of the nation for a diverse, competitive financial industry.

Ms. KILPATRICK. Mr. Speaker, I rise today in strong support of H.R. 1151, the Credit Union Membership Access Act. This bill would overturn the February 25, 1998 decision rendered by the Supreme Court in the National Credit Union Administration v. First National Bank and Trust, a decision that would have severely restricted the ability of credit unions to grow and expand. In essence, the Supreme Court said that the National Credit Union Administration (NCUA) illegally allowed credit unions to expand beyond their original base of membership. His legislation allows credit union members who were added under NCUA's policy to remain with their credit union, and expounds upon the definition of "common bond." This bill is a victory for poor people, for low-income families, for working-class people, and for consumers. I would also like to add that I am greatly pleased that the collective wisdom of the Congress prevailed in deleting this legislation from the larger, sweeping omnibus financial services reauthorization bill yesterday. We can all say, in a truly bi-partisan manner, that we are finally getting to the work that truly matters to American taxpayers throughout our great nation.

Of course, I support the banks in the 15th Congressional District and in our nation. I also support our credit unions, and I have been a member of a credit union for a long, long time. Banks and credit unions have operated side-by-side since the first credit union was founded in Manchester, New Hampshire in 1909. In our nation, we have over 12,000 credit unions serving over 70 million people. Close to 300,000 members of credit unions reside in my Congressional District. Credit unions are nonprofit, cooperative financial institutions owned and run by its members. These democratically controlled organizations provide their members with a safe place to save and borrow at reasonable rates. In order to become a member of a credit union, you must be eligible for membership. This legislation will allow each individual credit union to continue to decide whom it will serve.

A recent article in The Washington Post compared recent fees among several areas banks and one credit union. In practically every instance, the credit union's fee, rates or borrowing terms