STATEMENT OF CHAIRMAN SPENCER BACHUS
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
HEARING ON "CREDIT UNION REGULATORY IMPROVEMENTS"
July 20, 2004

The Subcommittee will come to order. I want to start by thanking the witnesses for being here today to discuss regulatory improvements to the credit union system. We extend a special welcome to National Credit Union Administration Chairman JoAnn Johnson, who is making her first appearance before this Subcommittee since taking over the leadership of the NCUA board earlier this year from former Chairman Dennis Dollar.

Credit unions are a vital part of our nation's financial services infrastructure. As nonprofit cooperatives managed by their members, credit unions excel at providing the services families and small businesses need most. I have had many constituents tell me how important their credit union has been in making it possible for them to afford their own home, obtain a loan to start a new business, or even attend college. Not surprisingly, the nation's almost 10,000 credit unions consistently rank high in customer satisfaction surveys, and play a particularly important role in expanding the financial alternatives available in historically underserved urban and rural areas.

Under Chairman Oxley's leadership, this Committee has been at the forefront of efforts to improve the regulatory environment in which credit unions operate, thereby enhancing their ability to meet the needs of their more than 80 million members nationwide. In addition to passing a deposit insurance reform bill out of the House that gives credit unions full parity with their bank and thrift counterparts, the Committee developed bipartisan legislation affording significant regulatory relief to credit unions, banks and thrifts. That bill, H.R. 1375, which was spearheaded by two Members of this Subcommittee, Mrs. Capito of West Virginia and Mr. Ross of Arkansas, passed the House last March with almost 400 votes, thanks in no small part to the enthusiastic support and grass-roots efforts of the credit union industry.

Among other provisions, H.R. 1375 expands credit unions' investment authority; increases the general limit on the maturity of credit union loans from 12 to 15 years; authorizes credit unions to provide check cashing and money transfer services to non-members, so long as they are within the credit union's field of membership; permits privately insured credit unions to join the Federal Home Loan Bank System; and excludes loans made to nonprofit religious organizations from the limits that otherwise apply to credit unions' commercial lending authority. The bill also includes a provision that I first offered as an amendment when the Judiciary Committee marked up the regulatory relief legislation in the 107th Congress, granting to credit unions the same exemptions from pre-merger notification requirements that banks and thrifts already enjoy under Federal antitrust law.

Last November, Congressman Royce and Congressman Kanjorski, two respected Members of the Subcommittee, introduced H.R. 3579, the Credit Union Regulatory Improvements Act, which mirrors in many respects the credit union provisions of H.R. 1375, but also includes several additional regulatory reforms. For example, H.R. 3579 would increase the aggregate level of commercial loans that a credit union could make to its members, from approximately 12 percent of total assets to 20 percent, as well as establish a risk-based approach for measuring credit union capital. While action this year on H.R. 3579 is unlikely – given the limited time remaining on the congressional calendar – today's hearing will allow the Subcommittee to hear the perspectives of credit union regulators and industry representatives on the legislation, and on other proposals for improving credit union regulation.

Today's hearing is also an appropriate "book-end" to a hearing that the Subcommittee held in May focusing on the crippling regulatory burdens faced by America's small community banks. Taken together, these hearings demonstrate this Committee's continuing commitment to identifying and eliminating outdated or unnecessary regulatory requirements, which will serve ultimately to benefit American consumers in the form of more innovative financial products and services offered at more competitive prices.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement that he would like to make.