

MINUTES OF THE House COMMITTEE ON Commercial and Financial Institutions

The meeting was called to order by Representative Harold P. Dyck at
Chairperson

3:30 ~~xxx~~ p.m. on March 15, 1983 in room 527-S of the Capitol.

All members were present except:

Representatives Holderman and Louis, excused

Committee staff present:

Bill Wolff, Research Department
Bruce Kinzie, Revisor of Statutes' Office
Martha Evans, Committee Secretary

Conferees appearing before the committee:

Jim Turner, Kansas Savings and Loan League
Ernie Mosher, League of Kansas Municipalities
Jim Maag, Kansas Bankers Association
Don Phelps, Consumer Credit Commissioner
Marvin Umholtz, Kansas Credit Union League

Chairman Dyck announced that he had been reminded that Thursday, March 17, was St. Patrick's Day and that some of the members were anxious about our scheduled meeting on that day. Therefore, if there were no objections and time was available, he said hearings on SB 74 and SB 75 would be today instead of Thursday; Marvin Umholtz assured the Chairman that he was prepared to present testimony on these two bills. The Chairman said that we would meet, but briefly, on Thursday for possible action on bills heard this week. He then announced that hearings on SB 55 would begin.

SB 55 - An act relating to savings and loan associations; concerning the powers and duties thereof; amending K.S.A. 17-5303, 17-5401 and 17-5501 and repealing the existing sections and also repealing K.S.A. 17-5815.

Jim Turner of the Kansas Savings and Loan League was first to testify in favor of SB 55, a bill requested by the KS&LL. He said that SB 55 would grant equal authorities to state-chartered savings and loan associations as was granted to federally-chartered savings and loan associations by the Garn-St. Germain Depository Institutions Act of 1982. He said that the state-chartered associations are presently using most of these authorities via a "special order" issued by the State Savings and Loan Commissioner. In addition Mr. Turner said there were some conformity provisions with the Federal Home Loan Bank Board and several technical changes. He then cross-referenced the provisions of SB 55 to an outline submitted in his written testimony researched by Tom Wilder with references of changes to the Garn Act. (Attachment 1)

Ernie Mosher, Secretary to the League of Kansas Municipalities, was the next conferee to testify. He stated that while he thought he supported SB 55 his purpose in appearing before the committee was to offer an amendment allowing NOW accounts as was in HB 2126. He said that this would allow municipalities to better invest their funds. However, he noted that some of the legislators and financial lobbyists had suggested to him that such an amendment might destroy the bill and this was not his purpose; he did not distribute the amendment for this reason. However, he indicated that such an amendment might be forthcoming on the floor of the House.

Jim Maag of the Kansas Bankers Association said that he did not plan to testify but since Mr. Mosher had spoken favoring NOW accounts at S&L branches for investment of local public funds as a possible amendment to SB 55 he felt obligated to speak. He said that just one year ago a major compromise was reached in changing the public funds laws and that the S&L's and banks were both aware of this compromise. He said that making major changes in the investment laws again this year would not be in the best interests of either the local units of government or the citizens of Kansas.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Commercial & Financial Institutions,
room 527-S, Statehouse, at 3:30 ~~am~~/p.m. on March 15, 1983.

SB 226 - An act relating to investment companies; amending K.S.A. 1982 Supp 16-601 and 16-608 and repealing the existing sections.

Donald Phelps, Consumer Credit Commissioner and sponsor of the bill appeared before the committee supporting SB 226. Mr. Phelps explained that investments in insured securities of agencies of the federal government would be a sound investment and would make more money. He said that raising the fee schedule from 30 cents to 50 cents charged an investment certificate company on each \$1,000 in outstanding certificates would return department revenues to earlier levels.

SB 74 - An act relating to credit unions; concerning dissolution or liquidation thereof; amending K.S.A. 17-2230 and repealing the existing section.

Marvin Umholtz, representative of the Kansas Credit Union League who requested the bill, appeared to support passage of SB 74. He said the bill will make it clear that the Credit Union Administrator is authorized to appoint a credit union share insurer as receiver of a credit union in liquidation. He said that unless specifically authorized, such a corporate receiver is precluded from appointment by Kansas law. (Attachment 2)

SB 75 - An act relating to credit unions; concerning certain accounts and loans; relating to membership therein; concerning conversion thereof; amending K.S.A. 17-2216, 17-2216a, 17-2219 and 17-2222 and K.S.A. 1982 Supp. 17-2213 and repealing existing sections.

Marvin Umholtz then appeared in support of SB 75 which had also been requested by the KCUL. He explained that this bill adds to the credit union act language similar to certain recent amendments to the Federal Credit Union Act made by the Depository Institutions Act of 1982 and codifies in the Kansas Credit Union Act certain language taken from regulations of the National Credit Union Administration. He noted that SB 75 passed the Senate by a 38-0 vote. (Attachment 3)

The hearings were concluded and the Chairman told the committee that they would meet as scheduled on Thursday and would probably decide what to do with the four bills just heard.

Representative Teagarden moved that the minutes of February 28 and March 1 be approved. Representative Roenbaugh seconded the motion and it passed.

The meeting was adjourned by the Chairman at 4:25 p.m.

The next meeting of the committee will be held at 3:30 p.m. on March 17, 1983.



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JAMES R. TURNER
PRESIDENT

March 15, 1983

TO: HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL
INSTITUTIONS
FROM: JIM TURNER, KANSAS SAVINGS AND LOAN LEAGUE
RE: S.B. 55 - CONFORMITY FOR STATE-CHARTERED ASSOCIATIONS

The Kansas Savings and Loan League appreciates the opportunity to appear before the House Commercial and Financial Institutions Committee in support of S.B. 55 which would grant equal authorities to state-chartered savings and loan associations as was granted to federally-chartered savings and loan associations by the Garn-St. Germain Depository Institutions Act of 1982. State-chartered associations are currently utilizing most of these authorities via a "special order" issued by the State Savings and Loan Commissioner on November 10, 1982.

In addition, we have included conformity provisions with Federal Home Loan Bank Board regulations that are also covered by Commissioner "Special Orders" as well as several technical changes.

For the committee's convenience we have attached an outline prepared by our research director, Tom Wilder, which references the provisions of S.B. 55 to the applicable portions of the Garn act.

Finally, we would appreciate the committee's earliest attention to reporting S.B. 55 favorably for passage.

James R. Turner
President

JRT:bw

REPRESENTING THE SAVINGS AND LOAN BUSINESS OF KANSAS
"MEETING HOUSING NEEDS AND HUMAN NEEDS"

Attachment 1

HSE C&FI COMMITTEE

3/15/83

RE: "CONFORMITY BILL"

The following is an analysis of 1983 S.B. 55 as amended which enacts for state chartered savings associations certain powers and authority granted federal savings and loans by the Garn-St. Germain Depository Institutions Act of 1982 (Garn Act) and by numerous Federal Home Loan Bank (FHLB) regulations.

1. Section 1. Fees for Savings and Demand Accounts - Federal associations were permitted to charge fees on savings accounts by FHLB regulation in 1982. Proposed FHLB regulation (12 CFR 545.1) also allows fees on demand accounts.
2. Section 2.
 - a. Demand Accounts for Corporate Loan Customers - permitted by Section 312 of the Garn Act. Now found in the Home Owner's Loan Act (HOLA) Sec. 5(b)(1).
 - b. Demand Accounts for Effectuating Payments - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - c. Minimum Account Terms of 14 Days - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - d. Accounts Subject to Check - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - e. S&L May be Surety - was permitted for federals prior to Garn Act in Section 5(b)(1) of HOLA.
 - f. S&L May Issue Capital Stock - permitted by Section 312 of the Garn Act. Now found in HOLA Sec. 5(b)(1).
 - g. Public Fund NOW Accounts - permitted for federal and state chartered associations by Section 706 of the Garn Act which amended 12 U.S.C. 1832.
3. Section 3.
 - a. Savings and Transaction Accounts Loans - savings account loans were permitted under existing law. Transaction account loans were authorized by Section 321 of the Garn Act. Now found in HOLA Sec. 5(c)(1). The terms "demand account" and "transaction account" are defined in the state banking code in K.S.A. 9-701.
 - b. Loans to Officers, Directors or Employees - the word "such" was added to line 0144 to clarify the meaning of the existing provision.
 - c. Investments in FSLIC Insured Accounts - permitted by Section 323 of the Garn Act. Now found in HOLA Sec. 5(c)(1).

- d. Investment in State Obligations - the provision added investment in obligations issued by state or political subdivisions to existing authority in the statute. Permitted by Section 324 of the Garn Act. Now found in HOLA Sec. 5(c)(1). The section also limits investments in obligations of one issuer. The new section pertains mainly to various types of revenue bonds.
 - e. Small Business Company Investments - permitted by Section 330 of the Garn Act. Now found in HOLA Sec. 5(c).
 - f. Commercial Loans - increases lending authority from 20% to 40% of assets. The word "first" was deleted on line 1297 to bring the section into conformity with prior federal law. The provision comes from Section 325 of the Garn Act. Now found in HOLA Sec. 5(c)(1).
 - g. Consumer Loans - The investment authority was increased from 20% to 30% of assets. The provisions come from Section 329 of the Garn Act. Now found in HOLA Sec. 5(c)(2).
 - h. Investment in Tangible Personal Property - permitted by Section 330 of the Garn Act. Now found in HOLA Sec. 5(c).
 - i. Commercial and Corporate Loans - permitted by Section 325 of the Garn Act. Now found in HOLA 5(c)(1). The inclusion of service corporation loans in the percentage of assets limits comes from proposed FHLB regulations (12 CFR 545.8).
 - j. Educational Loans - permitted by Section 330 of the Garn Act. Now found in HOLA Sec. 5(c).
 - k. Service Corporation Investment - The statute (K.S.A. 17-5501 (Z)(2) reflects existing language in HOLA Sec. 5(c)(3).) The amendment comes from existing FHLB regulations (12 CFR 545.9-1).
 - l. Futures and Options Transactions - permitted by FHLB regulations (12 CFR 545.29 and 545.29-1). Permitted for state associations by commissioner special order.
 - m. Data Processing - permitted by FHLB regulations (12 CFR 545.15-1). Permitted for state associations by commissioner special order.
 - n. Correspondent Services - permitted by FHLB regulations (12 CFR 545.9-2 and 545.30). Permitted for state associations by commissioner special order.
 - o. Leasing Authority - Consumer leasing permitted by FHLB regulations (12 CFR 545.7-10a) and for state associations by commissioner special order. Other types of leasing authority contained in proposed FHLB regulations (12 CFR 545.10).
4. Section 4. Anti-Tying Provisions - comes from Section 331 of the Garn Act. Now found in Sec. 5 of HOLA.

Testimony of the
KANSAS CREDIT UNION LEAGUE

on
SB 74, AS AMENDED

CU Administrator Authority to Appoint Share Insurer as Receiver

Presented to the
HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS

March 17, 1983

by

Marvin C. Umholtz

Governmental Affairs Director

Mr. Chairman, Members of the Committee:

I am Marvin Umholtz, Governmental Affairs Director for the Kansas Credit Union League (KCUL). Our association represents over 90% of the credit unions in Kansas, both state and federally chartered. Credit unions are member-owned cooperative financial institutions. Kansas credit unions serve over 400,000 members.

I am appearing before the Committee today to ask for this body's support for SB 74, as amended, the receiver appointment authority bill. This measure passed the Senate on February 23, 1983 by a 40 - 0 vote.

The measure essentially does three things:

1. Page 1, lines 0031 - 0032:

Technical change designed to cross reference K.S.A. 17-2209. The generic "officer of the board" replaces "president." Under K.S.A. 17-2209, the chief elected "executive officer" of the board may be titled either "chairperson" or "president."

2. Page 2, starting line 0056 - 0062:

This addition of language is included in order to provide the Administrator of the Kansas State Department of Credit Unions with the necessary authority to appoint the insurers of credit union shares as receivers of a credit union found to be insolvent. The Senate Committee amendments were technical and clarifying in nature.

3. Page 3, line 0098:

The Senate Committee amendment was added to make it clear that the parenthetical numerals in the lines following referred to liquidation payout order.

Lastly, as a precautionary measure, this bill's effective date is "publication in the Kansas Register."

ADDITIONAL INFORMATION:

In Kansas, the shares (savings) of the members of state chartered credit unions are insured to \$100,000 by either the National Credit Union Administration (NCUA) Share Insurance Fund or the State Credit Union Share Insurance Corporation (SCUSIC), a corporation chartered under specific Tennessee law to insure the shares of Tennessee credit unions and those in other states.

The current statutes give the CU Administrator the authority to appoint a receiver. KCUL legal counsel has provided an opinion that any natural person is eligible to act as a receiver or "trustee" but that Kansas law would appear to preclude the CU Administrator from appointing corporations as receiver unless specifically authorized (see K.S.A. 59-1701, 59-1707, 59-1708, 17-2002, 17-2013 and others). This amendment is being offered as a matter of preventative law.

Because of the share insurer's special relationship with each insured credit union, with the Kansas CU regulator, and the fact that share insurers are specialists in dealing with problem situations, they are usually the most qualified receiver available.

NCUA is eligible to be conservator of a federally insured state chartered credit union under the authority of Title I of the Depository Institutions Act of 1982 (DIA). Under this law, the NCUA can even appoint itself as conservator over the objection of the state regulator. (DIA sections 131 and 132 codified in 12 U.S.C. 1786.)

Tennessee law gives SCUSIC the authority to act as receiver of member credit unions. Tennessee Code Annotated (T.C.A.) 45-4-1104.

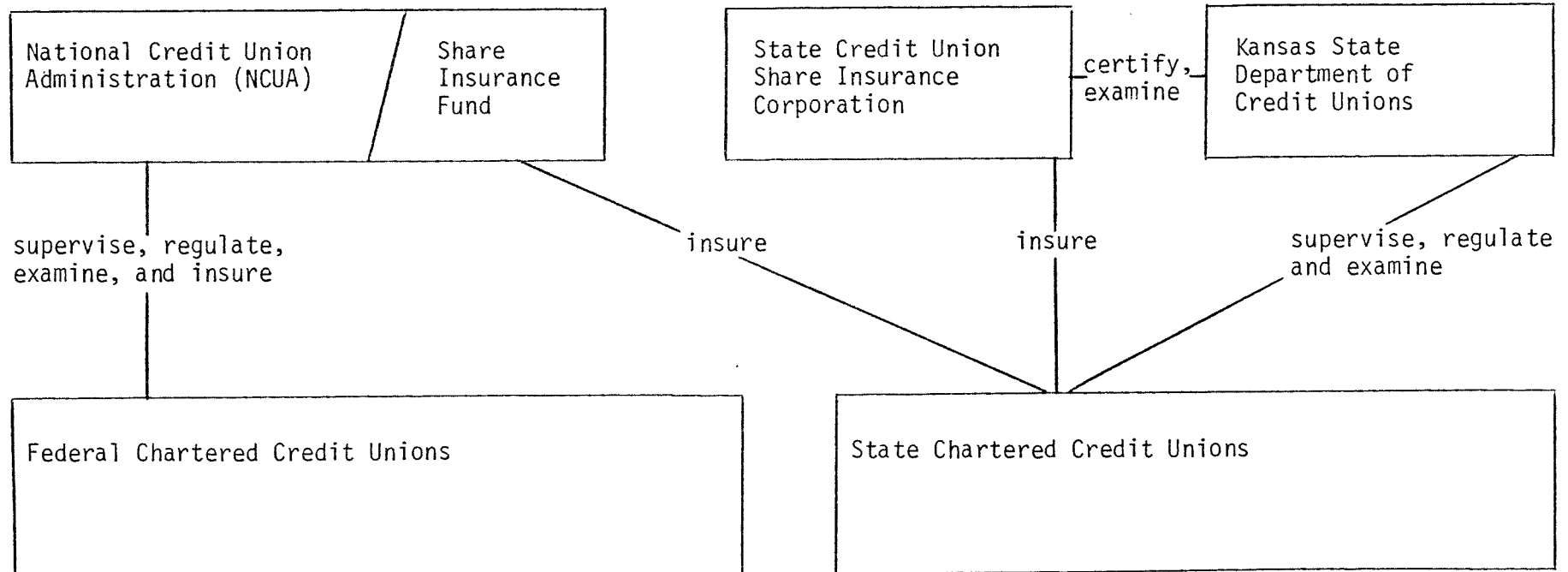
In summary, the only apparent roadblock to having SCUSIC eligible to serve as receiver of an insured credit union is that the Kansas CU Administrator appears to lack the authority to appoint SCUSIC as receiver unless this amendment is made to K.S.A. 17-2230. The passage of SB 74, as amended, will make it clear that the CU Administrator is authorized to appoint a CU share insurer as receiver of a credit union in liquidation.

I have included as attachments:

1. Kansas Credit Union Regulatory and Insurance Structure (partial)
2. State Credit Union Share Insurance Corporation; Year-end 1982 Information.

Thank you for this opportunity to appear before the Committee in support of SB 74, as amended. I stand ready for questions at the direction of the Chairman.

KANSAS CREDIT UNION REGULATORY AND INSURANCE STRUCTURE (Partial)



STATE CREDIT UNION SHARE INSURANCE CORPORATION
(SCUSIC)

Year-end 1982 Information

Assets: \$12.4 million

Insurance in Effect: \$900 million +

Assets to Insured
Risk Ratio: 1.35% or \$1.35 per \$100

Number of Credit
Unions Insured: Tennessee 315
Missouri 49
Kansas 86

Total 450

Greatest Risk
Concentration: 14%

SCUSIC Investments:

Group Distribution (par value)

Group	Amount (000)	% of Total	Average Weighted Yield
U.S. Treasury	\$ 5,550	56.92 %	11.38 %
Government Agency	3,050	31.28 %	12.46 %
Mortgage Backed-			
GNMA	700	7.18 %	11.68 %
FHLMC	450	4.62 %	10.25 %
TOTAL	\$ 9,750	100.00 %	11.69 %

Kansas CU Administra-
tor Authorities:

Certify to insure credit union shares in Kansas (K.S.A. 17-2252)
Suspend or revoke certification (K.S.A. 17-2253)
Approve agents of SCUSIC (K.S.A. 17-2256)
Examine SCUSIC (K.S.A. 17-2257)
Other (K.S.A. 17-2250 et seq.)

Corporate Structure: Statutory Creation (T.C.A. 45-4-1101)

Regulation: Tennessee Banking Commissioner (T.C.A. 45-4-1111)
Commissioner also regulates Tennessee chartered credit unions.

Examinations: At least annually; jointly examined by CU regula-
tors from Tennessee, Missouri and Kansas.

Testimony of the
KANSAS CREDIT UNION LEAGUE

on

SB 75, AS AMENDED

Conforming State Credit Union Statutes
to Certain Federal Laws and Regulations

Presented to the

HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS

by

Marvin C. Umholtz

Governmental Affairs Director

March 17, 1983

Attachment 3

HSE C&FI COMMITTEE

3/15/83

Mr. Chairman, Members of the Committee:

I am Marvin Umholtz, Governmental Affairs Director for the Kansas Credit Union League (KCUL). Our association represents 217 credit unions in Kansas, both state and federally chartered. These credit unions serve over 400,000 members.

I appear before this Committee today to urge a "favorable for passage" recommendation for SB 75, as amended. This measure adds to the credit union act language similar to certain recent amendments to the Federal Credit Union Act made by the Depository Institutions Act of 1982. Additionally the bill codifies in the Kansas Credit Union Act certain language taken from regulations of the National Credit Union Administration (NCUA). SB 75, as amended, was passed by the Senate on February 24, 1983 by a vote of 38 - 0.

Essentially this bill:

1. "boiler plates" CU Individual Retirement Account (IRA) authority in state law;
2. increases officer and employee borrowing limits from \$5,000 to \$10,000 before special board approval procedures are required;
3. allows credit unions to require partial prepayments on mortgage loans to be made on regular payment dates and in specified amounts;
4. allows the making of loans secured by insurance, guarantee, or commitment to purchase the loan by the federal government, state government, or agencies of those governments;
5. clarifies board authority to set member expulsion policies; and
6. reduces charter conversion voting requirements.
7. The Senate Commercial and Financial Institutions Committee amendments: delete unnecessary detail; strike language authorizing a late charge currently regulated by the Uniform Consumer Credit Code; and make other technical and clarifying changes.

Not all of the changes made to the federal act by the DIA are being requested in this bill. In some cases, the Kansas CU Act already provided the practices authorized by the DIA and in others KCUL made a determination that the changes were not necessary for state charters at this time. None of these amendments have been granted under the CU Administrator's federal conformity authority (K.S.A. 17-2244). The DIA did not become law until mid-October, 1982. The housekeeping nature of most of the amendments was determined by KCUL to not require "special order" action prior to Legislative consideration.

A section by section discussion of the bill follows:

SECTION 1.

Amending K.S.A. 1982 Supp. 17-2213.

The new language on page 2, lines 0055 through 0064 is simply a "boiler plating" of the current NCUA regulations governing federal credit unions acting as trustees and custodians of IRA and Keogh pension plans. Prior to the Senate Committee amendments the language in subsection (d) of this section read almost exactly as 12 C.F.R. Sec. 724.1 and 724.2.

In response to a request by KCUL, the Senate C&FI Committee removed the unnecessary language on lines 0064 through 0072. Although the language as stricken by this amendment does appear in the NCUA's regulations (12 C.F.R. Sec. 724.1 and 724.2), this level of detail is not absolutely necessary for inclusion in the Kansas law. The existing U.S. Labor and Treasury Department requirements would still have to be met by the credit union. Removing this language from the bill might preclude a future amendment to this subsection in the event that federal law or regulation changes.

The addition to this section of the remaining language would provide a clear roadmap for state chartered CU's wishing to serve their members as custodians and trustees of IRA's. Credit unions currently offering IRA's are doing so under the authority of the IRS tax code. (26 C.F.R. Sec. 1.401-12(n).)

SECTION 2.

Amending K.S.A. 17-2216.

There are essentially three separate concepts in this section.

1. On page 3, lines 0085 - 0089, the Senate Committee struck out the language which had been added to give state chartered credit unions the authority to establish late charges for delinquent loans if the credit union's bylaws so provided, notwithstanding the limits to such charges imposed by K.S.A. 16a-2-502 of the Uniform Consumer Credit Code (UCCC). The NCUA Board provided this authority to federally chartered credit unions this past year.

KCUL is accepting the Senate Committee amendment which strikes this language in the spirit of encouraging an interim study on this and other elements of the UCCC. KCUL urges this Committee to support a study.

2. The new language starting on line 0096 - 0100 is taken from Sec. 513 of the DIA, now codified as 12 U.S.C. 1757(5)(A)(viii). This language specifies that partial prepayment of a mortgage loan may be credited on the next monthly installment due date.

This change clearly permits credit unions to accept prepayments on mortgages in a manner consistent with the requirements of the secondary mortgage markets' institutional investor, particularly FNMA and FHLMC. Institutional investors typically require a seller-servicer of loans sold to them to credit payments only on the due dates called for in the loan notes. This is necessary to simplify the accounting and computing for

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the vast number of loans handled by those purchasers. Uniformity is also necessitated because the institutional purchasers sell securities backed by the mortgages they purchase on the bond markets where such uniformity is expected.

The language starting on line 0101 is added for clarity. It is a direct "borrowing" of language from the federal law in this area -- 12 U.S.C. 1757(5)(A)(iii). State CU's have been making these types of government insured or guaranteed loans under the general lending authority found in K.S.A. 17-2216 (this section) and their incidental powers authority -- K.S.A. 1982 Supp. 17-2204(12).

3. The final change requested by KCUL to this section was inadvertently left out of the bill in the Revisor's rewrite. The Senate C&FI Committee added the amendment on line 0114 at KCUL's request. The change increases from \$5,000 to \$10,000 the amount of a loan which can be made to a CU employee before special approval procedures are required.

Recent NCUA action allows Federal credit unions to provide preferential conditions and terms for loans to employees. This authority was provided in an effort to give FCU's an additional recruitment incentive for employees. KCUL is not asking for preferential loans to employees, but is instead asking that loans to employees be treated in the same manner as loans to officers.

SECTION 3.

Amending K.S.A. 17-2216a.

The only change to this section is on line 0132, increasing the dollar amount of loans to CU officers from \$5,000 to \$10,000 before special approval procedures are required. This change was made to the FCU Act by section 512 of the DIA, now codified as 12 U.S.C. 1757(5)(A)(iv) and (v).

SECTION 4.

Amending K.S.A. 17-2219.

The change evidenced in subsection (b) lines 0147 - 0160 is a codification in state law of the language of section 525 of the DIA (12 U.S.C. 1764) dealing with the establishment of board policies on member expulsion.

The existing expulsion authority of the 2/3 membership vote and the board exclusion authority found in K.S.A. 17-2209 have rarely been used by Kansas CU's. However, with competition and a bad economy putting the squeeze on credit union earnings, we anticipate more activity in this area. This amendment requires official board policies to govern expulsion.

In the cases where CU members maintain a small account over a prolonged period of time and do not otherwise utilize the credit union's services, the administrative burden and expense to the credit union (and its other members) of maintaining the accounts are unwarranted.

SECTION 5.

Amending K.S.A. 17-2222.

The substantive amendments to this statute are designed to place in the state law similar authority to that granted to FCU's in section 527 of the DIA, now codified as 12 U.S.C. 1771(a)(1).

The change to federal law allows conversion from federal to state charter based on the affirmative vote of the majority of those members choosing to vote on the proposal rather than a majority of all members as was previously required. It also makes it clear that the vote on the charter conversion may be made at a meeting or by mail ballot as allowed by K.S.A. 17-2207.

Our current state law allows conversion from state to federal charter based upon the affirmative vote of 2/3 of those members present and voting at a meeting. The suggested changes put the state act in the same status as the federal.

Thank you for this opportunity to appear before the Committee in support of SB 75, as amended. This measure is a part of an on-going program of maintaining the quality of statutes affecting state chartered credit unions. I stand ready to address Committee Members' questions at the direction of the Chairman.

Attachment:

1. Highlights of the Depository Institutions Act of 1982; Impact on Credit Unions.

Highlights of the
DEPOSITORY INSTITUTIONS ACT OF 1982

ATTACHMENT I

Effective: October 15, 1982
IMPACT ON CREDIT UNIONS

The Depository Institution Amendments of 1982 (H.R. 6267) is an omnibus financial institutions bill which was passed by the Senate on September 24, 1982, and by the House on October 1, 1982. The President signed the bill Friday, October 15, 1982.

IMPACT: Substantially revises the Federal Credit Union Act to give federal credit unions more flexibility in determining their organizational and operational structure (see Title V); authorizes all federally insured credit unions to offer share drafts to federal, state and local governments; exempts the first \$2 million of transaction accounts from monetary reserve requirements; preempts state laws prohibiting the enforcement of due-on-sale clauses and the use of adjustable rate mortgages; and gives NCUA greater flexibility to handle failing and failed federally insured credit unions.

TITLE I - "DEPOSIT INSURANCE FLEXIBILITY ACT"

- ° Authorizes NCUA to permit a purchase and assumption arrangement between a failing federally insured credit union and any federally insured financial institution. This authority exists without any restrictions as to common bond or geographic area.
- ° Permits NCUA to act as conservator of federally insured credit unions to enable NCUA to protect credit union assets, credit union members, and the Share Insurance Fund.

TITLE II - "NET WORTH CERTIFICATE ACT"

- ° Does not apply to credit unions.

TITLE III - "THRIFT INSTITUTIONS RESTRUCTURING ACT"

- ° Preempts states laws which prohibit lenders from enforcing due-on-sale clauses in mortgage loans upon sale of real estate. Applies to all federal and state chartered credit unions.

TITLE IV - "PROVISIONS RELATING TO NATIONAL AND MEMBER BANKS"

- ° Amends the Federal Reserve Act to exempt from monetary reserve requirements the first \$2 million of reservable liabilities of all depository institutions. This will provide complete exemption for the great majority of credit unions, and reduce the reserve levels of credit unions with more than \$2 million in share drafts.

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Highlights of the
DEPOSITORY INSTITUTIONS ACT OF 1982

- Authorizes NCUA to remove a management official for a violation of the Depository Institution Management Interlocks Act.
- Amends the civil money penalty provision of the Federal Credit Union Act to give NCUA authority to modify any civil penalty which has been imposed or may be imposed in connection with cease and desist orders.

TITLE V - "AMENDMENTS TO THE FEDERAL CREDIT UNION ACT" (This Title contains 33 sections.)

- Allows federal credit union boards to establish the par value of shares.
- NCUA may permit federal credit unions to offer mortgage loans with maturities over 30 years.
- Federal credit unions may refinance first mortgage loans.
- Federal credit unions may offer share drafts for government funds.
- Federal credit unions may receive telephone and other services from federal agencies and may be permitted to reimburse the agency for the costs of the services.
- Requires board of director approval for any loan or aggregate of loans to any director or member of the supervisory or credit committee exceeding \$10,000 (currently \$5,000).
- Clarifies that federal credit unions serving federal employees can receive services such as telephone lines and security alarms free of charge or by reimbursement to the U.S. Treasury. This amendment overturns adverse opinions by the U.S. General Accounting Office holding that federal credit unions could not even reimburse the government for services, but had to install separate telephone lines and security systems.
- Authorizes federal credit unions to make deposits in any federally insured, state chartered bank, rather than just state chartered banks located in the same state in which the credit union does business.
- FCU's may charge fees greater than cost for money transfer services.
- Allows federal credit unions to invest in state and local government obligations.
- Makes the credit committee optional in federal credit unions.
- Allows federal credit unions to determine the titles of officers and management.
- Allows the annual meeting to be held at any time during the year.

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Highlights of the
DEPOSITORY INSTITUTIONS ACT OF 1982

- Gives NCUA flexibility to design separate rules to govern the operations of corporate credit unions.
- Authorizes a board of directors to adopt a policy of terminating the membership of any member based on inactivity in the affairs of the credit union upon an affirmative vote of 2/3 of the members present at a special meeting called for this purpose.
- Allows approval for conversion from a federal to state charter based on the affirmative vote of the majority of those members choosing to vote on the proposal. Presently, a vote of a majority of all members is required.

Title V also impacts:

- Share insurance coverage, premiums and rebates and CLF borrowing authority.
- CLF investment and lending authority, reserve agent status.
- Authorizes study of compensation of CU board members.

TITLE VI - "PROPERTY, CASUALTY, LIFE INSURANCE ACTIVITIES OF BANK HOLDING COMPANIES"

- This title does not directly affect credit unions.

TITLE VII - "MISCELLANEOUS"

- Permits federally insured credit unions to offer share drafts to federal, state and local government units.
- Exempts student loans from the Truth-in-Lending Act and from state disclosure laws.
- Requires NCUA, FDIC, and FSLIC to conduct separate studies on the feasibility of providing optional insurance above the \$100,000 limit, the feasibility of basing premiums on risk, the adequacy of public disclosure of the condition of insured institutions, and the feasibility of combining the three federal insurance agencies. The studies are to be completed and delivered to Congress within 6 months after enactment.

TITLE VIII - "ALTERNATIVE MORTGAGE TRANSACTIONS"

- Permits state-chartered credit unions to offer adjustable rate mortgages in accordance with NCUA regulations.