To streamline the regulation of depository institutions, to safeguard confidential banking and credit union supervisory information, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 1998

Mrs. ROUKEMA (for herself and Mr. VENTO) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To streamline the regulation of depository institutions, to safeguard confidential banking and credit union supervisory information, and for other purposes.

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Depository Institution Regulatory Streamlining Act of 1998”.

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
TITLE I—IMPROVING MONETARY POLICY

Sec. 101. Payment of interest on reserve balances at Federal reserve banks.
Sec. 102. Amendments relating to savings and demand deposit accounts at depository institutions.
Sec. 103. Transfer of Federal reserve surpluses.
Sec. 104. Study of reserve ratios for deposit insurance funds.

TITLE II—IMPROVING DEPOSITORY INSTITUTION MANAGEMENT PRACTICES

Subtitle A—National Banks

Sec. 201. Authority to allow more than 25 directors.
Sec. 202. Loans on or purchases by institutions of their own stock.
Sec. 203. Expedited procedures for certain reorganizations.

Subtitle B—Savings Associations

Sec. 211. Noncontrolling investments by savings association holding companies.
Sec. 212. Streamlining thrift service company investment requirements.
Sec. 213. Repeal of dividend notice requirement.
Sec. 214. Updating of authority for community development investments.

Subtitle C—Other Institutions

Sec. 221. Prohibition on accrual to insiders of economic benefits from credit union conversions.

TITLE III—STREAMLINING FEDERAL BANKING AGENCY REQUIREMENTS AND ELIMINATION OF UNNECESSARY OR OUTDATED REQUIREMENTS

Sec. 301. “Plain English” requirement for Federal banking agency rules.
Sec. 302. Call report simplification.
Sec. 303. Purchased mortgage service rights.
Sec. 304. Judicial review of receivership appointment.
Sec. 305. Elimination of outdated statutory minimum capital requirements.
Sec. 306. Elimination of individual branch capital requirements.
Sec. 307. Amendment to shareholder notice provisions relating to consolidations and mergers.
Sec. 308. Payment of interest in receiverships with surplus funds.
Sec. 309. Repeal of deposit broker notification and recordkeeping requirement.
Sec. 310. Allowances for certain extensions of credit to executive officers.
Sec. 311. Federal Reserve Act lending limits.
Sec. 312. Repeal of Bank Holding Company Act provision limiting savings bank life insurance.

TITLE IV—DISCLOSURE SIMPLIFICATION

Sec. 401. Alternative disclosure for variable rate, open-ended home secured credit.
Sec. 402. Alternative compliance methods for advertising credit terms.

TITLE V—BANK EXAMINATION REPORT PRIVILEGE ACT

Sec. 501. Amendment to the Federal Deposit Insurance Act.
Sec. 502. Amendment to Federal Credit Union Act.

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TITLE VI—TECHNICAL CORRECTIONS

Sec. 601. Technical correction relating to deposit insurance funds.
Sec. 602. Rules for continuation of deposit insurance for member banks converting charters.
Sec. 603. Waiver of citizenship requirement for national bank directors.
Sec. 604. Technical amendment to prohibition on Comptroller interests in national banks.
Sec. 605. Applicability of limitation to prior investments.

TITLE I—IMPROVING MONETARY POLICY

SEC. 101. PAYMENT OF INTEREST ON RESERVE BALANCES AT FEDERAL RESERVE BANKS.

(a) In General.—Section 19(b) of the Federal Reserve Act (12 U.S.C. 461(b)) is amended by adding at the end the following new paragraph:

“(12) Earnings on reserves.—

“(A) In General.—Balances maintained at a Federal reserve bank by or on behalf of a depository institution may receive earnings to be paid by the Federal reserve bank at least once each calendar quarter at a rate or rates not to exceed the general level of short-term interest rates.

“(B) Regulations relating to payments and distribution.—The Board may prescribe regulations concerning—

“(i) the payment of earnings in accordance with this paragraph;
“(ii) the distribution of such earnings to the depository institutions which maintain balances at such banks or on whose behalf such balances are maintained; and

“(iii) the responsibilities of depository institutions, Federal home loan banks, and the National Credit Union Administration Central Liquidity Facility with respect to the crediting and distribution of earnings attributable to balances maintained, in accordance with subsection (c)(1)(B), in a Federal reserve bank by any such entity on behalf of depository institutions which are not member banks.”.

(b) Authorization for Pass Through Reserves for Member Banks.—Section 19(e)(1)(B) of the Federal Reserve Act (12 U.S.C. 461(e)(1)(B)) is amended by striking “which is not a member bank”.

(c) Technical and Conforming Amendments.—Section 19 of the Federal Reserve Act (12 U.S.C. 461) is amended—

(1) in subsection (b)(4) (12 U.S.C. 461(b)(4)), by striking subparagraph (C) and redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively; and
(2) in subsection (c)(1)(A) (12 U.S.C. 461(e)(1)(A)), by striking “subsection (b)(4)(C)” and inserting “subsection (b)”.

SEC. 102. AMENDMENTS RELATING TO SAVINGS AND DEMAND DEPOSIT ACCOUNTS AT DEPOSITORY INSTITUTIONS.

(a) IMMEDIATE INCREASE IN THE NUMBER OF INTERACCOUNT TRANSFERS ALLOWED EACH MONTH.—Section 2 of Public Law 93–100 (12 U.S.C. 1832) is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively; and

(2) by inserting after subsection (a) the following:

“(b) INTERACCOUNT TRANSFERS.—

“(1) IN GENERAL.—Notwithstanding any other provision of law, any depository institution may permit the owner of any deposit or account on which interest or dividends are paid to make up to 24 transfers per month, for any purpose, to another account of the owner in the same institution.

“(2) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to prevent an account offered pursuant to this subsection from being considered a transaction account (as defined in see-
tion 19(b) of the Federal Reserve Act (12 U.S.C. 461(b)) for purposes of such Act.”.

(b) NOW ACCOUNTS AUTHORIZED FOR ALL BUSINESSES AFTER 2001.—

(1) IN GENERAL.—Effective on the date provided in paragraph (3), section 2 of Public Law 93–100 (12 U.S.C. 1832(a)(2)) (as amended by subsection (a) of this section) is amended to read as follows:

“SEC. 2. WITHDRAWALS BY NEGOTIABLE OR TRANSFERABLE INSTRUMENTS FOR TRANSFERS TO THIRD PARTIES.

“Notwithstanding any other provision of law, any depository institution (as defined in section 3 of the Federal Deposit Insurance Act) may permit the owner of any deposit or account to make withdrawals from such deposit or account by negotiable or transferable instruments for the purpose of making payments to third parties.”.

(2) REPEAL OF PROHIBITION ON PAYMENT OF INTEREST ON DEMAND DEPOSITS.—

(A) FEDERAL RESERVE ACT.—Section 19 of the Federal Reserve Act (12 U.S.C. 371a) is amended by striking subsection (i).

(B) HOME OWNERS’ LOAN ACT.—The 1st sentence of section 5(b)(1)(B) of the Home
Owners’ Loan Act (12 U.S.C. 1464(b)(1)(B)) is amended by striking “savings association may not—” and all that follows through “(ii) permit any” and inserting “savings association may not permit any”.

(C) FEDERAL DEPOSIT INSURANCE ACT.—Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by striking subsection (g).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 2001.

SEC. 103. TRANSFER OF FEDERAL RESERVE SURPLUSES.

(a) PAYMENTS FROM DIVIDENDS AND SURPLUS OF FEDERAL RESERVE BANKS.—Section 7(a)(3) of the Federal Reserve Act (12 U.S.C. 289(3)) is amended by striking “fiscal years 1997 and 1998” and inserting “fiscal years 1998 through 2003”.

(b) ADDITIONAL TRANSFERS FOR FISCAL YEARS 1999 THROUGH 2003.—

(1) IN GENERAL.—In addition to the amounts required to be transferred from the surplus funds of the Federal reserve banks pursuant to section 7(a)(3) of the Federal Reserve Act and section 3002(b) of the Omnibus Budget Reconciliation Act
of 1993, the Federal reserve banks shall transfer from such surplus funds to the Board of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury, such sums as are necessary to equal the net cost of section 101, as estimated by the Office of Management and Budget.

(2) Allocation by Fed.—Of the total amount required to be paid by the Federal reserve banks under paragraph (1) for fiscal years 1999 through 2003, the Board of Governors of the Federal Reserve System shall determine the amount each such bank shall pay in such fiscal year.

(3) Replenishment of Surplus Fund Prohibited.—No Federal reserve bank may replenish such bank’s surplus fund by the amount of any transfer by such bank under paragraph (1) during the fiscal year for which such transfer is made.

SEC. 104. STUDY OF RESERVE RATIOS FOR DEPOSIT INSURANCE FUNDS.
(a) Review and Recommendation.—The Board of Directors of the Federal Deposit Insurance Corporation, in consultation with the Board of Governors of the Federal Reserve System and the Secretary of the Treasury, shall—
(1) conduct a study of the adequacy of the de-
posit insurance funds, taking into account—

(A) expected operating expenses, case reso-
lution expenditures and income, and the effect
of assessments on members’ earnings and cap-
ital;

(B) historical failure rates and loss experi-
ence;

(C) recent changes in the law, including
statutory changes requiring prompt corrective
action, least-cost resolutions, and risk-based as-
essment systems;

(D) the income of such funds from invest-
ments;

(E) the potential implication of the Year
2000 computer problem (as defined in section
2(b)(5) of the Examination Parity and Year
2000 Readiness for Financial Institutions Act)
and industry consolidation; and

(F) the historical experience of the Cor-
poration in providing rebates or credits from
any deposit insurance fund; and

(2) recommend to the Congress—

(A) an appropriate range of reserve ratios
between the net worth of any deposit insurance
fund and the aggregate amount of insured de-

posits insured by such fund; and

(B) an appropriate mechanism for rebating

or providing credit from any deposit insurance

fund when the balance of the fund exceeds any

applicable reserve ratio.

(b) REPORT REQUIRED.—The Board of Directors of

the Federal Deposit Insurance Corporation, in consulta-
tion with the Board of Governors of the Federal Reserve

System and the Secretary of the Treasury, shall submit

a report to the Congress before June 30, 1999, contain-
ing—

(1) the findings and conclusions of the study re-
quired under subsection (a)(1); and

(2) the recommendations required under sub-
section (a)(2).

TITLE II—IMPROVING DEPOSITIVE INSTITUTION MANAGEMENT PRACTICES

Subtitle A—National Banks

SEC. 201. AUTHORITY TO ALLOW MORE THAN 25 DIRECTORS.

Section 31 of the Banking Act of 1933 (12 U.S.C.

71a) is amended in the first sentence, by inserting before

the period “, except that the Comptroller of the Currency
may, by regulation or order, exempt a national banking
association from the 25-member limit established by this
section”.

SEC. 202. LOANS ON OR PURCHASES BY INSTITUTIONS OF
THEIR OWN STOCK.

(a) Amendment to Revised Statutes.—Section 5201 of the Revised Statutes of the United States (12 U.S.C. 83) is amended to read as follows:

“SEC. 5201. LOANS BY BANK ON ITS OWN STOCK.

“(a) General Prohibition.—No national banking association shall make any loan or discount on the security of the shares of its own capital stock.

“(b) Exclusion.—For purposes of this section, an association shall not be deemed to be making a loan or discount on the security of the shares of its own capital stock if it acquires the stock to prevent loss upon a debt contracted for in good faith.”

(b) Amendment to Federal Deposit Insurance Act.—Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by adding at the end the following new subsection:

“(t) LOANS BY INSURED INSTITUTIONS ON THEIR OWN STOCK.—
“(1) General prohibition.—No insured de-
pository institution shall make any loan or discount
on the security of the shares of its own capital stock.
“(2) Exclusion.—For purposes of this sub-
section, an insured depository institution shall not be
deemed to be making a loan or discount on the secu-
ritv of the shares of its own capital stock if it ac-
quires the stock to prevent loss upon a debt con-
tacted for in good faith.”.

SEC. 203. EXPEDITED PROCEDURES FOR CERTAIN REORGA-
NIZATIONS.

The National Bank Consolidation and Merger Act
(12 U.S.C. 215 et seq.) is amended—
(1) by redesignating section 5 as section 7; and
(2) by inserting after section 4 the following
new section:

“SEC. 5. EXPEDITED PROCEDURES FOR CERTAIN REORGA-
NIZATIONS.

“(a) In General.—A national bank may, with the
approval of the Comptroller, pursuant to regulations pre-
scribed by the Comptroller, and upon the affirmative vote
of the shareholders of such bank owning at least two-
thirds of the outstanding capital stock of such bank, reor-
ganize so as to become a subsidiary of a bank holding com-
pany or a company that will, upon consummation of such reorganization, become a bank holding company.

“(b) REORGANIZATION PLAN.—A reorganization authorized under subsection (a) shall be carried out in accordance with a reorganization plan that—

“(1) specifies the manner in which the reorganization shall be carried out;

“(2) is approved by a majority of the entire board of directors of the bank;

“(3) specifies—

“(A) the amount of cash or securities of the bank holding company, or both, or other consideration, to be paid to the shareholders of the reorganizing bank in exchange for their shares of stock of the bank;

“(B) the date as of which the rights of each shareholder to participate in such exchange will be determined; and

“(C) the manner in which the exchange will be carried out; and

“(4) is submitted to the shareholders of the reorganizing bank at a meeting to be held on the call of the directors in accordance with the procedures prescribed in connection with a merger of a national bank under section 3.
“(c) Applicability of Other Criteria.—In considering a reorganization plan under this section, the Comptroller shall—

“(1) require the national bank to provide notice to the public in accordance with section 18(c)(3) of the Federal Deposit Insurance Act; and

“(2) apply the same standards and the same criteria as are applicable to a transaction under section 18(c) of the Federal Deposit Insurance Act, other than the requirements of paragraphs (4) and (6) of such section.

“(d) Rights of Dissenting Shareholders.—If, pursuant to this section, a reorganization plan has been approved by the shareholders and the Comptroller, any shareholder of the national bank who has voted against the reorganization at the meeting referred to in subsection (b)(4), or has given notice in writing at or before that meeting to the presiding officer that the shareholder dissents from the reorganization plan, shall be entitled to receive the value of the shares of the shareholder, as provided by section 3 for the merger of a national bank.

“(e) Effect of Reorganization.—The corporate existence of a national bank that reorganizes in accordance with this section shall not be deemed to have been affected in any way by reason of such reorganization.
“(f) Approval under the Bank Holding Company Act of 1956.—Notwithstanding the preceding provisions of this section, it shall be unlawful for any action to be taken that causes any company to become a bank holding company or any bank to become a subsidiary of a bank holding company, except with the prior approval of the Board of Governors of the Federal Reserve System pursuant to section 3 of the Bank Holding Company Act of 1956 (12 U.S.C. 1842).”.

Subtitle B—Savings Associations

SEC. 211. NONCONTROLLING INVESTMENTS BY SAVINGS ASSOCIATION HOLDING COMPANIES.

Section 10(e)(1)(A)(iii) of the Home Owners’ Loan Act (12 U.S.C. 1467a(e)(1)(A)(iii) is amended—

(1) by inserting “, except with the prior written approval of the Director,” after “or to retain”;

(2) by striking “subsidiary, or in” and inserting “subsidiary. In”; and

(3) by striking “to so acquire or retain” and inserting “it shall be unlawful, and the Director may not authorize such a company, to acquire or retain”.

SEC. 212. STREAMLINING SAVINGS ASSOCIATION SERVICE COMPANY INVESTMENT REQUIREMENTS.

Section 5(c)(4)(B) of the Home Owners’ Loan Act (12 U.S.C. 1464(c)(4)(B)) is amended—
(1) in the subparagraph heading, by striking “CORPORATIONS” and inserting “COMPANIES”; and

(2) in the first sentence, by striking “corporation organized” and all that follows through “such State.” and inserting “company organized under the laws of any State, if such company’s entire capital stock is available for purchase only by savings associations. For purposes of this subparagraph, the term ‘company’ includes any corporation and any limited liability company (as defined in section 1(b)(7) of the Bank Service Company Act).”.

SEC. 213. REPEAL OF DIVIDEND NOTICE REQUIREMENT.

Section 10(f) of the Home Owners’ Loan Act (12 U.S.C. 1467a(f)) is amended to read as follows:

“(f) [Repealed].”.

SEC. 214. UPDATING OF AUTHORITY FOR COMMUNITY DEVELOPMENT INVESTMENTS.

Section 5(c) of the Home Owners’ Loan Act (12 U.S.C. 1464(c)) is amended—

(1) in paragraph (3), by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively; and

(2) by adding at the end the following new paragraph:
“(7) Community development investments.—

“(A) In general.—Investments in real property and obligations secured by liens on real property for the primary purpose of promoting the public welfare, including the welfare of low- and moderate-income communities or families (including the provision of housing, services, or jobs), are permitted, subject to subparagraph (B).

“(B) Limitations.—The aggregate amount of investments of a savings association under subparagraph (A) shall not exceed the sum of 5 percent of the savings association’s capital stock actually paid in and unimpaired and 5 percent of the savings association’s unimpaired surplus fund, unless the Director determines by order that a higher amount will pose no significant risk to the affected deposit insurance fund, and that the savings association is adequately capitalized, in which case the aggregate amount of such investments shall not exceed an amount equal to the sum of 10 percent of the savings association’s capital stock actually paid in and unimpaired and 10 percent
of the savings association’s unimpaired surplus
fund.”.

Subtitle C—Other Institutions

SEC. 221. PROHIBITION ON ACCRUAL TO INSIDERS OF ECO-

NOMIC BENEFITS FROM CREDIT UNION CON-

VERSIONS.

Section 18 of the Federal Deposit Insurance Act (12
U.S.C. 1828) is amended by adding at the end the follow-
ing new subsection:

“(t) PROHIBITION ON ECONOMIC BENEFIT FROM
CONVERSION FOR CREDIT UNION OFFICERS, DIRECTORS,
AND COMMITTEE MEMBERS.—

“(1) IN GENERAL.—An individual who is or, at
any time during the 5-year period preceding any
conversion described in paragraph (2), was a direc-
tor, committee member, or senior management offi-
cial of an insured credit union described in subpara-
graph (A) or (B) of such paragraph (in connection
with such conversion) may not receive any economic
benefit as a result of the conversion with regard to
the shares or interests of such director, member, or
officer in the former insured credit union or in any
resulting insured depository institution.
“(2) Covered conversions.—The following conversions are described in this paragraph for purposes of paragraph (1):

“(A) The conversion of an insured credit union into an insured depository institution.

“(B) The conversion from the mutual form to the stock form of an insured depository institution which resulted from a prior conversion of an insured credit union into such insured depository institution.

“(3) Definitions.—For purposes of this subsection, the following definitions shall apply:

“(A) Insured credit union.—The term ‘insured credit union’ has the meaning given to such term in section 101(7) of the Federal Credit Union Act.

“(B) Senior management official.—The term ‘senior management official’ means a chief executive officer, an assistant chief executive officer, a chief financial officer, and any other senior executive officer (as defined by the appropriate Federal banking agency pursuant to section 32(f)).’’.
TITLE III—STREAMLINING FEDERAL BANKING AGENCY REQUIREMENTS AND ELIMINATION OF UNNECESSARY OR OUTDATED REQUIREMENTS

SEC. 301. “PLAIN ENGLISH” REQUIREMENT FOR FEDERAL BANKING AGENCY RULES.

(a) IN GENERAL.—Each Federal banking agency shall use plain English in all proposed and final rulemakings published by the agency in the Federal Register after January 1, 1999.

(b) REPORT.—Not later than June 1, 2000, each Federal banking agency shall submit to the Congress a report that describes how the agency has complied with subsection (a).

(c) DEFINITIONS.—For purposes of this section and section 302, the terms “Federal banking agency” and “State bank supervisor” have the meanings given such terms in section 3 of the Federal Deposit Insurance Act.

SEC. 302. CALL REPORT SIMPLIFICATION.

(a) MODERNIZATION OF CALL REPORT FILING AND DISCLOSURE SYSTEM.—In order to reduce the administrative requirements pertaining to bank reports of condition, savings association financial reports, and bank holding company consolidated and parent-only financial state-
ments, and to improve the timeliness of such reports and statements, the Federal banking agencies (after consulting with State bank supervisors) shall—

(1) work jointly to develop a system under which—

(A) insured depository institutions and their affiliates may file such reports and statements electronically; and

(B) the Federal banking agencies may make such reports and statements available to the public electronically; and

(2) not later than July 1, 2000, report to the Congress and make recommendations for legislation that would enhance efficiency for filers and users of such reports and statements.

(b) Uniform Reports and Simplification of Instructions.—The Federal banking agencies (after consulting with State bank supervisors) shall, consistent with the principles of safety and soundness, work jointly—

(1) to adopt a single form for the filing of core information required to be submitted under Federal law to all such agencies in the reports and statements referred to in subsection (a); and

(2) to simplify instructions accompanying such reports and statements and to provide an index to
the instructions that is adequate to meet the needs of both filers and users.

(c) Review of Call Report Schedule.—Each Federal banking agency (after consulting with State bank supervisors) shall—

(1) review the information required by schedules supplementing the core information referred to in subsection (b); and

(2) eliminate requirements that are not warranted for reasons of safety and soundness or other public purposes.

SEC. 303. PURCHASED MORTGAGE SERVICE RIGHTS.

Section 475 of the Federal Depository Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1828 note) is amended—

(1) in subsection (a)(1), by inserting “(or such other percentage exceeding 90 percent but not exceeding 100 percent, as may be determined under subsection (b))” after “90 percent”; and

(2) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively, and by inserting after subsection (a) the following new subsection:

“(b) Authority to Determine Percentage by Which to Discount Value of Servicing Rights.—
“(1) IN GENERAL.—Notwithstanding subsection (a)(1), the appropriate Federal banking agencies may allow readily marketable purchased mortgage servicing rights to be valued at more than 90 percent of their fair market value but at not more than 100 percent of such value, if such agencies jointly make a finding before the end of the 180-day period beginning on the date of the enactment of the Depository Institution Regulatory Streamlining Act of 1998 that such valuation would not have an adverse affect on the deposit insurance funds or the safety and soundness of insured depository institutions.

“(2) JOINT RULEMAKING.—Any regulations prescribed pursuant to paragraph (1) shall be prescribed jointly by the Federal banking agencies.”.

SEC. 304. JUDICIAL REVIEW OF RECEIVERSHIP APPOINTMENTS.

(a) APPOINTMENT FOR NATIONAL BANK.—Section 2 of the National Bank Receivership Act (12 U.S.C. 191) is amended—

(1) by inserting “(a) APPOINTMENT OF RECEIVER.—” before “The Comptroller”; and

(2) by adding at the end the following new subsection:
“(b) JUDICIAL REVIEW.—Within 30 days after the appointment under subsection (a) of a receiver for a national bank, the national bank may bring an action in the United States district court for the judicial district in which the home office of the bank is located, or in the United States District Court for the District of Columbia, for an order requiring the Comptroller to remove the receiver, and the court shall, on the merits, dismiss the action or direct the Comptroller to remove the receiver.”.

(b) APPOINTMENT OF FEDERAL DEPOSIT INSURANCE CORPORATION.—Section 11(c)(7) of the Federal Deposit Insurance Act (12 U.S.C. 1811(c)(7)) is amended to read as follows:

“(7) JUDICIAL REVIEW.—Within 30 days after the Corporation is appointed as conservator or receiver for an insured depository institution under paragraph (4), (9), or (10), the institution may bring an action in the United States district court for the judicial district in which the home office of the institution is located, or in the United States District Court for the District of Columbia, for an order requiring the Corporation to be removed as the conservator or receiver, and the court shall, on the merits, dismiss the action or direct the Corporation to be removed as the conservator or receiver.”.
SEC. 305. ELIMINATION OF OUTDATED STATUTORY MINIMUM CAPITAL REQUIREMENTS.

Section 5138 of the Revised Statutes of the United States (12 U.S.C. 51) is repealed.

SEC. 306. ELIMINATION OF INDIVIDUAL BRANCH CAPITAL REQUIREMENTS.

Section 5155(c) of the Revised Statutes of the United States (12 U.S.C. 36(c)) is amended—

(1) in the second sentence, by striking “, without regard to the capital requirements of this section,”; and

(2) by striking the third sentence.

SEC. 307. AMENDMENT TO SHAREHOLDER NOTICE PROVISIONS RELATING TO CONSOLIDATIONS AND MERGERS.

(a) Section 2(a) of the Act of August 17, 1950, entitled “An Act to provide for the conversion of national banking associations into and their merger or consolidation with State banks, and for other purposes.” (12 U.S.C. 214a(a)) is amended by striking “registered mail or by certified”.

(b) Sections 2(a) and 3(a)(2) of the National Bank Consolidation and Merger Act (12 U.S.C. 215(a) and 215a(a)(2)) are each amended by striking “certified or registered” each place it appears.
SEC. 308. PAYMENT OF INTEREST IN RECEIVERSHIPS WITH SURPLUS FUNDS.

Section 11(d)(10) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(10)) is amended by adding at the end the following new subparagraph:

“(C) RULEMAKING AUTHORITY OF CORPORATION.—The Corporation may prescribe such rules, including definitions of terms, as it deems appropriate to establish the interest rate for or to make payments of postinsolvency interest to creditors holding proven claims against the receivership estates of insured Federal or State depository institutions following satisfaction by the receiver of the principal amount of all creditor claims.”.

SEC. 309. REPEAL OF DEPOSIT BROKER NOTIFICATION AND RECORDKEEPING REQUIREMENT.

Section 29A of the Federal Deposit Insurance Act (12 U.S.C. 1831f–1) is repealed.

SEC. 310. ALLOWANCES FOR CERTAIN EXTENSIONS OF CREDIT TO EXECUTIVE OFFICERS.

Section 22(g) of the Federal Reserve Act (12 U.S.C. 375a) is amended—

(1) by redesignating paragraphs (6) through (10) as paragraphs (8) through (12), respectively;

and
(2) by inserting after paragraph (5) the following new paragraphs:

“(6) A member bank may extend to any executive officer of the bank a home equity line of credit which does not exceed $100,000 and is secured by a first lien on the primary residence of the executive officer, to the extent that the aggregate amount of such lien and all other outstanding extensions of credit secured by liens on such primary residence does not exceed the appraised value of such residence.

“(7) A member bank may extend credit to any executive officer of the bank in an amount not to exceed the greater of—

“(A) the amount which is the lesser of 2.5 percent of the aggregate amount of capital and unimpaired surplus of the bank or $100,000; or

“(B) $25,000,

if, at the time the credit is extended, the extension of credit is secured by readily marketable assets that have a fair market value of not less than twice the amount of credit extended.”.

SEC. 311. FEDERAL RESERVE ACT LENDING LIMITS.

Section 11(m) of the Federal Reserve Act (12 U.S.C. 248(m)) is amended to read as follows:
“(m) [Repealed].”.

SEC. 312. REPEAL OF BANK HOLDING COMPANY ACT PROVISION LIMITING SAVINGS BANK LIFE INSURANCE.

Section 3(f) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(f)) is amended to read as follows:

“(f) [Repealed].”.

TITLE IV—DISCLOSURE SIMPLIFICATION

SEC. 401. ALTERNATIVE DISCLOSURE FOR VARIABLE RATE, OPEN-ENDED HOME SECURED CREDIT.

Section 127A(a)(2)(G) of the Truth in Lending Act (15 U.S.C. 1637a) is amended by inserting “or, at the option of the creditor, a statement that periodic payments may substantially increase or decrease” before the semicolon.

SEC. 402. ALTERNATIVE COMPLIANCE METHODS FOR ADVERTISING CREDIT TERMS.

(a) DOWNPAYMENT AMOUNTS.—Section 144(d) of the Truth in Lending Act (15 U.S.C. 1664(d)) is amended—

(1) by striking “or the number of installments or the period of repayment, then”; and

(2) by inserting “or” before “the dollar”.

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(b) **ALTERNATIVE DISCLOSURES.**—Chapter 3 of the Truth in Lending Act (15 U.S.C. 1661 et seq.) is amended by adding at the end the following new section:

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SEC. 148. ALTERNATIVE DISCLOSURES.

(a) IN GENERAL.—A radio or television advertisement to aid, promote, or assist, directly or indirectly, any extension of consumer credit may satisfy the disclosure requirements in sections 143, 144(d), 147(a), or 147(e), by complying with all of the requirements in subsections (b) and (c) of this section.

(b) INFORMATION TO BE DISCLOSED.—A radio or television advertisement referred to in subsection (a) complies with this subsection if it clearly and conspicuously sets forth, in such form and manner as the Board may require—

(1) the annual percentage rate of any finance charge, and with respect to an open-end credit plan, the simple interest rate or the periodic rate in addition to the annual percentage rate;

(2) whether the interest rate may vary;

(3) if the advertisement states an introductory rate (or states with respect to a variable-rate plan an initial rate that is not based on the index and margin used to make later rate adjustments)—
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“(A) with equal prominence, the annual percentage rate that will be in effect after the introductory or initial rate period expires (or for a variable-rate plan, a reasonably current annual percentage rate that would have been in effect using the index and margin); and

“(B) the period during which the introductory or initial rate will remain in effect;

“(4) the amount of any annual fee for an open-end credit plan;

“(5) a telephone number established in accordance with subsection (c) that may be used by consumers to obtain all of the information otherwise required to be disclosed pursuant to sections 143 and 144(d), and subsections (a) and (e) of section 147; and

“(6) a statement that the consumer may use the telephone number established in accordance with subsection (c) to obtain further details about additional terms and costs associated with the offer of credit.

“(c) REQUIREMENTS FOR TELEPHONE NUMBERS.—

In the case of an advertisement described in subsection (b) that refers to a telephone number—
“(1) the creditor shall establish the telephone number for a broadcast area not later than the date on which the advertisement is first broadcast in that area;

“(2) the required information shall be available by telephone for a broadcast area for a period of not less than 10 days following the date of the final broadcast of the advertisement in that area;

“(3) the creditor shall provide all of the information that is otherwise required pursuant to sections 143 and 144(d), and subsections (a) and (e) of section 147 orally by telephone or, if requested by the consumer, in written form; and

“(4) the consumer shall obtain the required information by telephone without incurring any long-distance charges.”.

**TITLE V—BANK EXAMINATION REPORT PRIVILEGE ACT**

**SEC. 501. AMENDMENT TO THE FEDERAL DEPOSIT INSURANCE ACT.**

The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding at the end the following new section:
“SEC. 45. BANK SUPERVISORY PRIVILEGE.

“(a) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

“(1) DEPOSITORY INSTITUTION.—The term ‘depository institution’ includes—

“(A) any institution which is treated in the same manner as an insured depository institution under paragraph (3), (4), (5), or (9) of section 8(b); and

“(B) any subsidiary or other affiliate of an insured depository institution or an institution described in subparagraph (A).

“(2) SUPERVISORY PROCESS.—The term ‘supervisory process’ means any activity engaged in by a Federal banking agency to carry out the official responsibilities of the agency with regard to the regulation or supervision of depository institutions.

“(3) CONFIDENTIAL SUPERVISORY INFORMATION.—The term ‘confidential supervisory information’ means any of the following information, or any portion of any such information, which is treated as, or considered to be, confidential information by a Federal banking agency, regardless of the medium in which the information is conveyed or stored:

“(A) Any report of examination, inspection, visitation, or investigation, and informa-
tion prepared or collected by a Federal banking
agency in connection with the supervisory proc-
ess, including any computer file, work paper, or
similar document.

“(B) Any correspondence of communica-
tion from a Federal banking agency to a deposi-
tory institution arising from or relating to an
examination, inspection, visitation, or investiga-
tion by a Federal banking agency.

“(C) Any correspondence, communication,
or document, including any compliance and
other reports, created by a depository institu-
tion in response to any request, inquiry, or di-
rective from a Federal banking agency in con-
nection with any examination, inspection, visita-
tion, or investigation and provided to a Federal
banking agency, other than any book or record
in the possession of the depository institution
routinely prepared by the depository institution
and maintained in the ordinary course of busi-
ness or any information required to be made
publicly available by any Federal law or regula-
tion.

“(D) Any record of a Federal banking
agency to the extent it contains information de-
rived from any report, correspondence, commu-
nication or other information described in sub-
paragraph (A), (B), or (C).

“(b) BANK SUPERVISORY PRIVILEGE.—

“(1) PRIVILEGE ESTABLISHED.—

“(A) IN GENERAL.—All confidential supervisory information shall be the property of the
Federal banking agency that created or re-
quested the information and shall be privileged
from disclosure to any other person.

“(B) PROHIBITION ON UNAUTHORIZED
DISCLOSURES.—No person in possession of con-
fidential supervisory information may disclose
such information, in whole or in part, without
the prior authorization of the Federal banking
agency that created or requested the informa-
tion, except for a disclosure made in published
statistical material that does not disclose, either
directly or when used in conjunction with pub-
licly available information, the affairs of any
person.

“(C) AGENCY WAIVER.—The Federal
banking agency may waive, in whole or in part,
in the discretion of the agency, any privilege es-
tablished under this paragraph.
“(2) Exception.—No provision of paragraph (1) shall be construed as preventing access to confidential supervisory information by duly authorized committees of the United States Congress or the Comptroller General of the United States.

“(c) Treatment of State and Foreign Supervisory Information.—In any proceeding before a court of the United States, in which a person seeks to compel production or disclosure by a State bank supervisor, foreign bank regulatory or supervisory authority, Federal banking agency, or other person, of information or a document prepared or collected by a State bank supervisor or foreign bank regulatory or supervisory authority that would, had they been prepared or collected by a Federal banking agency, be confidential supervisory information for purposes of this section, the information or document shall be privileged to the same extent that the information and documents of Federal banking agencies are privileged under this Act.

“(d) Other Privileges Not Waived by Disclosure to Banking Agency.—The submission by a depository institution of any information to a Federal banking agency, a State bank supervisor, or a foreign banking authority for any purpose in the course of the supervisory process of such agency or supervisor shall not be construed
as waiving, destroying, or otherwise affecting any privilege such institution may claim with respect to such information under Federal or State law.

“(e) Discovery and Disclosure of Information.—

“(1) Information Available Only from Banking Agency.—

“(A) In General.—A person seeking discovery or disclosure, in whole or in part, of confidential supervisory information may not seek to obtain such information through subpoena, discovery procedures, or other process from any person, except that such information may be sought in accordance with this section from the Federal banking agency that created or requested the information.

“(B) Requests Submitted to Banking Agency.—Any request for discovery or disclosure of confidential supervisory information shall be made to the Federal banking agency that created or requested the information, which shall determine within a reasonable time period whether to disclose such information pursuant to procedures and criteria established in regulations.
“(2) Exclusive federal court jurisdiction over disputes.—

“(A) In general.—Federal courts shall have exclusive jurisdiction over actions or proceedings in which any party seeks to compel disclosure of confidential supervisory information.

“(B) Judicial review.—Judicial review of the final action of a Federal banking agency with regard to the disposition of a request for confidential supervisory information shall be before a district court of the United States of competent jurisdiction, subject to chapter 7 of part I of title 5, United States Code.

“(C) Right to appeal.—Any court order that compels production of confidential supervisory information may be immediately appealed by the Federal banking agency and the order compelling production shall be automatically stayed, pending the outcome of such appeal.

“(f) Subpoenas.—

“(1) Authority to intervene.—In the case of any action or proceeding to compel compliance with a subpoena, order, discovery request, or other judicial or administrative process with respect to any
confidential supervisory information relating to any
depository institution, a Federal banking agency and
the depository institution may intervene in such ac-
tion or proceeding for the purpose of—

“(A) enforcing the limitations established
in paragraph (1) of subsections (b) and (c);

“(B) seeking the withdrawal of any com-
pulsory process with respect to such informa-
tion; and

“(C) registering appropriate objections
with respect to the action or proceeding to the
extent the action or proceeding relates to or in-
volves such information.

“(2) RIGHT TO APPEAL.—Any court order that
compels production of confidential supervisory infor-
mation may be immediately appealed by the Federal
banking agency and the order compelling production
shall be automatically stayed, pending the outcome
of such appeal.

“(g) REGULATIONS.—

“(1) AUTHORITY TO PRESCRIBE.—Each Fed-
eral banking agency may prescribe such regulations
as the agency considers to be appropriate, after con-
sultation with the other Federal banking agencies
and the National Credit Union Administration Board, to carry out the purposes of this section.

“(2) Authority to Require Notice.—Any regulations prescribed by a Federal banking agency under paragraph (1) may require any person in possession of confidential supervisory information to notify the Federal banking agency whenever the person is served with a subpoena, order, discovery request, or other judicial or administrative process requiring the personal attendance of such person as a witness or requiring the production of such information in any proceeding.

“(h) Access in Accordance with Regulations and Orders.—Notwithstanding any other provision of this section, the Federal banking agency may, without waiving any privilege, authorize access to confidential supervisory information for any appropriate governmental, law enforcement, or public purpose in accordance with agency regulations or orders.”.

SEC. 502. AMENDMENT TO THE FEDERAL CREDIT UNION ACT.

Title II of the Federal Credit Union Act (12 U.S.C. 1781 et seq.) is amended by adding at the end the following new section:
“SEC. 215. CREDIT UNION SUPERVISORY PRIVILEGE.

“(a) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

“(1) SUPERVISORY PROCESS.—The term ‘supervisory process’ means any activity engaged in by the Administration to carry out the official responsibilities of the Administration with regard to the regulation or supervision of credit unions.

“(2) CONFIDENTIAL SUPERVISORY INFORMATION.—The term ‘confidential supervisory information’ means any of the following information, or any portion of any such information, which is treated as, or considered to be, confidential information by the Administration, regardless of the medium in which the information is conveyed or stored:

“(A) Any report of examination, inspection, visitation, or investigation, and information prepared or collected by the Administration in connection with the supervisory process, including any computer file, work paper, or similar document.

“(B) Any correspondence or communication from the Administration to a credit union arising from or relating to an examination, inspection, visitation, or investigation by the Administration.
“(C) Any correspondence, communication, or document, including any compliance and other reports, created by a credit union in response to any request, inquiry, or directive from the Administration in connection with any examination, inspection, visitation, or investigation and provided to the Administration, other than any book or record in the possession of the credit union routinely prepared by the credit union and maintained in the ordinary course of business or any information required to be made publicly available by any Federal law or regulation.

“(D) Any record of the Administration to the extent it contains information derived from any report, correspondence, communication or other information described in subparagraph (A), (B), or (C).

“(b) Credit Union Supervisory Privilege.—

“(1) Privilege established.—

“(A) In general.—All confidential supervisory information shall be the property of the Administration and shall be privileged from disclosure to any other person.
“(B) Prohibition on unauthorized disclosures.—No person in possession of confidential supervisory information may disclose such information, in whole or in part, without the prior authorization of the Administration, except for a disclosure made in published statistical material that does not disclose, either directly or when used in conjunction with publicly available information, the affairs of any person.

“(C) Agency waivers.—The Board may waive, in whole or in part, in the discretion of the Board, any privilege established under this paragraph.

“(2) Exception.—No provision of paragraph (1) shall be construed as preventing access to confidential supervisory information by duly authorized committees of the United States Congress or the Comptroller General of the United States.

“(c) Other privileges not waived by disclosure to Administration.—The submission by a credit union of any information to the Administration or a State credit union supervisor for any purpose in the course of the supervisory process of the Administration or such supervisor shall not be construed as waiving, destroying, or otherwise affecting any privilege such institution may
claim with respect to such information under Federal or
State law.

“(d) Discovery and Disclosure of Information.—

“(1) Information available only from admin-
istration.—

“(A) In general.—A person seeking dis-
covery or disclosure, in whole or in part, of con-
fidential supervisory information may not seek
to obtain such information through subpoena,
discovery procedures, or other process from any
person, except that such information may be
sought in accordance with this section from the
Administration.

“(B) Request submitted to adminis-
tration.—Any request for discovery or disclo-
sure of confidential supervisory information
shall be made in the Administration, which
shall determine within a reasonable time period
whether to disclose such information pursuant
to procedures and criteria established in regula-
tions.

“(2) Exclusive federal court jurisdic-
tion over disputes.—
“(A) IN GENERAL.—Federal courts shall have exclusive jurisdiction over actions or proceedings in which any party seeks to compel disclosure of confidential supervisory information.

“(B) JUDICIAL REVIEW.—Judicial review of the final action of the Administration with regard to the disposition of a request for confidential supervisory information shall be before a district court of the United States of competent jurisdiction, subject to chapter 7 of part I of title 5, United States Code.

“(C) RIGHT TO APPEAL.—Any court order that compels production of confidential supervisory information may be immediately appealed by the Administration and the order compelling production shall be automatically stayed, pending the outcome of such appeal.

“(e) SUBPOENAS.—

“(1) AUTHORITY TO INTERVENE.—In the case of any action or proceeding to compel compliance with a subpoena, order, discover request, or other judicial or administrative process with respect to any confidential supervisory information relating to any credit union, the Administration and the credit
union may intervene in such action or proceeding for
the purpose of—

“(A) enforcing the limitations established
in paragraph (1) of subsections (b) and (d);

“(B) seeking the withdrawal of any com-
pulsory process with respect to such informa-
tion; and

“(C) registering appropriate objections
with respect to the action or proceeding to the
extent the action or proceeding relates to or in-
volves such information.

“(2) Right to appeal.—Any court order that
compels production of confidential supervisory infor-
mation may be immediately appealed by the Admin-
istration and the order compelling production shall
be automatically stayed, pending the outcome of
such appeal.

“(f) Regulations.—

“(1) Authority to prescribe.—The Board
may prescribe such regulations as the Board consid-
ers to be appropriate, after consultation with the
Federal banking agencies (as defined in section 3 of
the Federal Deposit Insurance Act), to carry out the
purposes of this section.
“(2) Authority to require notice.—Any regulations prescribed by the Administration under paragraph (1) may require any person in possession of confidential supervisory information to notify the Administration whenever the person is served with a subpoena, order, discovery request, or other judicial or administrative process requiring the personal attendance of such person as a witness or requiring the production of such information in any proceeding.

“(g) Access in accordance with regulations and orders.—Notwithstanding any other provision of this section, the Administration may, without waiving any privilege, authorize access to confidential supervisory information for any appropriate governmental, law enforcement, or public purpose in accordance with agency regulations or orders.”.

TITLE VI—TECHNICAL CORRECTIONS

SEC. 601. TECHNICAL CORRECTION RELATING TO DEPOSIT INSURANCE FUNDS.

(a) In General.—Section 2707 of the Deposit Insurance Funds Act of 1996 (12 U.S.C. 1821 note; Public Law 104–208; 110 Stat. 3009–496) is amended by striking “7(b)(2)(C)” and inserting “7(b)(2)(E)”.

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(b) **Effective Date.**—The amendment made by subsection (a) shall be deemed to have the same effective date as section 2707 of the Deposit Insurance Funds Act of 1996.

SEC. 602. **RULES FOR CONTINUATION OF DEPOSIT INSURANCE FOR MEMBER BANKS CONVERTING CHARTERS.**

Section 8(o) of the Federal Deposit Insurance Act (12 U.S.C. 1818(o)) is amended in the second sentence, by striking “subsection (d) of section 4” and inserting “subsection (c) or (d) of section 4”.

SEC. 603. **WAIVER OF CITIZENSHIP REQUIREMENT FOR NATIONAL BANK DIRECTORS.**

Section 5146 of the Revised Statutes of the United States (12 U.S.C. 72) is amended in the 1st sentence, by inserting before the period “, and waive the requirement of citizenship in the case of not more than a minority of the total number of directors of a national bank which is an affiliate (as defined in section 3(w)(6) of the Federal Deposit Insurance Act) of a foreign bank”.

SEC. 604. **TECHNICAL AMENDMENT TO PROHIBITION ON COMPTROLLER INTERESTS IN NATIONAL BANKS.**

Section 329 of the Revised Statutes of the United States (12 U.S.C. 11) is amended by striking “to be inter-
section 18(s) of the Federal Deposit Insurance Act (12 U.S.C. 1828(s)) is amended by adding at the end the following new paragraph:

“(5) Certain Investments.—Paragraph (1) shall not apply to investments lawfully made before April 11, 1996, by a depository institution in a Government-sponsored enterprise.”.

(b) Effective Date.—The amendment made by subsection (a) shall apply as if such amendment had been included in the amendment made by section 2615(b) of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 as of the effective date of such section.