

**FEDERAL CREDIT UNION ACT AMENDMENTS
AND VOLUNTARY PAYROLL ALLOTMENT.
HEARING BEFORE THE COMMITTEE ON
BANKING AND
CURRENCY HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS, FIRST SESSION, ON H.R.
6157, H.R. 13489, NOVEMBER 3, 1967**

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VARIOUS

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Math 101 - Homework

- 1. Let $f(x) = x^2 + 3x - 5$. Find $f(2)$.
- 2. Simplify $(x^2 + 2x - 1) + (x - 3)$.
- 3. Solve for x : $2x + 5 = 15$.
- 4. Find the slope of the line passing through $(1, 2)$ and $(3, 8)$.
- 5. Write the equation of the line with slope $m = -2$ and y-intercept $(0, 3)$.
- 6. Factor $x^2 - 9$.
- 7. Solve the system: $x + y = 5$ and $x - y = 1$.
- 8. Find the area of a triangle with base 10 and height 6.
- 9. Calculate the volume of a cylinder with radius 4 and height 10.
- 10. Simplify $\frac{2x^2 + 4x - 6}{x - 2}$.
- 11. Find the derivative of $f(x) = x^3 - 2x^2 + 5x - 7$.
- 12. Evaluate $\sin^{-1}(\frac{1}{2})$.
- 13. Solve $\log_2(8) = x$.
- 14. Find the limit: $\lim_{x \rightarrow 0} \frac{\sin(x)}{x}$.
- 15. Differentiate $y = e^{2x} \ln(x)$.
- 16. Integrate $\int_0^1 x^2 dx$.
- 17. Find the Taylor series for e^x centered at $x = 0$.
- 18. Solve the differential equation $y' = 2y$.
- 19. Find the volume of a sphere with radius 5.
- 20. Calculate the surface area of a cube with side length 3.

FEDERAL CREDIT UNION ACT AMENDMENTS AND VOLUNTARY PAYROLL ALLOTMENT

FRIDAY, NOVEMBER 3, 1967

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Sullivan, Reuss, St Germain, Gonzalez, Minish, Hanna, Gettys, Rees, Galifianakis, Beville, Widnall, Brock, Clawson, Johnson, Stanton, Mize, Blackburn, Brown, and Wylie.

The CHAIRMAN. The committee will please come to order.

This morning the committee meets to hear testimony on H.R. 6157, a bill to permit Federal employees to purchase shares of credit unions through voluntary payroll deductions and H.R. 13489, a bill to amend the Federal Credit Union Act to modernize the loan, investment, and dividend provisions.

Before we begin testimony on these bills, I would like to point out the legislative history of the two measures.

A bill containing three of the five points in H.R. 13489 has been passed by the other body. That bill provides for a delegation of loan powers to loan officers, quarterly dividend rates and the crediting of shares received by the 10th of the month.

In addition to these three points, H.R. 13489 allows credit unions to invest up to 25 percent of their reserves in certain credit union owned or operated organizations and to allow credit unions to purchase notes of liquidating credit unions.

H.R. 6157, the payroll deduction bill, presents a rather unique problem. A companion bill, S. 1084, was considered by the Banking Committee in the other body and was reported with amendments granting the payroll deduction privilege to banks, savings and loan associations, and savings banks, as well as credit unions.

In order to accomplish these amendments it was necessary to amend 31 U.S.C. section 492, the section of a particular statute that does not come within the jurisdiction of this committee.

After the bill was passed by the other body, granting payroll deductions to banks and all savings institutions, it was referred to the House Government Operations Committee, the committee that has jurisdiction over 31 U.S.C., section 492.

It is now my understanding that the House Government Operations Committee will not be able to take the bill up this session.

Therefore, it is hoped that the Banking Committee can report H. R. 6157, pass it in the House, and perhaps the other body will accept our actions without the need for a conference or additional hearings on the other side.

(The texts of H. R. 6157 and H. R. 13489 and reports from the Department of Health, Education, and Welfare and from the Board of Governors of the Federal Reserve System follow:)

[H. R. 6157, 90th Cong., first sess.]

A BILL To permit Federal employees to purchase shares of Federal- or State-chartered credit union through voluntary payroll allotment

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 25 of the Federal Credit Union Act (12 U.S.C. 1770) is amended (1) by inserting "(a)" immediately after "Sec. 25" and (2) by adding at the end thereof the following new subsection:

"(b) Any Federal employee who is a member of any credit union that has a common bond consisting of Federal employees and members of their families shall have the right to have payment on shares in the credit union made by allotment from his salary in such amount and at such times as the employee may from time to time request in writing. The credit union shall reimburse the United States Government for the reasonable cost of making such allotment.

"The Comptroller General of the United States shall issue regulations to implement this authority.

"In this subsection, 'Federal employee' means any person employed by any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia."

[H. R. 13489, 90th Cong., first sess.]

A BILL To amend the Federal Credit Union Act to modernize the loan, investment, and dividend provisions, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (7) of section 8 of the Federal Credit Union Act (12 U.S.C. 1757) is amended (1) by striking out the word "or" before the letter "(F)" and by adding at the end thereof the following: "or (G) in an aggregate amount not exceeding 25 per centum of its regular reserve in any one or more incorporated or unincorporated organizations which are controlled by credit unions or credit union associations and which use funds so invested for purposes of establishing and maintaining the liquidity, solvency, and security of credit unions."; and (2) by striking out the word "and" after the semicolon in subsection (12) and by adding the following:

"(13) to purchase from liquidating credit unions notes of any individual members of such liquidating credit unions at such figure as may be established by the board of directors of both the liquidating and the purchasing credit unions;"

and (3) by renumbering the present subsection (13) as subsection (14).

Sec. 2. Section 15 of the Federal Credit Union Act (12 U.S.C. 1761c) is amended by striking out the words "up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares".

Sec. 3. Section 18 of the Federal Credit Union Act (12 U.S.C. 1763) is amended (1) by striking out the word "or" and inserting a comma in lieu thereof between "Annually" and "semiannually" and by adding the words "or quarterly" after the word "semiannually"; and (2) by striking out the word "five" and inserting in lieu thereof the word "ten".

FEDERAL CREDIT UNION ACT AMENDMENTS

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 11, 1967.

HON. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency, House of Representatives, Wash-
ington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of February 28, 1967, for a report on H.R. 4256, a bill "To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment." Since the two bills are similar, this letter is also in response to your request of March 10, 1967, for a report on an identically titled bill, H.R. 6157.

The bills authorize payroll deductions for the purchase of shares of a credit union, organized under State law or a Federal credit union, with a common bond composed of Federal employees and members of their families. The United States Government will be reimbursed for the cost of making such allotments. Allotments would be made only upon the basis of a written request by the employee.

These bills are designed to contribute to the basic objectives of the Federal Credit Union Act. They are intended to aid in promoting thrift among the Federal employees who are members of credit unions and in facilitating the accumulation of a fund for making loans to such members for useful purposes at reasonable interest rates. They are thus directed toward helping the members achieve a greater degree of financial stability.

Enactment of either of these bills is unnecessary. Authority now contained in U.S.C. 5525 authorizes agency heads to permit employees to make allotments out of their pay for appropriate purposes. However, the regulations issued by the Civil Service Commission to implement this provision do not allow deductions from Federal salaries for the purchase of shares of credit unions. The Commission believes that there is no need for an allotment procedure because employees may conduct business with a credit union with relative ease and convenience since credit unions frequently either are located in, or are provided with facilities in, the same building in which their members work.

Moreover, we understand that the Treasury Department feels that adequate efforts are being made by the Federal Government to encourage employees to develop the habit of saving a portion of their earnings through the voluntary payroll savings program to purchase Series E savings bonds.

We would therefore recommend that neither of the bills be enacted.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

WILBUR J. COHEN,
Under Secretary.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, D.C., May 25, 1967.

HON. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of March 10, 1967, for the Board's views on H.R. 6155, H.R. 6156, and H.R. 6157, each providing certain amendments to the Federal Credit Union Act.

H.R. 6155 is a bill to amend the Act to modernize the loan, investment, dividend, and reserve provisions; to require the establishment of an education committee; and for other purposes.

H.R. 6156 would amend the Act to permit Federal credit unions to make long-term loans secured by real estate.

H.R. 6157 would permit Federal employees to purchase shares of Federal or State-chartered credit unions through voluntary payroll deductions.

Many of the provisions in the above bills are concerned with the internal management and organization of Federal credit unions. Inasmuch as these provisions do not relate to the Board's area of responsibility, it has no comment with respect to these provisions.

The Board does, however, have some question about the need for granting to Federal credit unions authority to invest in central credit unions and similar institutions, as contained in H.R. 6155. Although certain advantages, as well as disadvantages, are involved in the establishment of a central credit union to serve

Federal credit unions, it is noted that credit unions have had little, if any, liquidity problems in the past. On the contrary, they seem to have been able to attract ample funds from customers and to borrow from one another and from banks for seasonal or unexpected needs. Thus, the need for authority to make investments in central credit unions would seem to depend upon the possibility of greater liquidity problems in the future. Accordingly, a careful study of such problems might usefully precede legislative action on this point.

The Board also questions the desirability of H. R. 6156, which would grant to all Federal credit unions authority to make long-term real estate loans. Such authority would represent a radical departure from the traditional operations of Federal credit unions that specialize in much shorter-term credit advances. Investment in long-term real estate loans requires considerable expertise in loan origination and servicing, and involves loans of comparatively large average size. The loans are not readily salable in the secondary market (especially conventional loans), and it is a time-consuming and difficult process to realize on the collateral for the loans in case of foreclosure.

While it is true that some State-chartered credit unions can now make long-term real estate loans, it appears questionable to the Board that this authority should be granted to credit unions that are chartered by the Federal Government. In this connection, the 1963 report of the President's Committee on Financial Institutions implicitly opposed such long-term lending by Federal credit unions, stating at pp. 30-31:

"Credit unions might reasonably be expected to continue to concentrate on short- and intermediate-term consumer loans to their members. In the case of these institutions, considerations of safety and solvency loom particularly important, since credit unions are typically managed on a part-time basis by non-professionals whose judgment is likely to be most reliable in assessing the credit worthiness of their peers for relatively small consumer loans. Limitation to this kind of lending is also consistent with the special purpose of credit unions—which is, through cooperative action, to help close a possible gap in the availability of small loans to individuals."

If, however, the Congress should decide that authority to make these long-term loans is appropriate, the Board recommends that consideration be given to whether the loans should be fully amortized, whether an aggregate limit of as much as 25 per cent of assets is essential, and whether some limit on the maximum size of a single loan is needed in order to assure a certain degree of portfolio diversification.

Sincerely yours,

WM. MCC. MARTIN, JR.

The CHAIRMAN. We have three witnesses appearing this morning: Mr. Fred Smith, General Counsel of the Treasury; Mr. Deane Gannon, Director of the Bureau of Federal Credit Unions; and Mr. R. C. Morgan, past president of CUNA International and manager of the Government Employees Credit Union, El Paso, Tex.

If you gentlemen will take your places there we would like to have the testimony of the witnesses in the order in which they were called first.

If you want to abbreviate your testimony, giving a summary and putting the statement into the record, that will be satisfactory. That is entirely up to you.

After the three of you have finished we will then interrogate you.

Mr. Smith, you are recognized first. We are glad to have you.

STATEMENT OF FRED B. SMITH, GENERAL COUNSEL, DEPARTMENT OF THE TREASURY; ACCOMPANIED BY SIDNEY S. SOKOL, COMMISSIONER OF ACCOUNTS; AND GLENN JOHNSON, NATIONAL DIRECTOR, SAVINGS BOND PROGRAM

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Chairman, two initial points. I am not prepared to testify on H. R. 13489. I did not understand my testimony was needed on that