



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

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July 22, 1988

Office of General Counsel

Mr. Jesse Willard #Reg. No. 85740-132
#935350
MSC/BMU 1-D-6
P.O. Box 520
Walla Walla, WA 99362

Re: Protection of Federal Credit Unions ("FCU's")
Under 18 U.S.C. §2113 (Your June 7, 1988, Letter)

Dear Mr. Willard:

In 1959, 18 U.S.C. §2113(g) was amended so as to include Federal credit unions ("FCU's") in the definition of "savings and loan association." Consequently, from that time forward, it was a Federal offense to rob or otherwise commit an incidental crime against an FCU. Pleased find enclosed S. Rep. No. 814, 59th Cong., 1st Sess., reprinted in 1959 U.S. Code Cong. & Admin. News 2784, 2791, which cites the background and purpose of that amendment.

Section 2113 of Title 18 was further amended in 1970 to broaden the coverage of the act to encompass state-chartered federally-insured credit unions in addition to FCU's. This amendment was reflected in 18 U.S.C. §2113(h).

Sincerely,

TIMOTHY P. MCCOLLUM
Assistant General Counsel

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FOIA Vol. V A

LEGISLATIVE HISTORY

FEDERAL CREDIT UNION ACT

For text of Act see p. 703

Senate Report No. 814, Aug. 25, 1959 [To accompany H.R. 8305]

House Report No. 696, July 21, 1959 [To accompany H.R. 8305]

The Senate Report is set out.

Senate Report No. 814

THE Committee on Banking and Currency to whom was referred the bill (H.R. 8305) to amend the Federal Credit Union Act, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

FEDERAL CREDIT UNIONS

Federal credit unions are cooperative associations organized in accordance with the Federal Credit Union Act "to promote thrift among their members and create a source of credit for provident and productive purposes." Membership is limited to a group of persons having a common bond of association, occupation, or residence. Federal credit unions are chartered, examined, and supervised by the Bureau of Federal Credit Unions. Members' shareholdings are not insured by any agency of the Government.

PURPOSE OF THE BILL

The bill, as amended, rewrites the Federal Credit Union Act of 1934. It incorporates a number of amendments. Some of these are designed only to clarify and modernize existing statute. Others are intended to increase the scope and efficiency of Federal credit union operations.

The substantive changes include the following:

1. An increase in the maximum maturity of loans from 3 to 5 years.
2. An increase in the unsecured loan limit from \$400 to \$750.
3. An authorization for Federal credit unions to cash and sell checks to members for a reasonable fee.
4. A liberalization of borrowing restrictions on Federal credit union officials.
5. Changes in the organizational and administrative provisions to make the operations of the Federal credit unions more efficient. These include—
 - (a) Appointment of supervisory committees by the board of directors. Under existing law these committees are now elected by the members.
 - (b) Appointment of one or more loan officers by the credit committee. The loan officer would be authorized to approve certain loans now requiring approval by the credit committee.
 - (c) Authorization to the board of directors to appoint an executive committee which could buy and sell securities, make loans to other credit unions, or approve applications for membership—functions now carried out by the full board of directors.

FEDERAL CREDIT UNION ACT

(d) Authorization to the board of directors to appoint a membership officer who might approve applications for membership.

6. Inclusion of Federal credit unions within the criminal laws prohibiting bank robbery and incidental crimes.

GENERAL STATEMENT

It was apparent to the committee that the rapid growth of Federal credit unions as shown in tables 1 and 2 had been accompanied by changing credit needs of consumers, changing loan patterns, and numerous complexities in credit union organization and management procedures. The amendments listed above are designed to adapt the credit union to these changes.

TABLE 1.—Selected data on Federal credit union operations, as of Dec. 31, for each year 1935-58¹

Year	Number of operating Federal credit unions	Number of members	Assets	Shares	Loans outstanding
1935.....	772	119,420	\$2,372,100	\$2,228,400	\$1,834,200
1936.....	1,751	309,700	9,158,100	8,510,900	7,343,800
1937.....	2,313	483,920	19,264,700	17,649,700	15,695,300
1938.....	2,760	632,050	29,629,000	26,878,100	23,830,100
1939.....	3,182	850,770	47,810,600	43,326,900	37,673,000
1940.....	3,758	1,127,910	72,530,200	65,905,500	55,818,300
1941.....	4,228	1,408,880	106,052,400	97,208,900	89,484,700
1942.....	4,145	1,358,940	119,591,400	109,822,200	43,052,500
1943.....	3,938	1,311,620	127,329,200	117,339,100	35,376,200
1944.....	3,815	1,306,000	144,365,400	133,677,400	31,438,400
1945.....	3,757	1,216,625	153,103,120	140,613,962	35,155,414
1946.....	3,701	1,302,132	173,166,459	159,718,040	86,800,937
1947.....	3,845	1,445,915	210,375,571	192,410,043	91,372,197
1948.....	4,058	1,629,339	258,411,736	235,008,368	137,642,327
1949.....	4,495	1,819,606	316,302,504	285,000,934	186,218,022
1950.....	4,984	2,126,823	405,534,976	361,924,778	263,735,838
1951.....	5,398	2,463,898	504,714,580	457,402,124	299,755,775
1952.....	5,925	2,953,211	662,408,869	597,374,117	415,062,315
1953.....	6,578	3,255,422	851,232,007	767,571,092	573,973,529
1954.....	7,227	3,598,790	1,033,179,042	931,407,456	681,970,336
1955.....	7,806	4,032,220	1,267,427,045	1,135,164,876	863,042,049
1956.....	8,350	4,502,210	1,529,201,927	1,366,253,073	1,049,188,549
1957.....	8,735	4,897,669	1,788,768,332	1,589,190,585	1,257,319,328
1958.....	9,030	5,209,912	2,034,865,575	1,812,017,273	1,379,723,727

¹ Data for 1935-44 on membership, assets, shares, and loans outstanding are partly estimated.
Source: Bureau of Federal Credit Unions, HEW, 1958 Annual Report.

LEGISLATIVE HISTORY

TABLE 2.—Savings of individuals in selected media at year end, 1935-58

[In billions of dollars]

Year	Savings associations ¹	Mutual savings banks	Commercial banks	Credit unions—Federal and State	Mutual funds	U.S. savings bonds	Postal savings	Total
1935.....	\$4.3	\$9.8	\$12.9	(²)	.....	\$0.2	\$1.2	\$29.4
1936.....	4.2	10.0	13.7	\$0.1	.....	5	1.3	29.9
1937.....	4.1	10.1	14.4	.1	.....	1.0	1.3	31.9
1938.....	4.1	10.2	14.4	.1	.....	1.4	1.3	31.5
1939.....	4.1	10.5	14.9	.2	.....	1.9	1.3	32.9
1940.....	4.3	10.6	15.4	.2	\$1.1	2.9	1.3	35.7
1941.....	4.7	10.5	15.5	.3	.9	5.4	1.4	38.7
1942.....	4.9	10.6	16.1	.3	1.0	13.4	1.5	47.8
1943.....	5.5	11.7	19.0	.3	1.4	21.7	1.9	61.1
1944.....	6.3	13.3	23.9	.4	1.6	35.2	2.4	81.1
1945.....	7.4	15.3	29.9	.4	2.3	42.9	3.0	101.2
1946.....	8.5	16.8	33.4	.5	2.2	44.2	3.4	109.0
1947.....	9.8	17.7	34.7	.5	2.2	46.2	3.5	111.6
1948.....	11.0	18.4	35.0	.6	2.3	47.8	3.4	119.5
1949.....	12.5	19.3	35.1	.7	2.8	49.3	3.3	123.0
1950.....	14.0	20.0	35.2	.9	3.4	49.6	3.0	126.1
1951.....	16.1	20.9	36.6	1.1	4.1	49.1	2.8	131.7
1952.....	19.2	22.9	39.3	1.4	4.9	49.2	2.7	139.3
1953.....	22.3	24.3	42.0	1.7	5.1	49.4	2.5	147.8
1954.....	27.3	26.3	41.7	2.0	7.3	50.0	2.2	159.8
1955.....	32.2	29.1	46.3	2.4	9.0	50.2	2.0	170.2
1956.....	37.1	30.0	48.5	2.9	10.3	50.1	1.7	180.6
1957.....	41.9	31.7	53.7	3.4	9.9	48.2	1.1	190.2
1958.....	48.0	34.0	59.6	3.9	11.8	47.8	1.2	209.3

¹ Excludes shares pledged against mortgage loans.

² Less than \$50,000,000.

Sources: Federal Home Loan Bank Board; National Association of Investment Companies.

COMMITTEE AMENDMENTS

As introduced, H.R. 8305 proposed an increase in the unsecured loan limit from \$400 to \$1,000. The committee, although approving the credit union movement and its growth, was of the opinion that large unsecured loans may expose the credit union to possible credit risks. After examining the testimony and the past record of increases in the unsecured loan limit, the committee came to the conclusion that an increase of the loan ceiling from \$400 to \$750 would amply correct for price-level changes and consumer loan requirements that have developed since 1949.

As introduced, H.R. 8305 provided that the Director of the Bureau of Federal Credit Unions "shall submit to the Congress on or before January 15, 1960, a draft of legislation providing for federally chartered central credit unions." The committee felt that such a provision constituted a prejudgment of the issue of whether central credit unions are desirable. The establishment of central credit unions was urged by the Credit Union National Association, but opposed by the Bureau of Federal Credit Unions, the Treasury Department, and the Federal Reserve Board.

The committee decided that Congress needed a more thorough analysis of the nature and role of central credit unions in the structure of Federal

FEDERAL CREDIT UNION ACT

credit unions. Accordingly, the committee amended H.R. 8305 (sec. 3) so as to require the Director of the Bureau of Federal Credit Unions "to make a study of the desirability of providing for federally chartered central credit unions," and to submit the results of such study to Congress on or before April 15, 1960.

SECTION-BY-SECTION ANALYSIS

LOAN MATURITY

Section 8(5) of the act as amended would raise the maximum maturity for loans by Federal credit unions from 3 years to 5 years, and would give the Bureau of Federal Credit Unions authority to regulate amortization of loans. This amendment would enable Federal credit unions to do a better job of meeting the demands of their members for various types of loans.

The Director of the Bureau of Federal Credit Unions testified that he had no objection to the extension of loan maturities, but pointed out that the key to proper liquidity and solvency is the systematic amortization of loan receivables. Section 8(5) gives authority to the Director to prescribe rules and regulations governing loan amortization, with the limitation that he may not require payments more frequently than annually.

LOANS TO DIRECTORS

Section 8(5) of the amended act would raise the limit on loans a Federal credit union may make to its directors and members of its supervisory committee or credit committee. The act now limits such loans to the amount of the shareholdings of the director or member concerned. The amendment raises the limit to cover, in addition, the amount of any shareholdings of any other member of the credit union that are pledged as security for the loan.

AUTHORITY TO CASH AND SELL CHECKS

Section 7(12) of the amended act would authorize a Federal credit union to cash and sell checks for a fee, as a service to members of the credit union. Under present law, cashing and selling checks is not authorized, except in connection with some other transaction the credit union has authority to carry out. The Director of the Bureau has ruled that Federal credit unions may not charge a fee for cashing or selling checks. Credit unions throughout the country had been engaged in this activity and the ruling has created considerable hardship. The activity, which is desired and requested by the members, results in certain direct and indirect costs. It is only fair and equitable that these costs should be borne by those directly availing themselves of the service rather than by the general membership. This authority is limited to members of the credit union.

SUPERVISORY COMMITTEE

Sections 12 and 16 of the amended act would make changes relating to the supervisory committee, one of the three bodies established by law to manage Federal credit unions. Under present law, the supervisory committee is elected by the members of the credit union; the bill would change

1955 58

	Total
2	\$25.4
3	29.8
3	31.9
3	31.5
3	32.9
3	35.7
4	38.7
5	47.5
5	61.1
6	81.1
9	101.2
1	109.9
2	111.6
3	115.5
3	123.0
1	126.1
8	139.7
7	139.3
7	147.9
2	150.8
2	150.5
101.2	
209.3	

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LEGISLATIVE HISTORY

this to provide for appointment by the credit union's board of directors, and would bar the treasurer of the credit union from serving on the supervisory committee. It would further provide the members of the supervisory committee may be suspended by the board of directors, subject to approval of the membership.

The board of directors has the responsibility for the general direction and control of the affairs of the credit union. The present law limits its ability to properly discharge this responsibility in instances where an elected supervisory committee is not functioning in an effective manner and in accordance with prescribed procedure. The recommended changes would allow for the appointment of qualified persons to the committee by the board and would charge the board with more direct responsibility for supervisory committee performance.

OFFICERS

Section 13 of the amended act would authorize election of one or more vice presidents of a Federal credit union (the present law authorizes only one); change the title of "clerk" to "secretary"; and provide that no executive officer other than the treasurer may be paid for his services (this conforms with existing practice). The authorization of additional vice presidents would be of particular significance to credit unions which require an additional cosignatory on checks. The amendment specifying that the executive officers other than the treasurer shall serve without pay would write into law a longstanding principle of credit union operations. This principle is now embodied in the standard bylaws, which must be approved by the Bureau.

DELEGATION OF FUNCTIONS OF BOARD OF DIRECTORS

Section 14 of the amended act would authorize the board of directors to appoint an executive committee of not less than three directors, to act for the board in buying and selling securities, making loans to other credit unions, or approving applications for membership. The function of approving membership applications could be delegated, instead, to a membership officer appointed by the board of directors from among the members of the credit union (excluding the treasurer or any assistant treasurer or loan officer). The board of directors usually meets only once a month. These changes would allow action more promptly in limited areas, where authorized by the board. Thus, credit unions could make their services and benefits available more quickly to applicants for membership, either by authorizing applications to be approved by the executive committee, or by appointing a membership officer for that purpose. Similarly, investments and loans to other credit unions could be handled more effectively under the amendment.

COMPENSATION FOR EMPLOYEES

Section 14 of the amended act would also authorize the board of directors to provide for compensation for loan officers (a new position created by sec. 15, explained below) and necessary clerical and auditing assistance requested by the supervisory committee. This would assist the supervisory committee to function more effectively. This committee, which

FEDERAL CREDIT UNION ACT

is charged with the responsibility for making regular internal audits of the credit union, often requires outside assistance. Compensation for loan officers who would take some of the burden off the credit committee is based upon the same principle.

LOAN OFFICERS

Section 15 of the amended act would provide for appointment by the credit committee of one or more loan officers to approve loans up to the unsecured loan limit, or over the limit if the excess is fully secured by unpledged shares. Under present law all loans must be approved by the credit committee. This amendment would provide a realistic, practicable means of reducing the burden upon the credit committee in credit unions having a large and continually increasing volume of loan activity. Also, due to the fact that the committee, which is not compensated, is often scattered and finds it difficult to meet frequently and on short notice, proper consideration and prompt loan service in emergencies is not feasible. A loan officer would be in a position to move quickly in instances of this nature. The credit committee would be fully apprised of his activities since he would be required to furnish them with a record of all loan applications approved and of loan applications not approved within 7 days of such action. Loan applications not approved by the loan officer would be acted on by the credit committee. If it desired to do so, the credit committee could appoint the treasurer or an assistant treasurer as loan officer.

UNSECURED LOAN LIMIT

Section 15 of the amended act would raise the unsecured loan limit from \$400 to \$750. This change would allow credit unions to satisfy the consumer credit needs of the expanding credit union membership more effectively. Congress has progressively increased this limit from \$50 initially in the original act to \$100 in 1940, \$300 in 1946, and \$400 in 1949. The experience of Federal credit unions on loans of this type has been very good over the years, and it is felt that the rising cost of commodities and services, coupled with the progressive growth in knowledge on the part of credit unions of the character and financial responsibility of their members, warrants this increase in the signature loan limit.

DIVIDENDS

Section 18 of the amended act would authorize the board of directors to declare dividends (the law now requires action by the membership at the annual meeting); authorize semiannual dividends (now only annual dividends are allowed); and allow dividend credit for a month on shares paid up during the first 5 days of the month (now limited to shares paid up before month begins).

The function of declaring dividends should be placed in the body which is primarily responsible for the management and sound operation of the credit union. Also, it is in the best position to determine the size of the dividend which should be distributed, based upon its intimate knowledge of the organization's affairs and its current and future needs.

LEGISLATIVE HISTORY

The current requirement that dividends be paid annually often penalizes members who are forced to withdraw shareholdings prior to the year end, thereby losing the dividend. Adoption of the alternate plan would be optional with each currently operating credit union and would require an appropriate amendment to the bylaws. Newly chartered credit unions would have an initial choice.

Dividend credit should be allowed for the month on the accounts of members who do not receive their compensation until the last day of the previous month or the first day of the current month and find it impractical to make share payments immediately. Dividend credit under the current law would not commence until the following month. The proposed amendment eliminates this inequity and provides an additional incentive for saving.

SPACE IN FEDERAL BUILDINGS

Section 25 of the amended act relates to use by State or Federal credit unions of space in Federal buildings. The law now authorizes allotment of available space without charge to credit unions composed entirely of Federal employees and their families. The bill would broaden this authority to cover credit unions 95 percent of whose members are Federal employees or were when admitted to membership, or are members of their families. This would allow credit unions to continue membership of retired Federal employees and members who leave Government service without jeopardizing the credit union's eligibility for space in Federal buildings. Also, it would allow such credit unions to continue their eligibility although membership is extended to a limited number of employees of private contractors working on Federal installations along with Federal employees, and to American Legion and Red Cross personnel working at veterans' hospitals, etc.

CONVERSIONS

Section 26 of the amended act covers conversion of credit unions from State to Federal charter and vice versa. Conversion from Federal to State charter would require the affirmative vote of a majority of the members, plus compliance with State procedures for obtaining a State charter. Conversion from State to Federal charter would require compliance with applicable State law and with the provisions of the Federal act. Under certain circumstances conversion of its charter may be deemed advisable by a credit union and acceptable to the supervisory agencies involved. Special authority appears warranted which would facilitate the procedure of converting a credit union from a Federal to a State charter and vice versa without dissipation of reserves or undue disruption of normal service to the credit union members.

TERRITORIAL APPLICABILITY

Section 27 of the amended act would provide that the Federal Credit Union Act shall apply to the several States, the District of Columbia, the Territories and possessions, the Canal Zone, and Puerto Rico. This would substitute a general statement for the existing provision which specifically

AGRIC. ADJUSTMENT ACT—PEANUTS

covers the Canal Zone and the Virgin Islands. Thus, it would eliminate the need for future amendments of this type.

⇒ ROBBERY AND INCIDENTAL CRIMES ←

Section 2113 of title 18 of the United States Code now makes it a Federal offense to rob any bank or savings and loan chartered or insured by the Federal Government and any bank that is a member of the Federal Reserve System. The section also covers other incidental crimes against such banks and savings and loan associations. Section 2 of the bill would amend this section to cover Federal credit unions, as well.

AGRICULTURAL ADJUSTMENT ACT—PEANUTS

For text of Act see p. 720

Senate Report No. 648, Aug. 11, 1959 [To accompany H.R. 4938]

House Report No. 691, July 21, 1959 [To accompany H.R. 4938]

The Senate Report is set out.

Senate Report No. 648

THE Committee on Agriculture and Forestry, to whom was referred the bill (H.R. 4938) to amend the Agricultural Adjustment Act of 1938 to extend for 2 years the definition of "peanuts" which is now in effect, having considered the same, report thereon with a recommendation that it do pass without amendment.

This bill would extend for 2 additional years the exemption from acreage allotments and marketing quotas now provided for peanuts produced for consumption as boiled peanuts. The bill is fully explained in the attached report of the House Committee on Agriculture.

[H.Rept. 691, 86th Cong., 1st sess.]

The Committee on Agriculture, to whom was referred the bill (H.R. 4938) to amend the Agricultural Adjustment Act of 1938 to make permanent the definition of "peanuts" which is now in effect on a temporary basis, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

PURPOSE

The purpose of the bill is to provide a 2-year extension of the definition of "peanuts" which is now contained in section 359(c) of the Agricultural Adjustment Act of 1938, as amended. Under this definition, any peanuts which are marketed, before drying or removal of moisture (either by natural or by artificial means), for consumption exclusively as boiled peanuts are excluded from the provisions of acreage allotments and marketing quotas. The present law will expire after the 1959 crop of peanuts. This bill will extend the definition through the 1960 and 1961 crops.