The Federal Credit Union System: A Legislative History

by JOHN T. CROTEAU*

In the years since the adoption of the Federal Credit Union Act in 1934, many amendments have been proposed, hearings and discussions have been held, and some amending legislation has been passed. The development of the act is reviewed in the following pages.

THE credit union system in the United States had its beginning long before the adoption of the Federal legislation.[1] Credit unions first acquired legal status in 1909, when the Massachusetts Legislature passed a law providing for the chartering and organization of credit unions.

The 1934 Law

Legislative History

Twenty-four years later—on May 11, 1933—Senator Sheppard, of Texas, introduced three bills designed to set up a Federal credit union system. The first, S. 1639, was to establish a system of Federal credit unions and statewide central credit unions under Federal supervision; S. 1640 was an amendment to the Federal Reserve Act under which Federal reserve banks would be permitted to receive deposits from credit unions; and S. 1641 would authorize the postal savings system to accept credit union deposits.

On June 1, hearings were opened before a subcommittee of the Senate Committee on Banking and Currency. The first session of the Seventy-third Congress ended with the bills resting within the Committee.

On March 27, 1934, the Committee reported S. 1639 favorably, with one amendment—deletion of the provision exempting Federal credit unions (but not their members) from all Federal taxation except taxes upon real property. Credit unions roused little interest, however, in a Congress concerned with the depression and with emergency legislation. Two attempts were made to bring up the bill on the consent calendar, but it was passed over.

Meanwhile it was imperative to find an agency to administer the act. The Federal Reserve Board and the Treasury Department, logical agencies for the purpose, did not believe that they should administer such an act. The Farm Credit Administration expressed an interest in the bill, however, and a group from that agency, with the help of other officials, secured Presidential endorsement.

Senator Sheppard brought in a series of amendments that would place the program under the jurisdiction of the Banks for Cooperatives, within the Farm Credit Administration. These amendments were adopted, and on May 10, 1934, the Senate, without debate, approved the bill.

To obtain Presidential approval, it was necessary to delete the second part of the bill, which had provided for the incorporation of statewide central credit unions. The other provisions were unchanged when, on June 15, the Chairman of the House Committee on Banking and Currency submitted a unanimous report favoring the bill and asked that the House consider it. Only 30 minutes were allowed for debate, and no one spoke in opposition. When the formal vote was taken, there were 180 ayes and 2 noes.

The legislation as passed by the House was in the form of an amendment, which struck out the entire Senate bill after the enacting clause and substituted a redrafted bill. In the revision, control was taken from the Banks for Cooperatives, and a Federal credit union section was set up as a separate unit in the Farm Credit Administration. The revised bill was passed by the Senate by unanimous consent 2 days before the close of the session. It was signed by the President on June 26, 1934, and became Public Law No. 467.

Provisions of the Law

A brief summary of the provisions of the original Federal Credit Union Act may serve as a point of reference for the subsequent amendments. After section 1 (the citation), section 2 defined a Federal credit union as "a cooperative association organized . . . for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes." Section 3 set out the method by which any seven or more natural persons become incorporated, and section 4 determined the procedure for investigation and approval of the charter. Section 5 established organization and supervision fees. Section 6 required Federal supervision and examination; it established the principle that: "The Governor [of the Farm Credit Administration] shall fix a scale of examination fees designed, as far as is practicable, so that in each case the fee to be paid shall equal the expense of such examination."

Section 7 itemized the powers of a Federal credit union. Besides stating the general powers of a corporation, subsections defined the essential operations of these new institutions:

(5) To make loans with maturities not exceeding two years to its members for provident or productive purposes upon such terms and conditions as this Act and the by-laws provide and as the credit committee may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances (inclusive of all charges incident to making the loan): *Provided*, that no loans to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented

* Professor of Economics, University of Notre Dame.

[1] See Erdis W. Smith, "Federal Credit Unions: Origin and Development," *Social Security Bulletin*, November 1955.

by shares thereof. No director, officer, or committee member shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day.

(6) To receive from its members payments on shares.

(7) To invest its funds (a) in loans exclusively to members; (b) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby.

(8) To make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business.

(9) To borrow (from any source) in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus. . . .

The remaining three subsections gave the credit unions power to fine members, to enforce a lien upon shares in order to collect delinquent loans, and to exercise incidental powers.

Section 8 provided for a standard set of bylaws. Section 9 limited Federal credit union membership "to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district." The fiscal year of a Federal credit union would end on December 31, according to section 10, and the annual meeting was to be held in January. The cooperative principle of "one-man, one-vote" was to be followed, and no proxy voting would be allowed in elections. Section 11 set up the familiar organization of a board of directors, which would elect its own officers, a credit committee to pass on loan applications, and a supervisory committee to audit the books regularly.

Section 12 stated that "all entrance fees and fines provided by the bylaws and 20 per centum of the net earnings of each year, before the declaration of any dividends, shall be set aside . . . as a reserve fund against possible bad loans." Section 13 provided for the declaration of dividends, section 14 for the expulsion and withdrawal of members, and section 15 for the accounts of minors or trust accounts.

Sections 16–20 were confined to technical matters. Section 16 gave the Governor of the Farm Credit Administration certain rather broad powers. He was empowered "to prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, and/or dissolution of corporations organized under this chapter)." Apparently to answer possible objections to the constitutionality of the statute, section 17 was inserted; it provided that a Federal credit union "shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require." Section 18 concerned taxation.

Nothing herein contained shall prevent the shares of stock in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders of such shares in assessing taxes imposed by authority of the State in which the Federal credit union is located or shall prevent the taxation of any Federal credit union or its property by authority of such State in the manner and not to exceed the rate imposed upon domestic banking corporations.

Section 19 provided for the appropriation of $50,000 for administration. Finally, section 20 provided that, if part of the act was held to be invalid, the remainder would not be affected. The final clause of section 20 stated: "The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of the Act, is expressly reserved."

There was little that was new in the Federal Credit Union Act of 1934. With the exception of section 17, this was the traditional credit union act, going back to the Massachusetts law of 1909.

The critics of the Massachusetts law had had some influence on Federal legislation at the time the Federal Farm Loan Act of 1916 was passed, since that law was modeled after the Raffeisen plan, as they advocated. They had visualized a system of cooperative banks—people's banks—integrated in central banks and connected with the money market. Model legislation sponsored by the Credit Union National Extension Bureau aimed merely to set up independent units designed to provide workers with savings facilities and to take care of their need for consumption credit. Any system that developed would be tied together by educational or sympathetic bonds, rather than by financial integration. While the sponsors of the original Federal Credit Union Act, in providing for statewide central credit unions, had attempted to break new ground, they were forced to accept the limitations of the model act.

The legislative history of Federal credit unions has thus been a struggle between two concepts. Under one a legal base for a system of cooperative credit would be developed that would give broad freedom to management and that would integrate vertically the credit unions into a regional or even a national structure of cooperative consumer finance. The other concept is of the Federal credit union as an essentially independent financial unit, with management rather closely hemmed in by detailed legal regulations, that is integrated horizontally—with an educational or promotional, rather than a financial basis—into various forms of State league organizations that are, in turn, united in the Credit Union National Association.

Amendments to the 1934 Act

Since the adoption of the Federal Credit Union Act, not a session of Congress has passed without attempts at amending it. Eleven laws amending or adding to the original act were adopted from 1936 to 1955. A twelfth, amending the District of Columbia Credit Union Act, affects the supervisory powers of the Bureau of Federal Credit Unions.

Prewar Activity

During the Seventy-fourth Congress, Senator Sheppard introduced three amendments to the Federal Credit Union Act. One dealt with exemption from taxation, the second with limitation of membership, and the third with investment of credit union funds in central credit unions. He also proposed a bill that passed the Senate; it provided that a Federal credit union might invest "in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus." The House of Representatives did not act on any of these bills.

In the Seventy-fifth Congress, Senator Sheppard brought back these proposals with a few additional ones. In the hearings held on the proposed legislation, the Farm Credit Administration—the agency in charge of Federal credit unions from 1934 to 1942 — endorsed three proposed amendments: to exempt Federal credit unions from all taxes except those upon real property and tangible personal property; to permit the Farm Credit Administration to conduct research on the problems that persons of small means have in obtaining credit at reasonable rates of interest; and to provide space in Federal buildings for employees' credit unions. It opposed an amend-

Summary of changes in the Federal Credit Union Act, 1934–55

Provision	Original act of 1934[1]	Changes							
		1937	1940	1942	1946	1948	1949	1952	1954
Supervising agency	Farm Credit Administration (Governor).			Federal Deposit Insurance Corporation.[2]		Bureau established in Federal Security Agency.[3]			
Supervision fee	$10 a year							Graduated scale for Federal credit unions with assets of more than $34,000.[4]	
Examinations	Audit reports of practicing public accountants accepted from Federal credit unions with assets of less than $25,000.	Permissible exception for Federal credit unions with assets of less than $25,000 eliminated.[5]							
Examination fee	Fee scale to be fixed by Governor to cover expense of examination.	Ability of Federal credit union to pay to be considered.[5]							
Loans:									
Unsecured	Not to exceed $50.		Not to exceed $100.[6]		Not to exceed $300.[7]		Not to exceed $400.[8]		
Secured	Not to exceed $200, or 10% of paid-in and unimpaired capital and surplus to a member.								
Maturity	Not to exceed 2 years.						Not to exceed 3 years.[8]		
Investments	Loans to members, obligations of U. S. Government, or securities fully guaranteed as to principal and interest by U. S. Government.	Loans to other credit unions (not to exceed 25% of capital and surplus) and shares of Federal savings and loan associations.[5]						Shares or accounts of other institutions insured by Federal Savings and Loan Insurance Corporation.[9]	
Reserves	Entrance fees, fines, and 20% of net earnings before declaration of dividend.						Transfer of funds to reserve discontinued when reserve equals 10% of total shares. Director may require special reserves.[8]		
Area covered	United States and Territories.				Extension to Panama Canal Zone.[7]			Extension to Virgin Islands.[10]	Bureau to examine and supervise District of Columbia credit unions.[11]

See footnotes at end of table.

ment that dealt with organization fees and one permitting the organization of central credit unions. It suggested that another bill be changed to retain the provision of the original act whereby the examination fees would be fixed by the Governor of the Farm Credit Administration to cover the expense of the examination, but to include the provision that the Governor should give due consideration "to the ability of Federal credit unions to pay such fees." Another recommendation was for the elimination of the authorization to accept, from credit unions having assets of less than $25,000, the audit report of a practicing accountant in place of a report of a Federal examiner. The Farm Credit Administration also suggested—possibly to avoid the central credit union amendment—that a Federal credit union be permitted to lend to other credit unions "in the total amount not exceeding 25 percent of its paid-in and unimpaired capital and surplus" and "to invest in shares or accounts of Federal savings and loan associations."

The amendments, as consolidated

Summary of changes in the Federal Credit Union Act, 1934–55—Continued

Provision	Original act of 1934 [1]	Changes								
		1937	1940	1942	1946	1948	1949	1952	1954
Interest rate	Not to exceed 1% a month on unpaid balance.	...	...	...	Penalty for excessive interest.[7]	...	...	...	Refund to members permitted.[12]
Membership	Persons and organizations.				Shares in joint tenancy.[7]	...	...	...	...
Bonding	Board of directors fixes amount of surety bonds.	...	...	...	"Sufficient" surety; payment of premiums by credit unions authorized.[7]	...	...	...	Authority of Director specified.[13]
Passbook	Audit required.	...	...	...	"Passbook" defined.[7]	...	...	...	...
Credit committee	Meetings at least once a month on notice from treasurer.	...	...	...	Notice from treasurer not required.[7]	...	...	...	...
Liquidation	General authority of Governor in involuntary liquidations expressed generally.	...	...	...	Involuntary liquidation procedure detailed.[7]				
Taxation	State may tax Federal credit unions as it does domestic banking corporations.	Exempted from all taxation except on real and personal property.[5]	...	...	...	...	...	...	...
Other:									
Space in Federal buildings	...	Office space for employee credit unions may be provided free.[14]	...	...	...	...	...	...	...
Research and studies	...	Governor authorized to conduct research in cooperative thrift and credit.[5]	...	...	...	...	...	...	...
Fair labor practices	...	Employer provision of facilities not a violation of the National Labor Relations Act.[5]	...	...	...	...	...	...	...
Oaths	...	...	...	...	...	...	...	...	Bureau officials may administer oaths.[12]

[1] P. L. 467, 74th Cong.
[2] Executive Order 9148, Apr. 27, 1942; transfer made permanent by Reorganization Plan No. 1 of 1947.
[3] P. L. 813, 80th Cong.
[4] P. L. 322, 82d Cong.
[5] P. L. 416, 75th Cong.
[6] P. L. 630, 76th Cong.
[7] P. L. 574, 79th Cong.
[8] P. L. 376, 81st Cong.
[9] P. L. 337, 82d Cong.
[10] P. L. 329, 82d Cong.
[11] P. L. 576, 83d Cong.
[12] P. L. 454, 83d Cong.
[13] P. L. 656, 83d Cong.
[14] P. L. 197, 75th Cong.

in S. 2675, were passed by both Houses and became Public Law No. 416, approved December 6, 1937. An amendment was added, when the bill was on the floor of the House, to permit employer provision of facilities for the operations of a Federal credit union without violation of the National Labor Relations Act.

Most of the hearings had been devoted to a bill (H.R. 6287) to permit Federal credit unions to occupy space, rent-free, in Government buildings, which was taken up as emergency legislation. The Comptroller General's office had raised the question. There were then about 600 credit unions among Federal employee groups. To forbid credit unions to operate in Federal buildings would have given the movement a serious blow. The Credit Union National Association convinced the Committee on Banking and Currency of the importance of this matter, and the bill became Public Law No. 197 on July 9, 1937.

In this session also a bill was introduced to transfer jurisdiction over the District of Columbia credit unions to the Farm Credit Administration, and a similar bill was introduced in 1941. Neither of these bills got as far as a hearing.

Defense and War Period

During the next three sessions Congress was immersed in the problems of defense and war, and while a number of amendments to the Federal Credit Union Act were introduced, few advanced even to a subcommittee hearing. Only one amendment, which became Public Law No. 630 (approved June 15, 1940), was adopted by the Seventy-sixth Congress. The bill (S. 2568), as originally presented, sought to raise the limit on unsecured loans from $50 to $300. An amendment in committee raised the limit to only $100. The restriction in the original act was retained, however, that "no loan shall be made to any member in excess of $200 or 10 per centum of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater."

Several other amendments were introduced during the Seventy-sixth Congress; no action was taken on them. One (S. 4230) was a lengthy bill intended to clarify a number of sections in the act. It was reintroduced in the next session but again failed of enactment.

The most important action taken during the Seventy-seventh Congress that affected Federal credit unions was their transfer by Executive order from the jurisdiction of the Farm Credit Administration to that of the Federal Deposit Insurance Corporation. From May 16, 1942, to July 29, 1948, they remained under the Corporation's jurisdiction. No Federal credit union legislation was passed by that Congress, although again a number of bills were introduced.

The Seventy-eighth Congress was a wartime Congress. Credit union legislation obviously could expect little consideration. Few amendments were introduced, and none was even reported out of committee. These were difficult years for credit unions; liquidations exceeded new charters, and the number of operating credit unions was decreasing.

Only one credit union proposal—a bill endorsed by the Credit Union National Association and presented by Representative Jerry Voorhis—occupied the attention of the Seventy-ninth Congress. Most of its provisions had been presented in 1940 in S. 4230 and again in 1941. In the House hearing it was superseded by another bill that contained the same material but incorporated certain rewording suggested by the Federal Deposit Insurance Corporation. This bill provided for (1) a specific penalty—the refund of the entire amount of interest paid —for charging excessive interest on a credit union loan; (2) a clarifying clause for issuing shares in joint tenancy; (3) a clarifying clause regarding the bonding of employees; (4) removal of the requirement that notices be sent "by the treasurer"; (5) raising the unsecured loan limit to $300; (6) extending the use of the term "passbook"; and (7) extending the operations of Federal credit unions to the Panama Canal Zone. On the recommendation of the Federal Deposit Insurance Corporation, a section was added after the Senate hearings that amended section 16(b) of the act and gave the administrator definite power to handle the many problems resulting from involuntary liquidations. A letter from the American Bankers Association, objecting to an increase in the unsecured loan limit and also to the tax-exempt status of Federal credit unions, was read into the hearings. The bill passed the Senate on July 17, the House on July 19, and was approved on July 31, 1946, when it became Public Law No. 574.

Representative Voorhis introduced at the same session a bill to permit Federal credit unions "to enter into contracts for group insurance covering the lives of its members." The matter was settled administratively, however, because the supervisory agency, which had forbidden Federal credit unions to take group insurance on the lives of borrowers and members, reconsidered and ruled that such insurance—the so-called "life savings insurance"—could be authorized by a credit union board of directors.

Early in the Eightieth Congress, the President, in his Reorganization Plan No. 1 of 1947, made permanent the transfer of Federal credit unions to the Federal Deposit Insurance Corporation. Administration by the Corporation had been looked upon by most as a temporary war measure. Although credit unions had been experiencing difficulties with low earnings and a high liquidation rate, at the time of the 1946 hearings neither the representative of the Corporation's Federal credit union section nor the representative of the Credit Union National Association had raised the issue of administration. Apparently all recognized that the difficulties that beset the credit unions were a by-product of the war.

The permanent transfer, however, did not meet the approval of either the Federal Deposit Insurance Corporation or the Credit Union National Association. The former, a self-supporting agency, was incurring a loss of about $200,000 a year in its credit union activities. The Credit Union National Association indicated that it wanted something more than an impartial supervisory and examination service.

Like the credit unions, the social security programs were designed to promote the economic security of the family and the individual; the thought therefore developed that the Federal Security Agency (which had the responsibility for administering the Social Security Act) would be an appropriate agency to administer the Federal Credit Union Act. Through Senator Raymond E. Baldwin a bill (S. 2225) was accordingly introduced that provided for transferring the administration of Federal credit unions to the Federal Security Agency[2] and reimbursing the Federal Deposit Insurance Corporation for the outlays it had incurred in credit union administration. The personnel and property of the credit union section would be transferred to the Federal Security Agency, and the section raised to the status of a bureau—the Bureau of Federal Credit Unions.

In the Senate hearings that started March 4, 1948, not only the transfer of jurisdiction but the whole record and cost of the program were explored. An excerpt from a letter from the Comptroller General of the United States was read into the hearings. Referring to the Federal Deposit Insurance Corporation, he said:

> The Corporation has the extraneous function of supervising and examining Federal credit unions . . . We respectfully suggest that this function should not continue to be supervised by Federal Deposit Insurance Corporation since it has no relation to the Corporation's general functions and since it is desirable that the Corporation's directors should devote all of their attention to the highly important objectives of the Corporation.

A letter from the Director of the Federal Deposit Insurance Corporation called attention to this statement and added:

> We are of the opinion that, in order to avoid any possibility of criticism or suggestion of conflicting interests, the supervision of Federal credit unions be lodged in another agency, such as the Federal Security Agency. Accordingly, we have no objection to the enactment of S. 2225.

The representative of the Credit Union National Association also pressed for a change in administrative agency. He presented a letter from the Administrator of the Federal Security Agency, which indicated willingness to administer the program if it were placed in that agency. The matter of expense to the Government was stressed in this hearing, and it was agreed that the problem could best be handled by placing the Federal credit unions permanently in an agency where the annual appropriations are made by Congress. S. 2225 was reported favorably, passed the House on June 15 and the Senate the following day, and was approved and enrolled as Public Law No. 813 on June 29, 1948. Credit union activities, when transferred to the Federal Security Agency, were placed in the Social Security Administration.

The Eightieth Congress also saw the introduction of a bill providing for the insurance by the Federal Deposit Insurance Corporation of membership share balances in Federal credit unions.

In the Eighty-first Congress one credit union bill (H.R. 6185) was passed, and no hearings were held. Of the other bills introduced, one was on the insurance of shares and the other on investments in shares or accounts of a State-chartered institution. Neither was reported out of committee.

The legislative effort of the session related to the proposals in a bill introduced by Representative Patman, acting in behalf of the Credit Union National Association. It would have removed entirely the 2-year limitation on loans; permitted Federal credit unions to invest funds "in shares of central credit unions"; authorized annual meetings to be held in January, February, or March; raised the unsecured loan limit to $500, with a technical rewording of the section; and placed a ceiling of 10 percent of members' shares as the limit for a reserve fund.

After study of this bill by the Bureau of Federal Credit Unions, in September identical bills, S. 2560 and H.R. 6185, were introduced. These bills dropped the controversial matter of investment in central credit unions and the less important extension of time for the annual meeting; they extended the maturity of loans from 2 to 3 years, raised the limit on unsecured loans from $300 to $400, and placed a ceiling on reserves of 10 percent of the total amount of members' shareholdings but—under a new provision—gave the Director of the Bureau power to require special reserves "to protect the interests of shareholders . . . when found by the director to be necessary for that purpose."

This version was endorsed by the Federal Security Agency, and both the Senate and House committees reported the bill favorably. H.R. 6185 passed the House on October 13, passed the Senate (as an amendment to the Senate bill) on October 17, and was approved as Public Law No. 376 on October 25, 1949.

In September 1950 the provisions of the Social Security Act became applicable to employees of Federal credit unions, under the 1950 amendments to the Social Security Act.

The Eighty-second Congress saw 12 amendments to the Federal Credit Union Act proposed and three—on which there was no controversy—enacted into law. The most important amendment that was adopted concerned fees paid to the Bureau of Federal Credit Unions for supervisory services. In June 1950 the Federal Security Agency had sent Congress the draft of a proposed bill, explaining that its principal purpose was "to increase the schedule of supervision fees to be paid by Federal credit unions having assets in excess of $40,000 and thereby provide the basis whereby the Federal credit union system can become self-supporting (so far as Government supervision is concerned) within eight or ten years." S. 2447 and its companion bill H.R. 6103, which were introduced in the Eighty-second Congress, proposed a more complicated schedule of supervisory fees that was intended to make the Bureau financially independent by 1954 or 1955. The proposed changes were supported by both the Bureau of Federal Credit Unions and the Credit Union National Association. S. 2447, which became Public Law No. 322, was reported favorably by the Senate and the House Committees on Banking and Currency, was enacted, and was approved April 17, 1952.

This amendment exempted credit unions from fees during the year in which a charter is issued or the year of final distribution in a liquidation.

[2] The Department of Health, Education, and Welfare, beginning April 11, 1953.

Starting with 1952, the maximum fee for those with total assets of $500,000 or less became 30 cents per $1,000; with $500,001–$1,000,000: $150 plus 25 cents per $1,000 in excess of $500,000; with $1,000,001–$2,000,000: $275 plus 20 cents per $1,000 in excess of $1,000,000; with $2,000,001–$5,000,000: $475 plus 15 cents per $1,000 in excess of $2,000,000; and for those with total assets of more than $5,000,000, it became $925 plus 10 cents per $1,000 in excess of $5,000,000.

A minor amendment, H.R. 6101, which extended the provisions of the Federal Credit Union Act to the Virgin Islands, became law May 8, 1952 (Public Law No. 329). Also enacted was H.R. 2608, which provided that Federal credit unions could extend their investments to shares or accounts of institutions, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation. It was approved May 13, 1952 (Public Law No. 337).

The controversy of the Eighty-second Congress centered around S. 1330, the companion bill to H.R. 3459, which Representative Patman had introduced at the request of the Credit Union National Association. This bill would (1) permit, with safeguards, loans to officers and committeemen; (2) permit credit unions to invest in shares of central credit unions; (3) allow patronage dividends, or refunds of interest to borrowers; and (4) authorize employees of the Bureau to administer oaths and to take affidavits. The last two provisions made no essential change in the law, and there was general agreement on their inclusion. On the first two provisions, there was substantial disagreement between the Bureau of Federal Credit Unions and the Credit Union National Association. Some of these controversial provisions were reintroduced in the next session.

During the hearings held in January 1952, the Bureau firmly opposed making loans, beyond the amount held on shares, to credit union officials. The opposition was based on what may be called a legislation-contract theory; in other words, the Bureau believed that credit union organizers in their dealings with management enter into a quasi-contract based on the provisions of the Federal Credit Union Act. To change that act in its essentials would therefore be, in effect, a violation of this implied contract. In his testimony the Director pointed out that certain employers probably have permitted credit unions to be established in their plants on the grounds that the law contained the safeguard that officers, directors, and committeemen could not borrow. This objection was repeated in hearings held at the next session, and it was effective.

In connection with the central credit union provision, the Bureau's Director stated that, while the Bureau was not opposed to such credit unions, it did not want the particular amendment offered in S. 1330. It preferred to have a central credit union system set up by separate legislation "in an organized and formal way."

Two bills attacking the tax-exempt status of Federal credit unions were also introduced in the Eighty-second Congress. They were not successful, and Federal credit unions still enjoy the status conferred by the amendment of 1937. Another bill on which no action was taken would have frozen examination fees at the then current rate of $56 a day. Finally, four bills were introduced to provide for insurance of members' shareholdings, but they were not acted upon. One would have provided insurance by the Federal Deposit Insurance Corporation; two through the Federal Savings and Loan Corporation; and the fourth, the Eberharter bill, would have set up a fund for share insurance to be administered by the Director of the Bureau of Federal Credit Unions.

Four bills to provide insurance on member shareholdings were also introduced in the Eighty-third Congress: three of them would have provided such insurance through the Federal Deposit Insurance Corporation; the fourth was the reintroduced Eberharter bill. A bill to permit a Federal credit union to serve as executor or administrator of small estates was also introduced. None came out of committee.

The first session of the Eighty-third Congress centered its attention on two pieces of legislation in which the noncontroversial and the controversial amendments proposed in previous sessions were separated: S. 1665, and its companion bill H.R. 2868, contained the generally acceptable amendments concerning patronage refunds and the power of officers of the Bureau to administer oaths; S. 1666 and H.R. 2867 contained the debatable items of loans to credit union officials, the freezing of examination fees, and the extension of maturity of loans from 3 years to 5. Hearings were held on the Senate bills in the spring of 1953.

The Bureau suggested a technical change in the provision in S. 1665 that would permit patronage dividends; and the precaution was added that interest refunds "to members of record at the close of business on December 31" be paid "subject to such regulations as may be issued by the Director." This change and another unimportant technical amendment were approved by the Credit Union National Association, and the subcommittee reported the bill favorably. It was also reported favorably by the full Committee on Banking and Currency. S. 1665 was enacted in the second session of the Eighty-third Congress and was approved on June 30, 1954 (Public Law No. 454).

At the hearings on S. 1666, the representative of the Credit Union National Association was questioned closely about the proposed amendments. The Director of the Bureau of Federal Credit Unions opposed the bill. The basis of his opposition was consistently the same as in the 1952 hearings—that the legislation-contract theory of the nature and scope of the Federal credit unions precluded any substantial change in the provisions of the original Federal Credit Union Act. A letter from the Secretary of the Department of Health, Education, and Welfare stated the position of the Department on the question of loans to directors: "The present limitation . . . has frequently been recognized as an important consideration in making a decision to organize a Federal credit union and in enlisting full support from the employer or sponsoring group."

The opposition to the freezing of examination fees was a more practical matter, having in view the objectives of the movement. The Department stated: "Since it is contemplated that the Federal credit union program will become a self-sustaining one beginning with the fiscal year 1954 it is vital that the authority to assess adequate fees remain unimpaired."

The objection to an extension of loan maturities rested in a concept of the nature of the Federal credit union as a specialized institution, rigidly restricted to caring for the short-term credit needs of the American people. S. 1666 was disapproved by the Committee, and its companion bill was also dropped.

In the second session of the Eighty-third Congress, Representative Talle introduced H. R. 9236. This bill required the board of directors of a Federal credit union to fix the amount and character of surety bonds in compliance with regulations prescribed by the Director of the Bureau of Federal Credit Unions and also gave the Director power to regulate bonding requirements. The bonding of credit union officials had been under the jurisdiction of the board of directors of the individual credit union. Under the bill, which became Public Law No. 656 on August 24, 1954, the board of directors still retains the responsibility but must operate according to Bureau regulations.

During the same session hearings were held in both Houses on S. 3683, a bill sponsored by the District of Columbia Credit Union League and introduced by Senator Case. This bill transferred from the Comptroller of the Currency to the Bureau of Federal Credit Unions the supervision and examination of District-chartered credit unions and made applicable for them the scale of fees paid by Federal credit unions. The bill was approved August 10, 1954 (Public Law No. 576).

S. 2890, providing for a regional credit union system, was introduced February 3, 1954; no action was taken.

The 1955 session of the Eighty-fourth Congress saw the introduction of only two credit union bills—companion bills S. 1641 and H. R. 5258. They provided for amending section 7 to permit a Federal credit union to invest "in shares of other credit unions in the total amount not exceeding 10 per centum of its paid-in and unimpaired capital and surplus." The Department of Health, Education, and Welfare filed an unfavorable report with the congressional committees on these bills. No hearings were held, nor was any action taken on them during the first session of the Eighty-fourth Congress.

The table summarizes the amendments to the Federal Credit Union Act through 1954. As the table shows, the amendments have served for the most part to clarify administration and to keep pace with inflation. The Federal credit union has essentially the same nature and scope as it did under the act of 1934; it is an independent, local society designed to operate in the short-term, consumer area.

OASI BENEFICIARIES

(Continued from page 9)

monthly wage was low because of part-time work or absence from work on account of disability, unemployment, or other reasons. Such periods not only lowered the average monthly wage on which benefits were based but often have made it necessary for the worker to use up savings. Some beneficiaries, of course, had worked in noncovered employment, with the result that their average monthly wage was reduced and their benefits lowered; they were probably not forced, however, to use their savings.

Two-fifths of the retired-worker beneficiaries had quit working and filed for benefits because of ill health. At the time of the interview, three-fifths said they were unable to work. One out of every 10 beneficiaries was hospitalized during the survey year, with only about a fourth of the hospitalized group covered to any degree by hospital or sickness insurance. Others were sick in bed at home. Altogether, almost two-fifths of the beneficiary groups had a member hospitalized or sick in bed at home; some married couples had both the husband and wife bedridden. Other disabled beneficiaries who were ambulatory required medical care and drugs.

A fourth of the beneficiaries in the sample had been on the benefit rolls from 6 to 12 years and half from 4 to 12 years, getting along on independent retirement incomes that were inadequate to meet their needs, particularly if they were living alone. Some —those who could—met this situation by working, usually a part of the year but a few throughout the year; others shared homes with relatives, and some of them received part of their support from the relatives; a sixth received public assistance; and a fourth supplemented their incomes by drawing on their savings during the year studied.

In the light of these facts the surprising aspect of the amount of asset holdings at the end of the survey year by old-age and survivors insurance beneficiaries is not that so many had so little, but that so many had something, especially in liquid assets. The picture emerges of beneficiaries making small economies and dipping only cautiously into their savings.