Public Law 102-242
102d Congress

An Act

To require the least-cost resolution of insured depository institutions, to improve supervision and examinations, to provide additional resources to the Bank Insurance Fund, 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.

This Act may be cited as the "Federal Deposit Insurance Corporation Improvement Act of 1991".

TITLE I—SAFETY AND SOUNDNESS

Subtitle A—Deposit Insurance Funds

SEC. 101. FUNDING FOR THE FEDERAL DEPOSIT INSURANCE FUNDS.

Section 14(a) of the Federal Deposit Insurance Act (12 U.S.C. 1824(a)) is amended by striking "$5,000,000,000" and inserting "$30,000,000,000".

SEC. 102. LIMITATION ON OUTSTANDING BORROWING.

(a) In General.—Section 15(c) of the Federal Deposit Insurance Act (12 U.S.C. 1825(c)) is amended by striking paragraphs (5) and (6) and inserting the following new paragraphs:

"(5) Maximum amount limitation on outstanding obligations.—Notwithstanding any other provisions of this Act, the Corporation may not issue or incur any obligation, if, after issuing or incurring the obligation, the aggregate amount of obligations of the Bank Insurance Fund or Savings Association Insurance Fund, respectively, outstanding would exceed the sum of—

"(A) the amount of cash or the equivalent of cash held by the Bank Insurance Fund or Savings Association Insurance Fund, respectively;

"(B) the amount which is equal to 90 percent of the Corporation’s estimate of the fair market value of assets held by the Bank Insurance Fund or the Savings Association Insurance Fund, respectively, other than assets described in subparagraph (A); and

"(C) the total of the amounts authorized to be borrowed from the Secretary of the Treasury pursuant to section 14(a).

"(6) Obligation defined.—

"(A) In general.—For purposes of paragraph (5), the term ‘obligation’ includes—

"(i) any guarantee issued by the Corporation, other than deposit guarantees;
“(ii) any amount borrowed pursuant to section 14;
and
“(iii) any other obligation for which the Corporation
has a direct or contingent liability to pay any amount.
“(B) VALUATION OF CONTINGENT LIABILITIES.—The Cor­
poration shall value any contingent liability at its expected
cost to the Corporation.”.

(b) GAO REPORTS.—
(1) QUARTERLY REPORTING.—The Comptroller General of the
United States shall submit a report each calendar quarter on
the Federal Deposit Insurance Corporation's compliance with
section 15(c)(5) of the Federal Deposit Insurance Act for the
preceding quarter to the Committee on Banking, Finance and
Urban Affairs of the House of Representatives and the Commit­
tee on Banking, Housing, and Urban Affairs of the Senate.
(2) ANALYSES TO BE INCLUDED.—Each report submitted under
paragraph (1) shall include—
(A) an analysis of the performance of the Federal Deposit
Insurance Corporation in meeting any repayment schedule
under section 14(c) of the Federal Deposit Insurance Act (as
added by section 103 of this Act); and
(B) an analysis of the actual recovery on asset sales
compared to the estimated fair market value of the assets
as determined for the purposes of section 15(c)(5)(B) of such
Act.

(c) TECHNICAL AND CONFORMING AMENDMENT.—Section 15(c) of
the Federal Deposit Insurance Act (12 U.S.C. 1825(c)) is amended by
striking paragraph (7).

SEC. 103. REPAYMENT SCHEDULE.
(a) IN GENERAL.—Section 14 of the Federal Deposit Insurance Act
(12 U.S.C. 1824) is amended by adding at the end the following new
subsection:
“(c) REPAYMENT SCHEDULES REQUIRED FOR ANY BORROWING.—
“(1) IN GENERAL.—No amount may be provided by the Sec­
retary of the Treasury to the Corporation under subsection (a)
unless an agreement is in effect between the Secretary and the
Corporation which—
“(A) provides a schedule for the repayment of the
outstanding amount of any borrowing under such subsection;
and
“(B) demonstrates that income to the Corporation from
assessments under this Act will be sufficient to amortize
the outstanding balance within the period established in
the repayment schedule and pay the interest accruing on
such balance.
“(2) CONSULTATION WITH AND REPORT TO CONGRESS.—The Sec­
retary of the Treasury and the Corporation shall—
“(A) consult with the Committee on Banking, Finance
and Urban Affairs of the House of Representatives and the
Committee on Banking, Housing, and Urban Affairs of the
Senate on the terms of any repayment schedule agreement
described in paragraph (1) relating to repayment, including
terms relating to any emergency special assessment under
section 7(b)(7); and
“(B) submit a copy of each repayment schedule agree­
ment entered into under paragraph (1) to the Committee on

12 USC 1825
note.
Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate before the end of the 30-day period beginning on the date any amount is provided by the Secretary of the Treasury to the Corporation under subsection (a).

(b) EMERGENCY SPECIAL ASSESSMENTS.—Section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended—

(1) by redesignating paragraphs (7), (8), and (9) as paragraphs (8), (9), and (10), respectively; and

(2) by inserting after paragraph (6) the following new paragraph:

"(7) EMERGENCY SPECIAL ASSESSMENTS.—In addition to the other assessments imposed on insured depository institutions under this subsection, the Corporation may impose 1 or more special assessments on insured depository institutions in an amount determined by the Corporation if the amount of any such assessment—

"(A) is necessary—

"(i) to provide sufficient assessment income to repay amounts borrowed from the Secretary of the Treasury under section 14(a) in accordance with the repayment schedule in effect under section 14(c) during the period with respect to which such assessment is imposed;

"(ii) to provide sufficient assessment income to repay obligations issued to and other amounts borrowed from Bank Insurance Fund members under section 14(d); or

"(iii) for any other purpose the Corporation may deem necessary; and

"(B) is allocated between Bank Insurance Fund members and Savings Association Insurance Fund members in amounts which reflect the degree to which the proceeds of the amounts borrowed are to be used for the benefit of the respective insurance funds."

SEC. 104. RECAPITALIZING THE BANK INSURANCE FUND.

(a) In General.—Section 7(b)(1)(C) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)(C)) is amended to read as follows:

"(C) ASSESSMENT RATES FOR BANK INSURANCE FUND MEMBERS.—

"(i) In general.—If the reserve ratio of the Bank Insurance Fund equals or exceeds the fund's designated reserve ratio under subparagraph (B), the Board of Directors shall set semiannual assessment rates for members of that fund as appropriate to maintain the reserve ratio at the designated reserve ratio.

"(ii) Special rules for recapitalizing undercapitalized fund.—If the reserve ratio of the Bank Insurance Fund is less than the designated reserve ratio under subparagraph (B), the Board of Directors shall set semiannual assessment rates for members of that fund—

"(I) that are sufficient to increase the reserve ratio for that fund to the designated reserve ratio not later than 1 year after such rates are set; or

"(II) in accordance with a schedule promulgated by the Corporation under clause (iii).
“(iii) Recapitalization schedules.—For purposes of clause (ii)(II), the Corporation shall, by regulation, promulgate a schedule that specifies, at semiannual intervals, target reserve ratios for the Bank Insurance Fund, culminating in a reserve ratio that is equal to the designated reserve ratio no later than 15 years after the date on which the schedule becomes effective.

“(iv) Amending schedule.—The Corporation may, by regulation, amend a schedule promulgated under clause (iii), but such an amendment may not extend the date for achieving the designated reserve ratio.”

(b) Assessment Rate Changes.—Section 7(b)(1)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)(A)) is amended by striking clause (iii) and inserting the following:

“(iii) Rate changes.—The Corporation shall notify each insured depository institution of that institution’s semiannual assessment. The Corporation may establish and, from time to time, adjust the assessment rates for such institutions.”

SEC. 105. BORROWING FOR BIF FROM BIF MEMBERS.

Section 14 of the Federal Deposit Insurance Act (12 U.S.C. 1824) is amended by inserting after subsection (c) (as added by section 103 of this subtitle) the following new subsection:

“(d) Borrowing for BIF from BIF Members.—

“(1) Borrowing authority.—The Corporation may issue obligations to Bank Insurance Fund members, and may borrow from Bank Insurance Fund members and give security for any amount borrowed, and may pay interest on (and any redemption premium with respect to) any such obligation or amount to the extent—

“(A) the proceeds of any such obligation or amount are used by the Corporation solely for purposes of carrying out the Corporation’s functions with respect to the Bank Insurance Fund; and

“(B) the terms of the obligation or instrument limit the liability of the Corporation or the Bank Insurance Fund for the payment of interest and the repayment of principal to the amount which is equal to the amount of assessment income received by the Fund from assessments under section 7.

“(2) Limitations on borrowing.—

“(A) Applicability of public debt limit.—For purposes of the public debt limit established in section 3101(b) of title 31, United States Code, any obligation issued, or amount borrowed, by the Corporation under paragraph (1) shall be considered to be an obligation to which such limit applies.

“(B) Applicability of FDIC borrowing limit.—For purposes of the dollar amount limitation established in section 14(a) of the Federal Deposit Insurance Act (12 U.S.C. 1824(a)), any obligation issued, or amount borrowed, by the Corporation under paragraph (1) shall be considered to be an amount borrowed from the Treasury under such section.

“(C) Interest rate limit.—The rate of interest payable in connection with any obligation issued, or amount borrowed, by the Corporation under paragraph (1) shall not exceed an amount determined by the Secretary of the Treasury,
taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities.

“(D) Obligations to be held only by BIF members.—The terms of any obligation issued by the Corporation under paragraph (1) shall provide that the obligation will be valid only if held by a Bank Insurance Fund Member.

“(3) Liability of BIF.—Any obligation issued or amount borrowed under paragraph (1) shall be a liability of the Bank Insurance Fund.

“(4) Terms and conditions.—Subject to paragraphs (1) and (2), the Corporation shall establish the terms and conditions for obligations issued or amounts borrowed under paragraph (1), including interest rates and terms to maturity.

“(5) Investment by BIF members.—

“(A) Authority to invest.—Subject to subparagraph (B) and notwithstanding any other provision of Federal law or the law of any State, any Bank Insurance Fund member may purchase and hold for investment any obligation issued by the Corporation under paragraph (1) without limitation, other than any limitation the appropriate Federal banking agency may impose specifically with respect to such obligations.

“(B) Investment only from capital and retained earnings.—Any Bank Insurance Fund member may purchase obligations or make loans to the Corporation under paragraph (1) only to the extent the purchase money or the money loaned is derived from the member's capital or retained earnings.

“(6) Accounting treatment.—In accounting for any investment in an obligation purchased from, or any loan made to, the Corporation for purposes of determining compliance with any capital standard and preparing any report required pursuant to section 7(a), the amount of such investment or loan shall be treated as an asset.”.

Subtitle B—Supervisory Reforms

SEC. 111. IMPROVED EXAMINATIONS.

(a) In General.—Section 10 of the Federal Deposit Insurance Act (12 U.S.C. 1820) is amended by inserting after subsection (c) the following new subsection:

“(d) Annual On-Site Examinations of All Insured Depository Institutions Required.—

“(1) In General.—The appropriate Federal banking agency shall, not less than once during each 12-month period, conduct a full-scope, on-site examination of each insured depository institution.

“(2) Examinations by Corporation.—Paragraph (1) shall not apply during any 12-month period in which the Corporation has conducted a full-scope, on-site examination of the insured depository institution.

“(3) State examinations acceptable.—The examinations required by paragraph (1) may be conducted in alternate 12-month periods, as appropriate, if the appropriate Federal banking agency determines that an examination of the insured
depository institution conducted by the State during the intervening 12-month period carries out the purpose of this subsection.

"(4) 18-MONTH RULE FOR CERTAIN SMALL INSTITUTIONS.—Paragraphs (1), (2), and (3) shall apply with '18-month' substituted for '12-month' if—

"(A) the insured depository institution has total assets of less than $100,000,000;
"(B) the institution is well capitalized, as defined in section 38;
"(C) when the institution was most recently examined, it was found to be well managed, and its composite condition was found to be outstanding; and
"(D) no person acquired control of the institution during the 12-month period in which a full-scope, on-site examination would be required but for this paragraph.

"(5) CERTAIN GOVERNMENT-CONTROLLED INSTITUTIONS EXEMPTED.—Paragraph (1) does not apply to—

"(A) any institution for which the Corporation is conservator; or
"(B) any bridge bank none of the voting securities of which are owned by a person or agency other than the Corporation.

"(6) CONSUMER COMPLIANCE EXAMINATIONS EXCLUDED.—For purposes of this subsection, the term 'full-scope, on-site examination' does not include a consumer compliance examination, as defined in section 41(b)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective 1 year after the date of enactment of this Act.

c) TRANSITION RULE.—Notwithstanding section 10(d) of the Federal Deposit Insurance Act (as added by subsection (a)), during the period beginning on the date of enactment of this Act and ending on December 31, 1993, a full-scope, on-site examination of an insured depository institution is not required more often than once during every 18-month period, unless—

(1) the institution, when most recently examined, was found to be in a less than satisfactory condition; or
(2) 1 or more persons acquired control of the institution.

(d) EXAMINATION IMPROVEMENT PROGRAM.—

(1) IN GENERAL.—The appropriate Federal banking agencies, acting through the Federal Financial Institutions Examination Council, shall each establish a comparable examination improvement program that meets the requirements of paragraph (2).

(2) REQUIREMENTS.—An examination improvement program meets the requirements of this paragraph if, under the program, the agency is required—

(A) to periodically review the organization and training of the staff of the agency who are responsible for conducting examinations of insured depository institutions and to make such improvements as the agency determines to be appropriate to ensure frequent, objective, and thorough examinations of such institutions; and
(B) to increase the number of examiners, supervisors, and other individuals employed by the agency in connection with conducting or supervising examinations of insured depository institutions to the extent necessary to ensure
frequent, objective, and thorough examinations of such institutions.

(e) Technical and Conforming Amendment.—Section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) is amended to read as follows:

"(s) Definitions Relating to Foreign Banks and Branches.—

"(1) Foreign bank.—The term 'foreign bank' has the meaning given to such term by section 1(b)(7) of the International Banking Act of 1978.

"(2) Federal branch.—The term 'Federal branch' has the meaning given to such term by section 1(b)(6) of the International Banking Act of 1978.

"(3) Insured branch.—The term 'insured branch' means any branch (as defined in section 1(b)(3) of the International Banking Act of 1978) of a foreign bank any deposits in which are insured pursuant to this Act."

SEC. 112. INDEPENDENT ANNUAL AUDITS OF INSURED DEPOSITORY INSTITUTIONS.

(a) In General.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding at the end the following new section:

12 USC 1831m.

"SEC. 36. EARLY IDENTIFICATION OF NEEDED IMPROVEMENTS IN FINANCIAL MANAGEMENT.

"(a) Annual Report on Financial Condition and Management.—

"(1) Report required.—Each insured depository institution shall submit an annual report to the Corporation, the appropriate Federal banking agency, and any appropriate State bank supervisor (including any State bank supervisor of a host State).

"(2) Contents of report.—Any annual report required under paragraph (1) shall contain—

"(A) the information required to be provided by—

"(i) the institution's management under subsection (b); and

"(ii) an independent public accountant under subsections (c) and (d); and

"(B) such other information as the Corporation and the appropriate Federal banking agency may determine to be necessary to assess the financial condition and management of the institution.

"(3) Public Availability.—Any annual report required under paragraph (1) shall be available for public inspection.

"(b) Management Responsibility for Financial Statements and Internal Controls.—Each insured depository institution shall prepare—

"(1) annual financial statements in accordance with generally accepted accounting principles and such other disclosure requirements as the Corporation and the appropriate Federal banking agency may prescribe; and

"(2) a report signed by the chief executive officer and the chief accounting or financial officer of the institution which contains—

"(A) a statement of the management's responsibilities for—

"(i) preparing financial statements;
“(ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting; and
“(iii) complying with the laws and regulations relating to safety and soundness which are designated by the Corporation or the appropriate Federal banking agency; and
“(B) an assessment, as of the end of the institution's most recent fiscal year, of—
“(i) the effectiveness of such internal control structure and procedures; and
“(ii) the institution's compliance with the laws and regulations relating to safety and soundness which are designated by the Corporation and the appropriate Federal banking agency.

“(c) Internal Control Evaluation and Reporting Requirements for Independent Public Accountants.—
“(1) In General.—With respect to any internal control report required by subsection (b)(2) of any institution, the institution’s independent public accountant shall attest to, and report separately on, the assertions of the institution’s management contained in such report.
“(2) Attestation Requirements.—Any attestation pursuant to paragraph (1) shall be made in accordance with generally accepted standards for attestation engagements.

“(d) Annual Independent Audits of Financial Statements.—
“(1) Audits Required.—The Corporation, in consultation with the appropriate Federal banking agencies, shall prescribe regulations requiring that each insured depository institution shall have an annual independent audit made of the institution’s financial statements by an independent public accountant in accordance with generally accepted auditing standards and section 37.
“(2) Scope of Audit.—In connection with any audit under this subsection, the independent public accountant shall determine and report whether the financial statements of the institution—
“(A) are presented fairly in accordance with generally accepted accounting principles; and
“(B) comply with such other disclosure requirements as the Corporation and the appropriate Federal banking agency may prescribe.
“(3) Requirements for Insured Subsidiaries of Holding Companies.—The requirements for an independent audit under this subsection may be satisfied for insured depository institutions that are subsidiaries of a holding company by an independent audit of the holding company.

“(e) Detecting and Reporting Violations of Laws and Regulations.—
“(1) In General.—An independent public accountant shall apply procedures agreed upon by the Corporation to objectively determine the extent of the compliance of any insured depository institution or depository institution holding company with laws and regulations designated by the Corporation, in consultation with the appropriate Federal banking agencies.
“(2) Attestation Requirements.—Any attestation pursuant to paragraph (1) shall be made in accordance with generally accepted standards for attestation engagements.
“(f) Form and Content of Reports and Auditing Standards.—
“(1) IN GENERAL.—The scope of each report by an independent public accountant pursuant to this section, and the procedures followed in preparing such report, shall meet or exceed the scope and procedures required by generally accepted auditing standards and other applicable standards recognized by the Corporation.
“(2) Consultation.—The Corporation shall consult with the other appropriate Federal banking agencies in implementing this subsection.
“(g) Improved Accountability.—
“(1) Independent Audit Committee.—
“(A) Establishment.—Each insured depository institution (to which this section applies) shall have an independent audit committee entirely made up of outside directors who are independent of management of the institution, and who satisfy any specific requirements the Corporation may establish.
“(B) Duties.—An independent audit committee’s duties shall include reviewing with management and the independent public accountant the basis for the reports issued under subsections (b)(2), (c), and (d).
“(C) Criteria Applicable to Committees of Large Insured Depository Institutions.—In the case of each insured depository institution which the Corporation determines to be a large institution, the audit committee required by subparagraph (A) shall—
“(i) include members with banking or related financial management expertise;
“(ii) have access to the committee’s own outside counsel; and
“(iii) not include any large customers of the institution.
“(2) Review of Quarterly Reports of Large Insured Depository Institutions.—
“(A) In General.—In the case of any insured depository institution which the Corporation has determined to be a large institution, the Corporation may require the independent public accountant retained by such institution to perform reviews of the institution’s quarterly financial reports in accordance with procedures agreed upon by the Corporation.
“(B) Report to Audit Committee.—The independent public accountant referred to in subparagraph (A) shall provide the audit committee of the insured depository institution with reports on the reviews under such subparagraph and the audit committee shall provide such reports to the Corporation, any appropriate Federal banking agency, and any appropriate State bank supervisor.
“(C) Limitation on Notice.—Reports provided under subparagraph (B) shall be only for the information and use of the insured depository institution, the Corporation, any appropriate Federal banking agency, and any State bank supervisor that received the report.
“(3) Qualifications of Independent Public Accountants.—
"(A) IN GENERAL.—All audit services required by this section shall be performed only by an independent public accountant who—

"(i) has agreed to provide related working papers, policies, and procedures to the Corporation, an appropriate Federal banking agency, and any State bank supervisor, if requested; and

"(ii) has received a peer review that meets guidelines acceptable to the Corporation.

"(B) REPORTS ON PEER REVIEWS.—Reports on peer reviews shall be filed with the Corporation and made available for public inspection.

"(4) ENFORCEMENT ACTIONS.—

"(A) IN GENERAL.—In addition to any authority contained in section 8, the Corporation or an appropriate Federal banking agency may remove, suspend, or bar an independent public accountant, upon a showing of good cause, from performing audit services required by this section.

"(B) JOINT RULEMAKING.—The appropriate Federal banking agencies shall jointly issue rules of practice to implement this paragraph.

"(5) NOTICE BY ACCOUNTANT OF TERMINATION OF SERVICES.—

Any independent public accountant performing an audit under this section who subsequently ceases to be the accountant for the institution shall promptly notify the Corporation pursuant to such rules as the Corporation shall prescribe.

"(h) EXCHANGE OF REPORTS AND INFORMATION.—

"(1) REPORT TO THE INDEPENDENT AUDITOR.—

"(A) IN GENERAL.—Each insured depository institution which has engaged the services of an independent auditor to audit such institution shall transmit to the auditor a copy of the most recent report of condition made by the institution (pursuant to this Act or any other provision of law) and a copy of the most recent report of examination received by the institution.

"(B) ADDITIONAL INFORMATION.—In addition to the copies of the reports required to be provided under subparagraph (A), each insured depository institution shall provide the auditor with—

"(i) a copy of any supervisory memorandum of understanding with such institution and any written agreement between such institution and any appropriate Federal banking agency or any appropriate State bank supervisor which is in effect during the period covered by the audit; and

"(ii) a report of—

"(I) any action initiated or taken by the appropriate Federal banking agency or the Corporation during such period under subsection (a), (b), (c), (e), (g), (i), (s), or (t) of section 8;

"(II) any action taken by any appropriate State bank supervisor under State law which is similar to any action referred to in subclause (I); or

"(III) any assessment of any civil money penalty under any other provision of law with respect to the institution or any institution-affiliated party.

"(2) REPORTS TO BANKING AGENCIES.—
"(A) Independent Auditor Reports.—Each insured depository institution shall provide to the Corporation, any appropriate Federal banking agency, and any appropriate State bank supervisor, a copy of each audit report and any qualification to such report, any management letter, and any other report within 15 days of receipt of any such report, qualification, or letter from the institution's independent auditors.

"(B) Notice of Change of Auditor.—Each insured depository institution shall provide written notification to the Corporation, the appropriate Federal banking agency, and any appropriate State bank supervisor of the resignation or dismissal of the institution's independent auditor or the engagement of a new independent auditor by the institution, including a statement of the reasons for such change within 15 calendar days of the occurrence of the event.

"(i) Requirements for Insured Subsidiaries of Holding Companies.—Except with respect to any audit requirements established under or pursuant to subsection (d), the requirements of this section may be satisfied for insured depository institutions that are subsidiaries of a holding company, if—

"(1) services and functions comparable to those required under this section are provided at the holding company level; and

"(2) either—

"(A) the institution has total assets, as of the beginning of such fiscal year, of less than $5,000,000,000; or

"(B) the institution—

"(i) has total assets, as of the beginning of such fiscal year, of more than $5,000,000,000 and less than $9,000,000,000; and

"(ii) has a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (or an equivalent rating by any such agency under a comparable rating system) as of the most recent examination of such institution by the Corporation or the appropriate Federal banking agency.

"(j) Exemption for Small Depository Institutions.—This section shall not apply with respect to any fiscal year of any insured depository institution the total assets of which, as of the beginning of such fiscal year, are less than the greater of—

"(1) $150,000,000; or

"(2) such amount (in excess of $150,000,000) as the Corporation may prescribe by regulation.

(b) Effective Date.—The requirements established by the amendment made by subsection (a) shall apply with respect to fiscal years of insured depository institutions which begin after December 31, 1992.

SEC. 113. ASSESSMENTS REQUIRED TO COVER COSTS OF EXAMINATIONS.

(a) In General.—Section 10 of the Federal Deposit Insurance Act (12 U.S.C. 1820) is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by inserting after subsection (d) (as added by section 111(a)(1) of this subtitle) the following new subsection:

"(e) Examination Fees.—
“(1) Regular and special examinations of depository institutions.—The cost of conducting any regular examination or special examination of any depository institution under subsection (b)(2), (b)(3), or (d) may be assessed by the Corporation against the institution to meet the Corporation’s expenses in carrying out such examinations.

“(2) Examination of affiliates.—The cost of conducting any examination of any affiliate of any insured depository institution under subsection (b)(4) may be assessed by the Corporation against each affiliate which is examined to meet the Corporation’s expenses in carrying out such examination.

“(3) Assessment against depository institution in case of affiliate’s refusal to pay.—

“(A) In general.—Subject to subparagraph (B), if any affiliate of any insured depository institution—

“(i) refuses to pay any assessment under paragraph (2); or

“(ii) fails to pay any such assessment before the end of the 60-day period beginning on the date the affiliate receives notice of the assessment,

the Corporation may assess such cost against, and collect such cost from, the depository institution.

“(B) Affiliate of more than 1 depository institution.—If any affiliate referred to in subparagraph (A) is an affiliate of more than 1 insured depository institution, the assessment under subparagraph (A) may be assessed against the depository institutions in such proportions as the Corporation determines to be appropriate.

“(4) Civil money penalty for affiliate’s refusal to cooperate.—

“(A) Penalty imposed.—If any affiliate of any insured depository institution—

“(i) refuses to permit an examiner appointed by the Board of Directors under subsection (b)(1) to conduct an examination; or

“(ii) refuses to provide any information required to be disclosed in the course of any examination,

the depository institution shall forfeit and pay a penalty of not more than $5,000 for each day that any such refusal continues.

“(B) Assessment and collection.—Any penalty imposed under subparagraph (A) shall be assessed and collected by the Corporation in the manner provided in section 8(i)(2).

“(5) Deposits of examination assessment.—Amounts received by the Corporation under this subsection (other than paragraph (4)) may be deposited in the manner provided in section 13.”.

(b) Examinations of Applicants for Deposit Insurance.—Section 10(b)(2)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1820(b)(2)(B)) is amended to read as follows:

“(B) any depository institution which files an application with the Corporation to become an insured depository institution;”.

(c) Technical and Conforming Amendment.—

(1) Section 7(b)(10) of the Federal Deposit Insurance Act (as so redesignated by section 103(b) of this Act) is amended by inserting “or section 10(e)” after “under this section”.

PUBLIC LAW 102-242—DEC. 19, 1991 105 STAT. 2247
(2) Section 10(b)(4)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1820(b)(4)(A)) is amended by striking “insured” each place such term appears.

SEC. 114. EXAMINATION AND SUPERVISION FEES FOR NATIONAL BANKS AND SAVINGS ASSOCIATIONS.

(a) In General.—Section 5240 of the Revised Statutes (12 U.S.C. 482) is amended—

(1) by striking the 4th undesignated paragraph and inserting the following:

“The Comptroller of the Currency may impose and collect assessments, fees, or other charges as necessary or appropriate to carry out the responsibilities of the duties of the Comptroller. Such assessments, fees, and other charges shall be set to meet the Comptroller’s expenses in carrying out authorized activities.”;

(2) by striking “In addition to the expense of examination” and all that follows through “to cover the expense thereof.”.

(b) Technical Amendment.—Section 5240 of the Revised Statutes is amended in the 2d undesignated paragraph (12 U.S.C. 481)—

(1) by striking the 2d sentence;

(2) by striking the 3d sentence and inserting “If any affiliate of a national bank refuses to pay any assessments, fees, or other charges imposed by the Comptroller of the Currency pursuant to this section or fails to make such payment not later than 60 days after the date on which they are imposed, the Comptroller of the Currency may impose such assessments, fees, or charges against the affiliated national bank, and such assessments, fees, or charges shall be paid by such national bank. If the affiliation is with 2 or more national banks, such assessments, fees, or charges may be imposed on, and collected from, any or all of such national banks in such proportions as the Comptroller of the Currency may prescribe.”;

(3) in the 4th sentence, by inserting “or from other fees or charges imposed pursuant to this section” after “assessments on banks or affiliates thereof”; and

(4) in the 5th sentence—

(A) by inserting “, fees, or charges” before “may be deposited”; and

(B) by inserting “or of other fees or charges imposed pursuant to this section” before the period.

(c) Assessment Authority of the Office of Thrift Supervision.—Section 9 of the Home Owners’ Loan Act (12 U.S.C. 1467) is amended—

(1) by striking subsections (a) and (b) and inserting the following:

“(a) Examination of Savings Associations.—The cost of conducting examinations of savings associations pursuant to section 5(d) shall be assessed by the Director against each such savings association as the Director deems necessary or appropriate.

“(b) Examination of Affiliates.—The cost of conducting examinations of affiliates of savings associations pursuant to this Act may be assessed by the Director against each affiliate that is examined as the Director deems necessary or appropriate.”;

(2) by amending subsection (k) to read as follows:

“(k) Fees for Examinations and Supervisory Activities.—The Director may assess against institutions for which the Director is the appropriate Federal banking agency, as defined in section 3 of
the Federal Deposit Insurance Act, fees to fund the direct and indirect expenses of the Office as the Director deems necessary or appropriate. The fees may be imposed more frequently than annually at the discretion of the Director.”.

SEC. 115. APPLICATION TO FDIC REQUIRED FOR INSURANCE.

(a) In General.—Section 5 of the Federal Deposit Insurance Act (12 U.S.C. 1815(a)) is amended by striking all that precedes subsection (b) and inserting the following:

“SEC. 5. DEPOSIT INSURANCE.

“(a) Application to Corporation Required.—

“(1) In general.—Except as provided in paragraphs (2) and (3), any depository institution which is engaged in the business of receiving deposits other than trust funds (as defined in section 3(p)), upon application to and examination by the Corporation and approval by the Board of Directors, may become an insured depository institution.

“(2) Interim Depository Institutions.—In the case of any interim Federal depository institution that is chartered by the appropriate Federal banking agency and will not open for business, the depository institution shall be an insured depository institution upon the issuance of the institution’s charter by the agency.

“(3) Application and Approval Not Required in Cases of Continued Insurance.—Paragraph (1) shall not apply in the case of any depository institution whose insured status is continued pursuant to section 4.

“(4) Review Requirements.—In reviewing any application under this subsection, the Board of Directors shall consider the factors described in section 6 in determining whether to approve the application for insurance.

“(5) Notice of Denial of Application for Insurance.—If the Board of Directors votes to deny any application for insurance by any depository institution, the Board of Directors shall promptly notify the appropriate Federal banking agency and, in the case of any State depository institution, the appropriate State banking supervisor of the denial of such application, giving specific reasons in writing for the Board of Directors’ determination with reference to the factors described in section 6.

“(6) Nondelegation Requirement.—The authority of the Board of Directors to make any determination to deny any application under this subsection may not be delegated by the Board of Directors.”.

(b) Continuation of Insurance Upon Becoming a Member Bank.—4(b) of the Federal Deposit Insurance Act (12 U.S.C. 1814(b)) is amended to read as follows:

“(b) Continuation of Insurance Upon Becoming a Member Bank.—In the case of an insured bank which is admitted to membership in the Federal Reserve System or an insured State bank which is converted into a national member bank, the bank shall continue as an insured bank.”.
Subtitle C—Accounting Reforms

SEC. 121. ACCOUNTING OBJECTIVES, STANDARDS, AND REQUIREMENTS.

(a) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 36 (as added by section 112 of this title) the following new section:

12 USC 1831n. “SEC. 37. ACCOUNTING OBJECTIVES, STANDARDS, AND REQUIREMENTS.

“(a) IN GENERAL.—

“(1) OBJECTIVES.—Accounting principles applicable to reports or statements required to be filed with Federal banking agencies by insured depository institutions should—

“(A) result in financial statements and reports of condition that accurately reflect the capital of such institutions;

“(B) facilitate effective supervision of the institutions; and

“(C) facilitate prompt corrective action to resolve the institutions at the least cost to the insurance funds.

“(2) STANDARDS.—

“(A) UNIFORM ACCOUNTING PRINCIPLES CONSISTENT WITH GAAP.—Subject to the requirements of this Act and any other provision of Federal law, the accounting principles applicable to reports or statements required to be filed with Federal banking agencies by all insured depository institutions shall be uniform and consistent with generally accepted accounting principles.

“(B) STRINGENCY.—If the appropriate Federal banking agency or the Corporation determines that the application of any generally accepted accounting principle to any insured depository institution is inconsistent with the objectives described in paragraph (1), the agency or the Corporation may, with respect to reports or statements required to be filed with such agency or Corporation, prescribe an accounting principle which is applicable to such institutions which is no less stringent than generally accepted accounting principles.

“(3) REVIEW AND IMPLEMENTATION OF ACCOUNTING PRINCIPLES REQUIRED.—Before the end of the 1-year period beginning on the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991, each appropriate Federal banking agency shall take the following actions:

“(A) REVIEW OF ACCOUNTING PRINCIPLES.—Review—

“(i) all accounting principles used by depository institutions with respect to reports or statements required to be filed with a Federal banking agency;

“(ii) all requirements established by the agency with respect to such accounting procedures; and

“(iii) the procedures and format for reports to the agency, including reports of condition.

“(B) MODIFICATION OF NONCOMPLYING MEASURES.—Modify or eliminate any accounting principle or reporting requirement of such Federal agency which the agency determines fails to comply with the objectives and standards established under paragraphs (1) and (2).

“(C) INCLUSION OF ‘OFF BALANCE SHEET’ ITEMS.—Develop and prescribe regulations which require that all assets and
liabilities, including contingent assets and liabilities, of insured depository institutions be reported in, or otherwise taken into account in the preparation of any balance sheet, financial statement, report of condition, or other report of such institution, required to be filed with a Federal banking agency.

"(D) Market value disclosure.—Develop jointly with the other appropriate Federal banking agencies a method for insured depository institutions to provide supplemental disclosure of the estimated fair market value of assets and liabilities, to the extent feasible and practicable, in any balance sheet, financial statement, report of condition, or other report of any insured depository institution required to be filed with a Federal banking agency.

"(b) Uniform Accounting of Capital Standards.—
"(1) In general.—Each appropriate Federal banking agency shall maintain uniform accounting standards to be used for determining compliance with statutory or regulatory requirements of depository institutions.

"(2) Transition provision.—Any standards in effect on the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991 under section 1215 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 shall continue in effect after such date of enactment until amended by the appropriate Federal banking agency under paragraph (1).

"(c) Reports to Banking Committees.—
"(1) Annual reports required.—Each appropriate Federal banking agency shall annually submit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing a description of any difference between any accounting or capital standard used by such agency and any accounting or capital standard used by any other agency.

"(2) Explanation of reasons for discrepancy.—Each report submitted under paragraph (1) shall contain an explanation of the reasons for any discrepancy between any accounting or capital standard used by such agency and any accounting or capital standard used by any other agency.

"(3) Publication.—Each report under this subsection shall be published in the Federal Register.”.

(b) Repeal of provision superseded by subsection (a) Amendments.—Section 1215 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1833d) is hereby repealed.

SEC. 122. SMALL BUSINESS AND SMALL FARM LOAN INFORMATION.

(a) In general.—Before the end of the 180-day period beginning on the date of the enactment of this Act, the appropriate Federal banking agency shall prescribe regulations requiring insured depository institutions to annually submit information on small businesses and small farm lending in their reports of condition.

(b) Credit availability.—The regulations prescribed under subsection (a) shall require insured depository institutions to submit such information as the agency may need to assess the availability of credit to small businesses and small farms.
(d) CONTENTS.—The information required under subsection (a) may include information regarding the following:

(1) The total number and aggregate dollar amount of commercial loans and commercial mortgage loans to small businesses.

(2) Charge-offs, interest, and interest fee income on commercial loans and commercial mortgage loans to small businesses.

(3) Agricultural loans to small farms.

SEC. 123. FDIC PROPERTY DISPOSITION STANDARDS.

(a) IN GENERAL.—Section 11(d)(13) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(13)) is amended by adding at the end the following new subparagraph:

"(E) DISPOSITION OF ASSETS.—In exercising any right, power, privilege, or authority as conservator or receiver in connection with any sale or disposition of assets of any insured depository institution for which the Corporation has been appointed conservator or receiver, including any sale or disposition of assets acquired by the Corporation under section 13(d)(1), the Corporation shall conduct its operations in a manner which—

"(i) maximizes the net present value return from the sale or disposition of such assets;

"(ii) minimizes the amount of any loss realized in the resolution of cases;

"(iii) ensures adequate competition and fair and consistent treatment of offerors;

"(iv) prohibits discrimination on the basis of race, sex, or ethnic groups in the solicitation and consideration of offers; and

"(v) maximizes the preservation of the availability and affordability of residential real property for low-and moderate-income individuals.”.

(b) CORPORATE CAPACITY.—Section 13(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1823(d)(3)) is amended by adding at the end the following new subparagraph:

"(D) DISPOSITION OF ASSETS.—In exercising any right, power, privilege, or authority described in subparagraph (A) regarding the sale or disposition of assets sold to the Corporation pursuant to paragraph (1), the Corporation shall conduct its operations in a manner which—

"(i) maximizes the net present value return from the sale or disposition of such assets;

"(ii) minimizes the amount of any loss realized in the resolution of cases;

"(iii) ensures adequate competition and fair and consistent treatment of offerors;

"(iv) prohibits discrimination on the basis of race, sex, or ethnic groups in the solicitation and consideration of offers; and

"(v) maximizes the preservation of the availability and affordability of residential real property for low-and moderate-income individuals.”.
Subtitle D—Prompt Regulatory Action

SEC. 131. PROMPT REGULATORY ACTION.

(a) E\(\textit{stablishing S}\textit{ystem of P}\textit{rompt C}\textit{orrective A}\textit{ction}.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding after section 37 (as added by section 121 of this Act) the following new section:

"SEC. 38. PROMPT CORRECTIVE ACTION.

"(a) Resolving Problems To Protect Deposit Insurance Funds.—

"(1) Purpose.—The purpose of this section is to resolve the problems of insured depository institutions at the least possible long-term loss to the deposit insurance fund.

"(2) Prompt corrective action required.—Each appropriate Federal banking agency and the Corporation (acting in the Corporation's capacity as the insurer of depository institutions under this Act) shall carry out the purpose of this section by taking prompt corrective action to resolve the problems of insured depository institutions.

"(b) Definitions.—For purposes of this section:

"(1) Capital categories.—

"(A) Well capitalized.—An insured depository institution is 'well capitalized' if it significantly exceeds the required minimum level for each relevant capital measure.

"(B) Adequately capitalized.—An insured depository institution is 'adequately capitalized' if it meets the required minimum level for each relevant capital measure.

"(C) Undercapitalized.—An insured depository institution is 'undercapitalized' if it fails to meet the required minimum level for any relevant capital measure.

"(D) Significantly undercapitalized.—An insured depository institution is 'significantly undercapitalized' if it is significantly below the required minimum level for any relevant capital measure.

"(E) Critically undercapitalized.—An insured depository institution is 'critically undercapitalized' if it fails to meet any level specified under subsection (c)(3)(A).

"(2) Other definitions.—

"(A) Average.—

"(i) In general.—The 'average' of an accounting item (such as total assets or tangible equity) during a given period means the sum of that item at the close of business on each business day during that period divided by the total number of business days in that period.

"(ii) Agency may permit weekly averaging for certain institutions.—In the case of insured depository institutions that have total assets of less than $300,000,000 and normally file reports of condition reflecting weekly (rather than daily) averages of accounting items, the appropriate Federal banking agency may provide that the 'average' of an accounting item during a given period means the sum of that item at the close of business on the relevant business day.
each week during that period divided by the total number of weeks in that period.

"(B) CAPITAL DISTRIBUTION.—The term 'capital distribution' means—

"(i) a distribution of cash or other property by any insured depository institution or company to its owners made on account of that ownership, but not including—

"(I) any dividend consisting only of shares of the institution or company or rights to purchase such shares; or

"(II) any amount paid on the deposits of a mutual or cooperative institution that the appropriate Federal banking agency determines is not a distribution for purposes of this section;

"(iii) a payment by an insured depository institution or company to repurchase, redeem, retire, or otherwise acquire any of its shares or other ownership interests, including any extension of credit to finance an affiliated company’s acquisition of those shares or interests; or

"(iii) a transaction that the appropriate Federal banking agency or the Corporation determines, by order or regulation, to be in substance a distribution of capital to the owners of the insured depository institution or company.

"(C) CAPITAL RESTORATION PLAN.—The term 'capital restoration plan' means a plan submitted under subsection(e)(2).

"(D) COMPANY.—The term 'company' has the same meaning as in section 2 of the Bank Holding Company Act of 1956.

"(E) COMPENSATION.—The term 'compensation' includes any payment of money or provision of any other thing of value in consideration of employment.

"(F) RELEVANT CAPITAL MEASURE.—The term 'relevant capital measure' means the measures described in subsection (c).

"(G) REQUIRED MINIMUM LEVEL.—The term 'required minimum level' means, with respect to each relevant capital measure, the minimum acceptable capital level specified by the appropriate Federal banking agency by regulation.

"(H) SENIOR EXECUTIVE OFFICER.—The term 'senior executive officer' has the same meaning as the term 'executive officer' in section 22(h) of the Federal Reserve Act.

"(I) SUBORDINATED DEBT.—The term 'subordinated debt' means debt subordinated to the claims of general creditors.

"(c) CAPITAL STANDARDS.—

"(1) RELEVANT CAPITAL MEASURES.—

"(A) IN GENERAL.—Except as provided in subparagraph (B)(ii), the capital standards prescribed by each appropriate Federal banking agency shall include—

"(i) a leverage limit; and

"(ii) a risk-based capital requirement.

"(B) OTHER CAPITAL MEASURES.—An appropriate Federal banking agency may, by regulation—
“(i) establish any additional relevant capital measures to carry out the purpose of this section; or
“(ii) rescind any relevant capital measure required under subparagraph (A) upon determining (with the concurrence of the other Federal banking agencies) that the measure is no longer an appropriate means for carrying out the purpose of this section.

“(2) Capital categories generally.—Each appropriate Federal banking agency shall, by regulation, specify for each relevant capital measure the levels at which an insured depository institution is well capitalized, adequately capitalized, undercapitalized, and significantly undercapitalized.

“(3) Critical capital.—
“(A) Agency to specify level.—
“(i) Leverage limit.—Each appropriate Federal banking agency shall, by regulation, in consultation with the Corporation, specify the ratio of tangible equity to total assets at which an insured depository institution is critically undercapitalized.
“(ii) Other relevant capital measures.—The agency may, by regulation, specify for 1 or more other relevant capital measures, the level at which an insured depository institution is critically undercapitalized.

“(B) Leverage limit range.—The level specified under subparagraph (A)(i) shall require tangible equity in an amount—
“(i) not less than 2 percent of total assets; and
“(ii) except as provided in clause (i), not more than 65 percent of the required minimum level of capital under the leverage limit.

“(C) FDIC's concurrence required.—The appropriate Federal banking agency shall not, without the concurrence of the Corporation, specify a level under subparagraph (A)(i) lower than that specified by the Corporation for State nonmember insured banks.

“(d) Provisions Applicable to All Institutions.—
“(1) Capital distributions restricted.—
“(A) In general.—An insured depository institution shall make no capital distribution if, after making the distribution, the institution would be undercapitalized.
“(B) Exception.—Notwithstanding subparagraph (A), the appropriate Federal banking agency may permit, after consultation with the Corporation, an insured depository institution to repurchase, redeem, retire, or otherwise acquire shares or ownership interests if the repurchase, redemption, retirement, or other acquisition—
“(i) is made in connection with the issuance of additional shares or obligations of the institution in at least an equivalent amount; and
“(ii) will reduce the institution’s financial obligations or otherwise improve the institution’s financial condition.

“(2) Management fees restricted.—An insured depository institution shall pay no management fee to any person having control of that institution if, after making the payment, the institution would be undercapitalized.
"(e) **Provisions Applicable to Undercapitalized Institutions.**—

"(1) Monitoring Required.—Each appropriate Federal banking agency shall—

"(A) closely monitor the condition of any undercapitalized insured depository institution;

"(B) closely monitor compliance with capital restoration plans, restrictions, and requirements imposed under this section; and

"(C) periodically review the plan, restrictions, and requirements applicable to any undercapitalized insured depository institution to determine whether the plan, restrictions, and requirements are achieving the purpose of this section.

"(2) Capital Restoration Plan Required.—

"(A) in General.—Any undercapitalized insured depository institution shall submit an acceptable capital restoration plan to the appropriate Federal banking agency within the time allowed by the agency under subparagraph (D).

"(B) Contents of Plan.—The capital restoration plan shall—

"(i) specify—

"(I) the steps the insured depository institution will take to become adequately capitalized;

"(II) the levels of capital to be attained during each year in which the plan will be in effect;

"(III) how the institution will comply with the restrictions or requirements then in effect under this section; and

"(IV) the types and levels of activities in which the institution will engage; and

"(ii) contain such other information as the appropriate Federal banking agency may require.

"(C) Criteria for Accepting Plan.—The appropriate Federal banking agency shall not accept a capital restoration plan unless the agency determines that—

"(i) the plan—

"(I) complies with subparagraph (B);

"(II) is based on realistic assumptions, and is likely to succeed in restoring the institution's capital; and

"(III) would not appreciably increase the risk (including credit risk, interest-rate risk, and other types of risk) to which the institution is exposed; and

"(ii) if the insured depository institution is undercapitalized, each company having control of the institution has—

"(I) guaranteed that the institution will comply with the plan until the institution has been adequately capitalized on average during each of 4 consecutive calendar quarters; and

"(II) provided appropriate assurances of performance.

"(D) Deadlines for Submission and Review of Plans.—
The appropriate Federal banking agency shall by regulation establish deadlines that—
“(i) provide insured depository institutions with reasonable time to submit capital restoration plans, and generally require an institution to submit a plan not later than 45 days after the institution becomes undercapitalized; and
“(ii) require the agency to act on capital restoration plans expeditiously, and generally not later than 60 days after the plan is submitted; and
“(iii) require the agency to submit a copy of any plan approved by the agency to the Corporation before the end of the 45-day period beginning on the date such approval is granted.

“(E) GuARANTEE liability limited.—
“(i) In general.—The aggregate liability under subparagraph (C)(ii) of all companies having control of an insured depository institution shall be the lesser of—
“(I) an amount equal to 5 percent of the institution's total assets at the time the institution became undercapitalized; or
“(II) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time the institution fails to comply with a plan under this subsection.
“(ii) Certain affiliates not affected.—This paragraph may not be construed as—
“(I) requiring any company not having control of an undercapitalized insured depository institution to guarantee, or otherwise be liable on, a capital restoration plan; 
“(II) requiring any person other than an insured depository institution to submit a capital restoration plan; or
“(III) affecting compliance by brokers, dealers, government securities brokers, and government securities dealers with the financial responsibility requirements of the Securities Exchange Act of 1934 and regulations and orders thereunder.

“(3) Asset growth restricted.—An undercapitalized insured depository institution shall not permit its average total assets during any calendar quarter to exceed its average total assets during the preceding calendar quarter unless—
“(A) the appropriate Federal banking agency has accepted the institution's capital restoration plan;
“(B) any increase in total assets is consistent with the plan; and
“(C) the institution's ratio of tangible equity to assets increases during the calendar quarter at a rate sufficient to enable the institution to become adequately capitalized within a reasonable time.

“(4) Prior approval required for acquisitions, branching, and new lines of business.—An undercapitalized insured depository institution shall not, directly or indirectly, acquire any interest in any company or insured depository institution,
establish or acquire any additional branch office, or engage in any new line of business unless—

"(A) the appropriate Federal banking agency has accepted the insured depository institution's capital restoration plan, the institution is implementing the plan, and the agency determines that the proposed action is consistent with and will further the achievement of the plan; or

"(B) the Board of Directors determines that the proposed action will further the purpose of this section.

"(5) DISCRETIONARY SAFEGUARDS.—The appropriate Federal banking agency may, with respect to any undercapitalized insured depository institution, take actions described in any subparagraph of subsection (f)(2) if the agency determines that those actions are necessary to carry out the purpose of this section.

"(f) PROVISIONS APPLICABLE TO SIGNIFICANTLY UNDERCAPITALIZED INSTITUTIONS AND UNDERCAPITALIZED INSTITUTIONS THAT FAIL TO SUBMIT AND IMPLEMENT CAPITAL RESTORATION PLANS.—

"(1) IN GENERAL.—This subsection shall apply with respect to any insured depository institution that—

"(A) is significantly undercapitalized; or

"(B) is undercapitalized and—

"(i) fails to submit an acceptable capital restoration plan within the time allowed by the appropriate Federal banking agency under subsection (e)(2)(D); or

"(ii) fails in any material respect to implement a plan accepted by the agency.

"(2) SPECIFIC ACTIONS AUTHORIZED.—The appropriate Federal banking agency shall carry out this section by taking 1 or more of the following actions:

"(A) REQUIRING RECAPITALIZATION.—Doing 1 or more of the following:

"(i) Requiring the institution to sell enough shares or obligations of the institution so that the institution will be adequately capitalized after the sale.

"(ii) Further requiring that instruments sold under clause (i) be voting shares.

"(iii) Requiring the institution to be acquired by a depository institution holding company, or to combine with another insured depository institution, if 1 or more grounds exist for appointing a conservator or receiver for the institution.

"(B) RESTRICTING TRANSACTIONS WITH AFFILIATES.—

"(i) Requiring the institution to comply with section 23A of the Federal Reserve Act as if subsection (d)(1) of that section (exempting transactions with certain affiliated institutions) did not apply.

"(ii) Further restricting the institution's transactions with affiliates.

"(C) RESTRICTING INTEREST RATES PAID.—

"(i) IN GENERAL.—Restricting the interest rates that the institution pays on deposits to the prevailing rates of interest on deposits of comparable amounts and maturities in the region where the institution is located, as determined by the agency.

"(ii) RETROACTIVE RESTRICTIONS PROHIBITED.—This subparagraph does not authorize the agency to restrict
interest rates paid on time deposits made before (and not renewed or renegotiated after) the agency acted under this subparagraph.

"(D) Restricting Asset Growth.—Restricting the institution's asset growth more stringently than subsection (e)(3), or requiring the institution to reduce its total assets.

"(E) Restricting Activities.—Requiring the institution or any of its subsidiaries to alter, reduce, or terminate any activity that the agency determines poses excessive risk to the institution.

"(F) Improving Management.—Doing 1 or more of the following:

"(i) New Election of Directors.—Ordering a new election for the institution's board of directors.

"(ii) Dismissing Directors or Senior Executive Officers.—Requiring the institution to dismiss from office any director or senior executive officer who had held office for more than 180 days immediately before the institution became undercapitalized. Dismissal under this clause shall not be construed to be a removal under section 8.

"(iii) Employing Qualified Senior Executive Officers.—Requiring the institution to employ qualified senior executive officers (who, if the agency so specifies, shall be subject to approval by the agency).

"(G) Prohibiting Deposits from Correspondent Banks.—Prohibiting the acceptance by the institution of deposits from correspondent depository institutions, including renewals and rollovers of prior deposits.

"(H) Requiring Prior Approval for Capital Distributions by Bank Holding Company.—Prohibiting any bank holding company having control of the insured depository institution from making any capital distribution without the prior approval of the Board of Governors of the Federal Reserve System.

"(I) Requiring Divestiture.—Doing one or more of the following:

"(i) Divestiture by the Institution.—Requiring the institution to divest itself of or liquidate any subsidiary if the agency determines that the subsidiary is in danger of becoming insolvent and poses a significant risk to the institution, or is likely to cause a significant dissipation of the institution's assets or earnings.

"(ii) Divestiture by Parent Company of Nondepository Affiliate.—Requiring any company having control of the institution to divest itself of or liquidate any affiliate other than an insured depository institution if the appropriate Federal banking agency for that company determines that the affiliate is in danger of becoming insolvent and poses a significant risk to the institution, or is likely to cause a significant dissipation of the institution's assets or earnings.

"(iii) Divestiture of Institution.—Requiring any company having control of the institution to divest itself of the institution if the appropriate Federal banking agency for that company determines that divesti-
ture would improve the institution's financial condition and future prospects.

"(J) REQUIRING OTHER ACTION.—Requiring the institution to take any other action that the agency determines will better carry out the purpose of this section than any of the actions described in this paragraph.

"(3) PRESUMPTION IN FAVOR OF CERTAIN ACTIONS.—In complying with paragraph (2), the agency shall take the following actions, unless the agency determines that the actions would not further the purpose of this section:

"(A) The action described in clause (i) or (iii) of paragraph (2)(A) (relating to requiring the sale of shares or obligations, or requiring the institution to be acquired by or combine with another institution).

"(B) The action described in paragraph (2)(B)(i) (relating to restricting transactions with affiliates).

"(C) The action described in paragraph (2)(C) (relating to restricting interest rates).

"(4) SENIOR EXECUTIVE OFFICERS' COMPENSATION RESTRICTED.—

"(A) IN GENERAL.—The insured depository institution shall not do any of the following without the prior written approval of the appropriate Federal banking agency:

"(i) Pay any bonus to any senior executive officer.

"(ii) Provide compensation to any senior executive officer at a rate exceeding that officer's average rate of compensation (excluding bonuses, stock options, and profit-sharing) during the 12 calendar months preceding the calendar month in which the institution became undercapitalized.

"(B) FAILING TO SUBMIT PLAN.—The appropriate Federal banking agency shall not grant any approval under subparagraph (A) with respect to an institution that has failed to submit an acceptable capital restoration plan.

"(5) DISCRETION TO IMPOSE CERTAIN ADDITIONAL RESTRICTIONS.—The agency may impose 1 or more of the restrictions prescribed by regulation under subsection (i) if the agency determines that those restrictions are necessary to carry out the purpose of this section.

"(6) CONSULTATION WITH FUNCTIONAL REGULATORS.—Before the agency or Corporation makes a determination under paragraph (2)(I) with respect to an affiliate that is a broker, dealer, government securities broker, government securities dealer, investment company, or investment adviser, the agency or Corporation shall consult with the Securities and Exchange Commission and, in the case of any other affiliate which is subject to any financial responsibility or capital requirement, any other functional regulator (as defined in section 2(s) of the Bank Holding Company Act of 1956) of such affiliate with respect to the proposed determination of the agency or the Corporation and actions pursuant to such determination.

"(g) MORE STRINGENT TREATMENT BASED ON OTHER SUPERVISORY CRITERIA.—

"(1) IN GENERAL.—If the appropriate Federal banking agency determines (after notice and an opportunity for hearing) that an insured depository institution is in an unsafe or unsound condition or, pursuant to section 8(b)(8), deems the institution to be engaging in an unsafe or unsound practice, the agency may—
“(A) if the institution is well capitalized, reclassify the institution as adequately capitalized;
“(B) if the institution is adequately capitalized, require the institution to comply with 1 or more provisions of subsections (d) and (e), as if the institution were undercapitalized; or
“(C) if the institution is undercapitalized, take any 1 or more actions authorized under subsection (f)(2) as if the institution were significantly undercapitalized.

“(2) CONTENTS OF PLAN.—Any plan required under paragraph (1) shall specify the steps that the insured depository institution will take to correct the unsafe or unsound condition or practice. Capital restoration plans shall not be required under paragraph (1)(B).

“(h) PROVISIONS APPLICABLE TO CRITICALLY UNDERCAPITALIZED INSTITUTIONS.—

“(1) ACTIVITIES RESTRICTED.—Any critically undercapitalized insured depository institution shall comply with restrictions prescribed by the Corporation under subsection (i).

“(2) PAYMENTS ON SUBORDINATED DEBT PROHIBITED.—

“(A) IN GENERAL.—A critically undercapitalized insured depository institution shall not, beginning 60 days after becoming critically undercapitalized, make any payment of principal or interest on the institution's subordinated debt.

“(B) EXCEPTIONS.—The Corporation may make exceptions to subparagraph (A) if—

“(i) the appropriate Federal banking agency has taken action with respect to the insured depository institution under paragraph (3)(A)(ii); and

“(ii) the Corporation determines that the exception would further the purpose of this section.

“(C) LIMITED EXEMPTION FOR CERTAIN SUBORDINATED DEBT.—Until July 15, 1996, subparagraph (A) shall not apply with respect to any subordinated debt outstanding on July 15, 1991, and not extended or otherwise renegotiated after July 15, 1991.

“(D) ACCRUAL OF INTEREST.—Subparagraph (A) does not prevent unpaid interest from accruing on subordinated debt under the terms of that debt, to the extent otherwise permitted by law.

“(3) CONSERVATORSHIP, RECEIVERSHIP, OR OTHER ACTION REQUIRED.—

“(A) IN GENERAL.—The appropriate Federal banking agency shall, not later than 90 days after an insured depository institution becomes critically undercapitalized—

“(i) appoint a receiver (or, with the concurrence of the Corporation, a conservator) for the institution; or

“(ii) take such other action as the agency determines, with the concurrence of the Corporation, would better achieve the purpose of this section, after documenting why the action would better achieve that purpose.

“(B) PERIODIC REDETERMINATIONS REQUIRED.—Any determination by an appropriate Federal banking agency under subparagraph (A)(ii) to take any action with respect to an insured depository institution in lieu of appointing a conservator or receiver shall cease to be effective not later than the end of the 90-day period beginning on the date that the...
A determination is made and a conservator or receiver shall be appointed for that institution under subparagraph (A)(i) unless the agency makes a new determination under subparagraph (A)(ii) at the end of the effective period of the prior determination.

"(C) Appointment of receiver required if other action fails to restore capital.—

"(i) In general.—Notwithstanding subparagraphs (A) and (B), the appropriate Federal banking agency shall appoint a receiver for the insured depository institution if the institution is critically undercapitalized on average during the calendar quarter beginning 270 days after the date on which the institution became critically undercapitalized.

"(ii) Exception.—Notwithstanding clause (i), the appropriate Federal banking agency may continue to take such other action as the agency determines to be appropriate in lieu of such appointment if—

"(I) the agency determines, with the concurrence of the Corporation, that (aa) the insured depository institution has positive net worth, (bb) the insured depository institution has been in substantial compliance with an approved capital restoration plan which requires consistent improvement in the institution's capital since the date of the approval of the plan, (cc) the insured depository institution is profitable or has an upward trend in earnings the agency projects as sustainable, and (dd) the insured depository institution is reducing the ratio of nonperforming loans to total loans; and

"(II) the head of the appropriate Federal banking agency and the Chairperson of the Board of Directors both certify that the institution is viable and not expected to fail.

REGULATIONS.

"(i) Restricting activities of critically undercapitalized institutions.—To carry out the purpose of this section, the Corporation shall, by regulation or order—

"(1) restrict the activities of any critically undercapitalized insured depository institution; and

"(2) at a minimum, prohibit any such institution from doing any of the following without the Corporation's prior written approval:

"(A) Entering into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, sale of assets, or other similar action with respect to which the depository institution is required to provide notice to the appropriate Federal banking agency.

"(B) Extending credit for any highly leveraged transaction.

"(C) Amending the institution's charter or bylaws, except to the extent necessary to carry out any other requirement of any law, regulation, or order.

"(D) Making any material change in accounting methods.

"(E) Engaging in any covered transaction (as defined in section 23A(b) of the Federal Reserve Act).

"(F) Paying excessive compensation or bonuses.
“(G) Paying interest on new or renewed liabilities at a rate that would increase the institution's weighted average cost of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the institution's normal market areas.

“(j) Certain Government-Controlled Institutions Exempted.—Subsections (e) through (i) (other than paragraph (3) of subsection (e)) shall not apply—

“(1) to an insured depository institution for which the Corporation or the Resolution Trust Corporation is conservator; or

“(2) to a bridge bank, none of the voting securities of which are owned by a person or agency other than the Corporation or the Resolution Trust Corporation.

“(k) Review Required When Deposit Insurance Fund Incurs Material Loss.—

“(1) In general.—If a deposit insurance fund incurs a material loss with respect to an insured depository institution on or after July 1, 1993, the inspector general of the appropriate Federal banking agency shall—

“(A) make a written report to that agency reviewing the agency's supervision of the institution (including the agency's implementation of this section), which shall—

“(i) ascertain why the institution's problems resulted in a material loss to the deposit insurance fund; and

“(ii) make recommendations for preventing any such loss in the future; and

“(B) provide a copy of the report to—

“(i) the Comptroller General of the United States;

“(ii) the Corporation (if the agency is not the Corporation);

“(iii) in the case of a State depository institution, the appropriate State banking supervisor; and

“(iv) upon request by any Member of Congress, to that Member.

“(2) Material loss incurred.—For purposes of this subsection:

“(A) Loss incurred.—A deposit insurance fund incurs a loss with respect to an insured depository institution—

“(i) if the Corporation provides any assistance under section 13(c) with respect to that institution; and—

“(I) it is not substantially certain that the assistance will be fully repaid not later than 24 months after the date on which the Corporation initiated the assistance; or

“(II) the institution ceases to repay the assistance in accordance with its terms; or

“(ii) if the Corporation is appointed receiver of the institution, and it is or becomes apparent that the present value of the deposit insurance fund's outlays with respect to that institution will exceed the present value of receivership dividends or other payments on the claims held by the Corporation.

“(B) Material loss.—A loss is material if it exceeds the greater of—

“(i) $25,000,000; or
"(ii) 2 percent of the institution's total assets at the
time the Corporation initiated assistance under section
13(c) or was appointed receiver.

"(3) DEADLINE FOR REPORT.—The inspector general of the
appropriate Federal banking agency shall comply with para­
graph (1) expeditiously, and in any event (except with respect to
paragraph (1)(B)(iv)) as follows:

"(A) If the institution is described in paragraph (2)(A)(i),
during the 6-month period beginning on the earlier of—
"(i) the date on which the institution ceases to repay
assistance under section 13(c) in accordance with its
terms, or

"(ii) the date on which it becomes apparent that the
assistance will not be fully repaid during the 24-month
period described in paragraph (2)(A)(i).

"(B) If the institution is described in paragraph (2)(A)(ii),
during the 6-month period beginning on the date on which
it becomes apparent that the present value of the deposit
insurance fund's outlays with respect to that institution
will exceed the present value of receivership dividends or
other payments on the claims held by the Corporation.

"(4) PUBLIC DISCLOSURE REQUIRED.—
"(A) IN GENERAL.—The appropriate Federal banking
agency shall disclose the report upon request under section
552 of title 5, United States Code, without excising—
"
"(i) any portion under section 552(b)(5) of that title; or

"(ii) any information about the insured depository
institution under paragraph (4) (other than trade se­
crets) or paragraph (8) of section 552(b) of that title.

"(B) EXCEPTION.—Subparagraph (A) does not require the
agency to disclose the name of any customer of the insured
depository institution (other than an institution-affiliated
party), or information from which such a person's identity
could reasonably be ascertained.

"(5) GAO REVIEW.—The General Accounting Office shall an­
ually—

"(A) review reports made under paragraph (1) and rec­
ommend improvements in the supervision of insured
depository institutions (including the implementation of
this section); and

"(B) verify the accuracy of 1 or more of those reports.

"(6) TRANSITION RULE.—During the period beginning on July
1, 1993, and ending on June 30, 1997, a loss incurred by the
Corporation with respect to an insured depository institu­tion—
"(A) with respect to which the Corporation initiates
assistance under section 13(c) during the period in question,
or

"(B) for which the Corporation was appointed receiver
during the period in question,
is material for purposes of this subsection only if that loss
exceeds the greater of $25,000,000 or the applicable percentage
of the institution's total assets at that time, set forth in the
following table:

<table>
<thead>
<tr>
<th>For the following period:</th>
<th>The applicable percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1993–June 30, 1994</td>
<td>7 percent</td>
</tr>
<tr>
<td>July 1, 1994–June 30, 1995</td>
<td>5 percent</td>
</tr>
<tr>
<td>July 1, 1995–June 30, 1996</td>
<td>4 percent</td>
</tr>
<tr>
<td>July 1, 1996–June 30, 1997</td>
<td>3 percent</td>
</tr>
</tbody>
</table>
“(1) Implementation.—

“(1) Regulations and other actions.—Each appropriate Federal banking agency shall prescribe such regulations (in consultation with the other Federal banking agencies), issue such orders, and take such other actions as are necessary to carry out this section.

“(2) Written determination and concurrence required.—Any determination or concurrence by an appropriate Federal banking agency or the Corporation required under this section shall be written.

“(m) Other Authority Not Affected.—This section does not limit any authority of an appropriate Federal banking agency, the Corporation, or a State to take action in addition to (but not in derogation of) that required under this section.

“(n) Administrative Review of Dismissal Orders.—

“(1) Timely petition required.—A director or senior executive officer dismissed pursuant to an order under subsection (f)(2)(F)(ii) may obtain review of that order by filing a written petition for reinstatement with the appropriate Federal banking agency not later than 10 days after receiving notice of the dismissal.

“(2) Procedure.—

“(A) Hearing required.—The agency shall give the petitioner an opportunity to—

“(i) submit written materials in support of the petition; and

“(ii) appear, personally or through counsel, before 1 or more members of the agency or designated employees of the agency.

“(B) Deadline for hearing.—The agency shall—

“(i) schedule the hearing referred to in subparagraph (A)(ii) promptly after the petition is filed; and

“(ii) hold the hearing not later than 30 days after the petition is filed, unless the petitioner requests that the hearing be held at a later time.

“(C) Deadline for decision.—Not later than 60 days after the date of the hearing, the agency shall—

“(i) by order, grant or deny the petition;

“(ii) if the order is adverse to the petitioner, set forth the basis for the order; and

“(iii) notify the petitioner of the order.

“(3) Standard for review of dismissal orders.—The petitioner shall bear the burden of proving that the petitioner's continued employment would materially strengthen the insured depository institution's ability—

“(A) to become adequately capitalized, to the extent that the order is based on the institution's capital level or failure to submit or implement a capital restoration plan; and

“(B) to correct the unsafe or unsound condition or unsafe or unsound practice, to the extent that the order is based on subsection (g)(1).

“(o) Transition Rules for Savings Associations.—

“(1) RTC's role does not diminish care required of OTS.—

“(A) In general.—In implementing this section, the appropriate Federal banking agency (and, to the extent
applicable, the Corporation) shall exercise the same care as if the Savings Association Insurance Fund (rather than the Resolution Trust Corporation) bore the cost of resolving the problems of insured savings associations described in clauses (i) and (ii) of section 21A(b)(3)(A) of the Federal Home Loan Bank Act.

"(B) Reports.—Subparagraph (A) does not require reports under subsection (k).

"(2) ADDITIONAL FLEXIBILITY FOR CERTAIN SAVINGS ASSOCIATIONS.—Subsections (e)(2), (f), and (h) shall not apply before July 1, 1994, to any insured savings association if—

"(A) before the date of enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991—

"(i) the savings association had submitted a plan meeting the requirements of section 5(t)(6)(A)(ii) of the Home Owners’ Loan Act; and

"(ii) the Director of the Office of Thrift Supervision had accepted the plan;

"(B) the plan remains in effect; and

"(C) the savings association remains in compliance with the plan or is operating under a written agreement with the appropriate Federal banking agency."

(b) DEADLINE FOR REGULATIONS.—Each appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) (and the Corporation, acting in the Corporation’s capacity as insurer of depository institutions under that Act) shall, after notice and opportunity for comment, promulgate final regulations under section 38 of the Federal Deposit Insurance Act (as added by subsection (a)) not later than 9 months after the date of enactment of this Act, and those regulations shall become effective not later than 1 year after that date of enactment.

(c) OTHER AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT.—

(1) ENFORCEMENT ACTION BASED ON UNSATISFACTORY ASSET QUALITY, MANAGEMENT, EARNINGS, OR LIQUIDITY.—Section 8(b) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)) is amended by redesignating paragraph (8) as paragraph (9) and inserting after paragraph (7) the following:

"(8) UNSATISFACTORY ASSET QUALITY, MANAGEMENT, EARNINGS, OR LIQUIDITY AS UNSAFE OR UNSOUND PRACTICE.—If an insured depository institution receives, in its most recent report of examination, a less-than-satisfactory rating for asset quality, management, earnings, or liquidity, the appropriate Federal banking agency may (if the deficiency is not corrected) deem the institution to be engaging in an unsafe or unsound practice for purposes of this subsection.”.

(2) CONFORMING AMENDMENTS RELATING TO FEDERAL BANKING AGENCIES’ ENFORCEMENT AUTHORITY.—Section 8(i) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)) is amended—

(A) in the first sentence of paragraph (1), by inserting “or under section 38” after “section”;

(B) in paragraph (2)(A)(ii), by inserting “, or final order under section 38” after “section”;

(3) DEFINITION.—Section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) is amended by adding at the end the following:
“(y) The term ‘deposit insurance fund’ means the Bank Insurance Fund or the Savings Association Insurance Fund, as appropriate.”.

(d) CONFORMING AMENDMENT TO SECTION 5(t)(7) OF THE HOME OWNERS’ LOAN ACT.—Section 5(t)(7) of the Home Owners’ Loan Act (12 U.S.C. 1464(t)(7)) is amended—

(1) in subsection (A), by inserting “under this Act” before the period; and

(2) in subsection (B), by inserting “under this Act” after “imposed by the Director”.

(e) TRANSITION RULE REGARDING CURRENT DIRECTORS AND SENIOR EXECUTIVE OFFICERS.—

(1) DISMISSAL FROM OFFICE.—Section 38(f)(2)(F)(ii) of the Federal Deposit Insurance Act (as added by subsection (a)) shall not apply with respect to—

(A) any director whose current term as a director commenced on or before the date of enactment of this Act and has not been extended—

(i) after that date of enactment, or

(ii) to evade section 38(f)(2)(F)(ii); or

(B) any senior executive officer who accepted employment in his or her current position on or before the date of enactment of this Act and whose contract of employment has not been renewed or renegotiated—

(i) after that date of enactment, or

(ii) to evade section 38(f)(2)(F)(ii).

(2) RESTRICTING COMPENSATION.—Section 38(f)(4) of the Federal Deposit Insurance Act (as added by subsection (a)) shall not apply with respect to any senior executive officer who accepted employment in his or her current position on or before the date of enactment of this Act and whose contract of employment has not been renewed or renegotiated—

(A) after that date of enactment, or

(B) to evade section 38(f)(4).

(f) EFFECTIVE DATE.—The amendments made by this section shall become effective 1 year after the date of enactment of this Act.

SEC. 132. STANDARDS FOR SAFETY AND SOUNDNESS.

(a) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding after section 38 (as added by section 131 of this Act) the following new section:

“SEC. 39. STANDARDS FOR SAFETY AND SOUNDNESS.

“(a) OPERATIONAL AND MANAGERIAL STANDARDS.—Each appropriate Federal banking agency shall, for all insured depository institutions and depository institution holding companies, prescribe—

“(1) standards relating to—

“(A) internal controls, information systems, and internal audit systems, in accordance with section 36;

“(B) loan documentation;

“(C) credit underwriting;

“(D) interest rate exposure;

“(E) asset growth; and

“(F) compensation, fees, and benefits, in accordance with subsection (c); and

“(2) such other operational and managerial standards as the agency determines to be appropriate.
(b) Asset Quality, Earnings, and Stock Valuation Standards.—Each appropriate Federal banking agency shall, for all insured depository institutions and depository institution holding companies, prescribe—

"(1) standards specifying—

"(A) a maximum ratio of classified assets to capital;

"(B) minimum earnings sufficient to absorb losses without impairing capital; and

"(C) to the extent feasible, a minimum ratio of market value to book value for publicly traded shares of the institution or company; and

"(2) such other standards relating to asset quality, earnings, and valuation as the agency determines to be appropriate.

"(c) Compensation Standards.—Each appropriate Federal banking agency shall, for all insured depository institutions, prescribe—

"(1) standards prohibiting as an unsafe and unsound practice any employment contract, compensation or benefit agreement, fee arrangement, perquisite, stock option plan, postemployment benefit, or other compensatory arrangement that—

"(A) would provide any executive officer, employee, director, or principal shareholder of the institution with excessive compensation, fees or benefits; or

"(B) could lead to material financial loss to the institution;

"(2) standards specifying when compensation, fees, or benefits referred to in paragraph (1) are excessive, which shall require the agency to determine whether the amounts are unreasonable or disproportionate to the services actually performed by the individual by considering—

"(A) the combined value of all cash and noncash benefits provided to the individual;

"(B) the compensation history of the individual and other individuals with comparable expertise at the institution;

"(C) the financial condition of the institution;

"(D) comparable compensation practices at comparable institutions, based upon such factors as asset size, geographic location, and the complexity of the loan portfolio or other assets;

"(E) for postemployment benefits, the projected total cost and benefit to the institution;

"(F) any connection between the individual and any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the institution; and

"(G) other factors that the agency determines to be relevant; and

"(3) such other standards relating to compensation, fees, and benefits as the agency determines to be appropriate.

"(d) Standards To Be Prescribed by Regulation.—Standards under subsections (a), (b), and (c) shall be prescribed by regulation.

"(e) Failure To Meet Standards.—

"(1) Plan required.—

"(A) In General.—If the appropriate Federal banking agency determines that an insured depository institution or depository institution holding company fails to meet any standard prescribed under subsection (a), (b), or (c) the agency shall require the institution or company to submit
an acceptable plan to the agency within the time allowed by
the agency under subparagraph (C).

"(B) CONTENTS OF PLAN.—Any plan required under
subparagraph (A) shall specify the steps that the institution
or company will take to correct the deficiency. If the
institution is undercapitalized, the plan may be part of a
capital restoration plan.

"(C) DEADLINES FOR SUBMISSION AND REVIEW OF PLANS.—
The appropriate Federal banking agency shall by regula­
tion establish deadlines that—

"(i) provide institutions and companies with reason­
able time to submit plans required under subparagraph
(A), and generally require the institution or company to
submit a plan not later than 30 days after the agency
determines that the institution or company fails to
meet any standard prescribed under subsection (a), (b),
or (c); and

"(ii) require the agency to act on plans expeditiously,
and generally not later than 30 days after the plan is
submitted.

"(2) ORDER REQUIRED IF INSTITUTION OR COMPANY FAILS TO
SUBMIT OR IMPLEMENT PLAN.—If an insured depository
institution or depository institution holding company fails to submit
an acceptable plan within the time allowed under paragraph
(1)(C), or fails in any material respect to implement a plan
accepted by the appropriate Federal banking agency, the
agency, by order—

"(A) shall require the institution or company to correct
the deficiency; and

"(B) may do 1 or more of the following until the defi­
ciency has been corrected:

"(i) Prohibit the institution or company from per­
mitting its average total assets during any calendar
quarter to exceed its average total assets during the
preceding calendar quarter, or restrict the rate at
which the average total assets of the institution or
company may increase from one calendar quarter to
another.

"(ii) Require the institution or company to increase
its ratio of tangible equity to assets.

"(iii) Take the action described in section 38(f)(2)(C).

"(iv) Require the institution or company to take any
other action that the agency determines will better
carry out the purpose of section 38 than any of the
actions described in this subparagraph.

"(3) RESTRICTIONS MANDATORY FOR CERTAIN INSTITUTIONS.—In
complying with paragraph (2), the appropriate Federal banking
agency shall take 1 or more of the actions described in clauses (i)
through (iii) of paragraph (2)(B) if—

"(A) the agency determines that the insured depository
institution fails to meet any standard prescribed under
subsection (a)(1) or (b)(1);

"(B) the institution has not corrected the deficiency; and

"(C) either—

"(i) during the 24-month period before the date on
which the institution first failed to meet the standard—

"(I) the institution commenced operations; or
“(II) 1 or more persons acquired control of the institution; or
“(ii) during the 18-month period before the date on which the institution first failed to meet the standard, the institution underwent extraordinary growth, as defined by the agency.

“(f) DEFINITIONS.—For purposes of this section, the terms ‘average’ and ‘capital restoration plan’ have the same meanings as in section 38.

“(g) OTHER AUTHORITY NOT AFFECTED.—The authority granted by this section is in addition to any other authority of the Federal banking agencies.”.

(b) REGULATIONS REQUIRED.—Each appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) shall promulgate final regulations under section 39 of the Federal Deposit Insurance Act (as added by subsection (a)) not later than August 1, 1993.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the earlier of—
(1) the date on which final regulations promulgated in accordance with subsection (b) become effective; or
(2) December 1, 1993.

SEC. 133. CONSERVATORSHIP AND RECEIVERSHIP AMENDMENTS TO FACILITATE PROMPT REGULATORY ACTION.

(a) ADDITIONAL GROUNDS FOR APPOINTING CONSERVATOR OR RECEIVER; CONSISTENT STANDARDS FOR NATIONAL, STATE MEMBER, AND STATE NONMEMBER BANKS.—Section 11(c)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(c)(5)) is amended to read as follows:

“(5) GROUNDS FOR APPOINTING CONSERVATOR OR RECEIVER.—The grounds for appointing a conservator or receiver (which may be the Corporation) for any insured depository institution are as follows:

“(A) ASSETS INSUFFICIENT FOR OBLIGATIONS.—The institution’s assets are less than the institution’s obligations to its creditors and others, including members of the institution.

“(B) SUBSTANTIAL DISSIPATION.—Substantial dissipation of assets or earnings due to—

“(i) any violation of any statute or regulation; or

“(ii) any unsafe or unsound practice.

“(C) UNSAFE OR UNSOUND CONDITION.—An unsafe or unsound condition to transact business.

“(D) CEASE AND DESIST ORDERS.—Any willful violation of a cease-and-desist order which has become final.

“(E) CONCEALMENT.—Any concealment of the institution’s books, papers, records, or assets, or any refusal to submit the institution’s books, papers, records, or affairs for inspection to any examiner or to any lawful agent of the appropriate Federal banking agency or State bank or savings association supervisor.

“(F) INABILITY TO MEET OBLIGATIONS.—The institution is likely to be unable to pay its obligations or meet its depositors’ demands in the normal course of business.

“(G) LOSSES.—The institution has incurred or is likely to incur losses that will deplete all or substantially all of its capital, and there is no reasonable prospect for the institu-
tion to become adequately capitalized (as defined in section 38(b)) without Federal assistance.

"(H) VIOLATIONS OF LAW.—Any violation of any law or regulation, or any unsafe or unsound practice or condition that is likely to—

"(i) cause insolvency or substantial dissipation of assets or earnings;

"(ii) weaken the institution's condition; or

"(iii) otherwise seriously prejudice the interests of the institution's depositors or the deposit insurance fund.

"(I) CONSENT.—The institution, by resolution of its board of directors or its shareholders or members, consents to the appointment.

"(J) CESSATION OF INSURED STATUS.—The institution ceases to be an insured institution.

"(K) UNDERCAPITALIZATION.—The institution is undercapitalized (as defined in section 38(b)), and—

"(i) has no reasonable prospect of becoming adequately capitalized (as defined in that section);

"(ii) fails to become adequately capitalized when required to do so under section 38(f)(2)(A);

"(iii) fails to submit a capital restoration plan acceptable to that agency within the time prescribed under section 38(e)(2)(D); or

"(iv) materially fails to implement a capital restoration plan submitted and accepted under section 38(e)(2).

"(L) The institution—

"(i) is critically undercapitalized, as defined in section 38(b); or

"(ii) otherwise has substantially insufficient capital.”

(b) CONFORMING AMENDMENT TO AUTHORITY TO APPOINT RECEIVER FOR NATIONAL BANK.—Section 1 of the Act of June 30, 1876 (12 U.S.C. 191) is amended to read as follows:

"SECTION 1. The Comptroller of the Currency may, without prior notice or hearings, appoint the Federal Deposit Insurance Corporation as receiver for any national banking association if the Comptroller determines, in the Comptroller's discretion, that—

"(1) 1 or more of the grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act exist; or

"(2) the association's board of directors consists of fewer than 5 members.”.

(c) CONFORMING AMENDMENT TO THE BANK CONSERVATION ACT.—Section 205(a) of the Bank Conservation Act (12 U.S.C. 203(a)) is amended to read as follows:

"(a) APPOINTMENT.—The Comptroller of the Currency may, without prior notice or hearings, appoint a conservator (which may be the Federal Deposit Insurance Corporation) to the possession and control of a bank whenever the Comptroller of the Currency determines that 1 or more of the grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act exist.”.

(d) CONFORMING AMENDMENTS TO THE HOME OWNERS' LOAN ACT.—Section 5(d)(2) of the Home Owners' Loan Act (12 U.S.C. 1464(d)(2)) is amended—

(1) by striking subparagraphs (A) through (D) and inserting the following:
"(A) Grounds for appointing conservator or receiver for insured savings association.—The Director of the Office of Thrift Supervision may appoint a conservator or receiver for any insured savings association if the Director determines, in the Director's discretion, that 1 or more of the grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act exists"; and

(2) by redesignating subparagraphs (E) through (I) as subparagraphs (B) through (F), respectively.

(e) Additional Provisions Relating to Appointment of Conservator or Receiver.—Section 11(c)(9) of the Federal Deposit Insurance Act (12 U.S.C. 1821(c)(9)) is amended to read as follows:

"(9) Appropriate federal banking agency may appoint corporation as conservator or receiver for insured state depository institution to carry out section 38.—

"(A) In general.—The appropriate Federal banking agency may appoint the Corporation as sole receiver (or, subject to paragraph (11), sole conservator) of any insured State depository institution, after consultation with the appropriate State supervisor, if the appropriate Federal banking agency determines that—

"(i) 1 or more of the grounds specified in subparagraphs (K) and (L) of paragraph (5) exist with respect to that institution; and

"(ii) the appointment is necessary to carry out the purpose of section 38.

"(B) Nondelegation.—The appropriate Federal banking agency shall not delegate any action under subparagraph (A).

"(10) Corporation may appoint itself as conservator or receiver for insured depository institution to prevent loss to deposit insurance fund.—The Board of Directors may appoint the Corporation as sole conservator or receiver of an insured depository institution, after consultation with the appropriate Federal banking agency and the appropriate State supervisor (if any), if the Board of Directors determines that—

"(A) 1 or more of the grounds specified in any subparagraph of paragraph (5) exist with respect to the institution; and

"(B) the appointment is necessary to reduce—

"(i) the risk that the deposit insurance fund would incur a loss with respect to the insured depository institution, or

"(ii) any loss that the deposit insurance fund is expected to incur with respect to that institution.

"(11) Appropriate federal banking agency shall not appoint conservator under certain provisions without giving corporation opportunity to appoint receiver.—The appropriate Federal banking agency shall not appoint a conservator for an insured depository institution under subparagraph (K) or (L) of paragraph (5) without the Corporation's consent unless the agency has given the Corporation 48 hours notice of the agency's intention to appoint the conservator and the grounds for the appointment.

"(12) Directors not liable for acquiescing in appointment of conservator or receiver.—The members of the board of directors of an insured depository institution shall not be liable
to the institution’s shareholders or creditors for acquiescing in or consenting in good faith to—

"(A) the appointment of the Corporation or the Resolution Trust Corporation as conservator or receiver for that institution; or

"(B) an acquisition or combination under section 38(f)(2)(A)(iii).

(13) ADDITIONAL POWERS.—In any case in which the Corporation is appointed conservator or receiver under paragraph (4), (6), (9), or (10) for any insured State depository institution—

"(A) subject to subparagraph (B), this section shall apply to the Corporation as conservator or receiver in the same manner and to the same extent as if that institution were a Federal depository institution for which the Corporation had been appointed conservator or receiver;

"(B) the Corporation shall apply the law of the State in which the institution is chartered insofar as that law gives the claims of depositors priority over those of other creditors or claimants; and

"(C) the Corporation as receiver of the institution may—

"(i) liquidate the institution in an orderly manner; and

"(ii) make any other disposition of any matter concerning the institution, as the Corporation determines is in the best interests of the institution, the depositors of the institution, and the Corporation.”.

(f) CONFORMING AMENDMENT TO THE FEDERAL RESERVE ACT.—

Section 11 of the Federal Reserve Act (12 U.S.C. 248) is amended by adding at the end the following new subsection:

"(p) AUTHORITY TO APPOINT CONSERVATOR OR RECEIVER.—The Board may appoint the Federal Deposit Insurance Corporation as conservator or receiver for a State member bank under section 11(c)(9) of the Federal Deposit Insurance Act.”.

(g) EFFECTIVE DATE.—The amendments made by this section shall become effective 1 year after the date of enactment of this Act.

Subtitle E—Least-Cost Resolution

SEC. 141. LEAST-COST RESOLUTION.

(a) LEAST-COST RESOLUTIONS REQUIRED.—

(1) IN GENERAL.—Section 13(c) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)) is amended—

(A) by redesignating paragraphs (5), (6), (7), (8), and (9), as paragraphs (6), (7), (8), (9), and (10), respectively;

(B) by redesignating subparagraph (B) of paragraph (4) as paragraph (5); and

(C) by amending paragraph (4) (as amended by subparagraph (B) of this paragraph) to read as follows:

"(4) LEAST-COST RESOLUTION REQUIRED.—

"(A) IN GENERAL.—Notwithstanding any other provision of this Act, the Corporation may not exercise any authority under this subsection or subsection (d), (f), (h), (i), or (k) with respect to any insured depository institution unless—

"(i) the Corporation determines that the exercise of such authority is necessary to meet the obligation of
the Corporation to provide insurance coverage for the
insured deposits in such institution; and

"(ii) the total amount of the expenditures by the
Corporation and obligations incurred by the Corpora-
tion (including any immediate and long-term obligation
of the Corporation and any direct or contingent liability
for future payment by the Corporation) in connec-
tion with the exercise of any such authority with
respect to such institution is the least costly to the
deposit insurance fund of all possible methods for meet-
ing the Corporation's obligation under this section.

"(B) Determining Least Costly Approach.—In determin-
ing how to satisfy the Corporation's obligations to an
institution's insured depositors at the least possible cost to
the deposit insurance fund, the Corporation shall comply
with the following provisions:

"(i) Present-Value Analysis; Documentation
Required.—The Corporation shall—

"(I) evaluate alternatives on a present-value
basis, using a realistic discount rate;

"(II) document that evaluation and the assump-
tions on which the evaluation is based, including
any assumptions with regard to interest rates,
asset recovery rates, asset holding costs, and pay-
ment of contingent liabilities; and

"(III) retain the documentation for not less than
5 years.

"(ii) Foregone Tax Revenues.—Federal tax revenues
that the Government would forego as the result of a
proposed transaction, to the extent reasonably as-
certainable, shall be treated as if they were revenues
foregone by the deposit insurance fund.

"(C) Time of Determination.—

"(i) General Rule.—For purposes of this subsection,
the determination of the costs of providing any assis-
tance under paragraph (1) or (2) or any other provision
of this section with respect to any depository institution
shall be made as of the date on which the Corporation
makes the determination to provide such assistance to
the institution under this section.

"(ii) Rule for Liquidations.—For purposes of this
subsection, the determination of the costs of liquidation
of any depository institution shall be made as of the
earliest of—

"(I) the date on which a conservator is appointed
for such institution;

"(II) the date on which a receiver is appointed for
such institution; or

"(III) the date on which the Corporation makes
any determination to provide any assistance under
this section with respect to such institution.

"(D) Liquidation Costs.—In determining the cost of liq-
uidating any depository institution for the purpose of
comparing the costs under subparagraph (A) (with respect
to such institution), the amount of such cost may not exceed
the amount which is equal to the sum of the insured
deposits of such institution as of the earliest of the dates
described in subparagraph (C), minus the present value of the total net amount the Corporation reasonably expects to receive from the disposition of the assets of such institution in connection with such liquidation.

"(E) Deposit insurance funds available for intended purpose only.—

"(i) In general.—After December 31, 1994, or at such earlier time as the Corporation determines to be appropriate, the Corporation may not take any action, directly or indirectly, with respect to any insured depository institution that would have the effect of increasing losses to any insurance fund by protecting—

"(I) depositors for more than the insured portion of deposits (determined without regard to whether such institution is liquidated); or

"(II) creditors other than depositors.

"(ii) Deadline for regulations.—The Corporation shall prescribe regulations to implement clause (i) not later than January 1, 1994, and the regulations shall take effect not later than January 1, 1995.

"(iii) Purchase and assumption transactions.—No provision of this subparagraph shall be construed as prohibiting the Corporation from allowing any person who acquires any assets or assumes any liabilities of any insured depository institution for which the Corporation has been appointed conservator or receiver to acquire uninsured deposit liabilities of such institution so long as the insurance fund does not incur any loss with respect to such deposit liabilities in an amount greater than the loss which would have been incurred with respect to such liabilities if the institution had been liquidated.

"(F) Discretionary determinations.—Any determination which the Corporation may make under this paragraph shall be made in the sole discretion of the Corporation.

"(G) Systemic risk.—

"(i) Emergency determination by Secretary of the Treasury.—Notwithstanding subparagraphs (A) and (E), if, upon the written recommendation of the Board of Directors (upon a vote of not less than two-thirds of the members of the Board of Directors) and the Board of Governors of the Federal Reserve System (upon a vote of not less than two-thirds of the members of such Board), the Secretary of the Treasury (in consultation with the President) determines that—

"(I) the Corporation's compliance with subparagraphs (A) and (E) with respect to an insured depository institution would have serious adverse effects on economic conditions or financial stability; and

"(II) any action or assistance under this subparagraph would avoid or mitigate such adverse effects, the Corporation may take other action or provide assistance under this section as necessary to avoid or mitigate such effects.
"(ii) Repayment of Loss.—The Corporation shall recover the loss to the appropriate insurance fund arising from any action taken or assistance provided with respect to an insured depository institution under clause (i) expeditiously from 1 or more emergency special assessments on the members of the insurance fund (of which such institution is a member) equal to the product of—

"(I) an assessment rate established by the Corporation; and

"(II) the amount of each member's average total assets during the semiannual period, minus the sum of the amount of the member's average total tangible equity and the amount of the member's average total subordinated debt.

"(iii) Documentation Required.—The Secretary of the Treasury shall—

"(I) document any determination under clause (i); and

"(II) retain the documentation for review under clause (iv).

"(iv) GAO Review.—The Comptroller General of the United States shall review and report to the Congress on any determination under clause (i), including—

"(I) the basis for the determination;

"(II) the purpose for which any action was taken pursuant to such clause; and

"(III) the likely effect of the determination and such action on the incentives and conduct of insured depository institutions and uninsured depositors.

"(v) Notice.—

"(I) In General.—The Secretary of the Treasury shall provide written notice of any determination under clause (i) to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives.

"(II) Description of Basis of Determination.—The notice under subclause (I) shall include a description of the basis for any determination under clause (i).

"(H) Rule of Construction.—No provision of law shall be construed as permitting the Corporation to take any action prohibited by paragraph (4) unless such provision expressly provides, by direct reference to this paragraph, that this paragraph shall not apply with respect to such action.".

(2) Annual GAO Compliance Audit.—The Comptroller General of the United States shall annually audit the Federal Deposit Insurance Corporation and the Resolution Trust Corporation to determine the extent to which such corporations are complying with section 13(c)(4) of the Federal Deposit Insurance Act.

(3) Clarification of Manner of Application to the RTC.—Section 21A(b)(4) of the Federal Home Loan Bank Act (12 U.S.C. 1441a(b)(4)) is amended—
(A) by striking "POWERS.—Except as" and inserting "POWERS.—"
"(A) IN GENERAL.—Except as"; and
(B) by adding at the end the following new subparagraph:
"(B) MANNER OF APPLICATION OF LEAST-COST RESOLUTION.—For purposes of applying section 13(c)(4) of the Federal Deposit Insurance Act to the Corporation under subparagraph (A), the Corporation shall be treated as the affected deposit insurance fund.

(b) SECURED CLAIMS IN EXCESS OF VALUE OF COLLATERAL.—Section 11(d)(5)(D) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(5)(D)) is amended to read as follows:
"(D) AUTHORITY TO DISALLOW CLAIMS.—
"(i) IN GENERAL.—The receiver may disallow any portion of any claim by a creditor or claim of security, preference, or priority which is not proved to the satisfaction of the receiver.
"(ii) PAYMENTS TO LESS THAN FULLY SECURED CREDITORS.—In the case of a claim of a creditor against an insured depository institution which is secured by any property or other asset of such institution, any receiver appointed for any insured depository institution—
"(I) may treat the portion of such claim which exceeds an amount equal to the fair market value of such property or other asset as an unsecured claim against the institution; and
"(II) may not make any payment with respect to such unsecured portion of the claim other than in connection with the disposition of all claims of unsecured creditors of the institution.
"(iii) EXCEPTIONS.—No provision of this paragraph shall apply with respect to—
"(I) any extension of credit from any Federal home loan bank or Federal Reserve bank to any institution described in paragraph (3)(A); or
"(II) any security interest in the assets of the institution securing any such extension of credit.

(c) DATA COLLECTIONS.—Section 7(a)(8) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(8)) is amended to read as follows:
"(8) DATA COLLECTIONS.—In addition to or in connection with any other report required under this subsection, the Corporation shall take such action as may be necessary to ensure that—
"(A) each insured depository institution maintains; and
"(B) the Corporation receives on a regular basis from such institution,
information on the total amount of all insured deposits, preferred deposits, and uninsured deposits at the institution.

(d) INDUSTRY IMPACT ANALYSIS REQUIRED.—
(1) IN GENERAL.—Section 11(h) of the Federal Deposit Insurance Act (12 U.S.C. 1821(h)) is amended by adding at the end the following new paragraph:
"(4) FINANCIAL SERVICES INDUSTRY IMPACT ANALYSIS.—After the appointment of the Corporation as conservator or receiver for any insured depository institution and before taking any action under this section or section 13 in connection with the resolution of such institution, the Corporation shall—
"(A) evaluate the likely impact of the means of resolution, and any action which the Corporation may take in connection with such resolution, on the viability of other insured depository institutions in the same community; and

"(B) take such evaluation into account in determining the means for resolving the institution and establishing the terms and conditions for any such action."

(2) Clerical Amendment.—The heading for section 11(h) of the Federal Deposit Insurance Act (12 U.S.C. 1821(h)) is amended by striking "LIQUIDATION" and inserting "RESOLUTION".

(e) Assistance Before Appointment of Conservator or Receiver.—Section 13(c) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)) is amended by redesignating paragraphs (8), (9), and (10) (as so redesignated by subsection (a)(1)(A) of this section), as paragraphs (9), (10), and (11), respectively, and by inserting after paragraph (7) the following new paragraph:

"(8) Assistance Before Appointment of Conservator or Receiver.

"(A) In General.—Subject to the least-cost provisions of paragraph (4), the Corporation shall consider providing direct financial assistance under this section for depository institutions before the appointment of a conservator or receiver for such institution only under the following circumstances:

"(i) Troubled Condition Criteria.—The Corporation determines—

"(I) grounds for the appointment of a conservator or receiver exist or likely will exist in the future unless the depository institution's capital levels are increased; and

"(II) it is unlikely that the institution can meet all currently applicable capital standards without assistance.

"(ii) Other Criteria.—The depository institution meets the following criteria:

"(I) The appropriate Federal banking agency and the Corporation have determined that, during such period of time preceding the date of such determination as the agency or the Corporation considers to be relevant, the institution's management has been competent and has complied with applicable laws, rules, and supervisory directives and orders.

"(II) The institution's management did not engage in any insider dealing, speculative practice, or other abusive activity.

"(B) Public Disclosure.—Any determination under this paragraph to provide assistance under this section shall be made in writing and published in the Federal Register.”

(f) Definitions.—Section 3(m) of the Federal Deposit Insurance Act (12 U.S.C. 1813(m)) is amended by adding at the end the following new paragraphs:

"(3) Uninsured Deposits.—The term ‘uninsured deposit’ means the amount of any deposit of any depositor at any insured depository institution in excess of the amount of the
insured deposits of such depositor (if any) at such depository institution.

"(4) Preferred deposits.—The term ‘preferred deposits’ means deposits of any public unit (as defined in paragraph (1)) at any insured depository institution which are secured or collateralized as required under State law."

SEC. 142. FEDERAL RESERVE DISCOUNT WINDOW ADVANCES.

(a) Redesignating Sections 10(a) and 10(b) of the Federal Reserve Act.—The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended—

(1) by redesignating section 10(a) (12 U.S.C. 347a) as section 10A; and

(2) by redesignating section 10(b) (12 U.S.C. 347b) as section 10B.

(b) Limitations on Liquidity Lending for Deposit Insurance Purposes.—Section 10B of the Federal Reserve Act (as redesignated by subsection (a)) is amended—

(1) by striking “Any Federal Reserve bank” and inserting “(a) In General.—Any Federal Reserve bank”; and

(2) by adding at the end the following:

“(b) Limitations on Advances.—

“(1) Limitation on extended periods.—Except as provided in paragraph (2), no advances to any undercapitalized depository institution by any Federal Reserve bank under this section may be outstanding for more than 60 days in any 120-day period.

“(2) Viability Exception.—

“(A) In General.—If—

“(i) the head of the appropriate Federal banking agency certifies in advance in writing to the Federal Reserve bank that any depository institution is viable; or

“(ii) the Board conducts an examination of any depository institution and the Chairman of the Board certifies in writing to the Federal Reserve bank that the institution is viable,

the limitation contained in paragraph (1) shall not apply during the 60-day period beginning on the date such certification is received.

“(B) Extensions of Period.—The 60-day period may be extended for additional 60-day periods upon receipt by the Federal Reserve bank of additional written certifications under subparagraph (A) with respect to each such additional period.

“(C) Authority to issue a Certificate of Viability May Not Be Delegated.—The authority of the head of any agency to issue a written certification of viability under this paragraph may not be delegated to any other person.

“(D) Extended Advances Subject to Paragraph (3).—

Notwithstanding paragraph (1), an undercapitalized depository institution which does not have a certificate of viability in effect under this paragraph may have advances outstanding for more than 60 days in any 120-day period if the Board elects to treat—

“(i) such institution as critically undercapitalized under paragraph (3); and

“(ii) such institution as undercapitalized under paragraph (3).
"(ii) any such advance as an advance described in subparagraph (A)(i) of paragraph (3).

"(3) ADVANCES TO CRITICALLY UNDERCAPITALIZED DEPOSITORY INSTITUTIONS.—

"(A) LIABILITY FOR INCREASED LOSS.—Notwithstanding any other provision of this section, if—

"(i) in the case of any critically undercapitalized depository institution—

"(I) any advance under this section to such institution is outstanding without payment having been demanded as of the end of the 5-day period beginning on the date the institution becomes a critically undercapitalized depository institution; or

"(II) any new advance is made to such institution under this section after the end of such period; and

"(ii) after the end of that 5-day period, any deposit insurance fund in the Federal Deposit Insurance Corporation incurs a loss exceeding the loss that the Corporation would have incurred if it had liquidated that institution as of the end of that period,

the Board shall, subject to the limitations in subparagraph (B), be liable to the Federal Deposit Insurance Corporation for the excess loss, without regard to the terms of the advance or any collateral pledged to secure the advance.

"(B) LIMITATION ON EXCESS LOSS.—The liability of the Board under subparagraph (A) shall not exceed the lesser of the following:

"(i) The amount of the loss the Board or any Federal Reserve bank would have incurred on the increases in the amount of advances made after the 5-day period referred to in subparagraph (A) if those increased advances had been unsecured.

"(ii) The interest received on the increases in the amount of advances made after the 5-day period referred to in subparagraph (A).

"(C) FEDERAL RESERVE TO PAY OBLIGATION.—The Board shall pay the Federal Deposit Insurance Corporation the amount of any liability of the Board under subparagraph (A).

"(D) REPORT.—The Board shall report to the Congress on any excess loss liability it incurs under subparagraph (A), as limited by subparagraph (B)(ii), and the reasons therefore, not later than 6 months after incurring the liability.

"(4) NO OBLIGATION TO MAKE ADVANCES.—A Federal Reserve bank shall have no obligation to make, increase, renew, or extend any advance or discount under this Act to any depository institution.

"(5) DEFINITIONS.—

"(A) APPROPRIATE FEDERAL BANKING AGENCY.—The term 'appropriate Federal banking agency' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

"(B) CRITICALLY UNDERCAPITALIZED.—The term 'critically undercapitalized' has the same meaning as in section 38 of the Federal Deposit Insurance Act.
“(C) Depository institution.—The term ‘depository institution’ has the same meaning as in section 3 of the Federal Deposit Insurance Act.

“(D) Undercapitalized depository institution.—The term ‘undercapitalized depository institution’ means any depository institution which—

“(i) is undercapitalized, as defined in section 38 of the Federal Deposit Insurance Act; or

“(ii) has a composite CAMEL rating of 5 under the Uniform Financial Institutions Rating System (or an equivalent rating by any such agency under a comparable rating system) as of the most recent examination of such institution.

“(E) Viable.—A depository institution is ‘viable’ if the Board or the appropriate Federal banking agency determines, giving due regard to the economic conditions and circumstances in the market in which the institution operates, that the institution—

“(i) is not critically undercapitalized;

“(ii) is not expected to become critically undercapitalized; and

“(iii) is not expected to be placed in conservatorship or receivership.”.

(c) Board’s Authority To Examine Depository Institutions and Affiliates.—Section 11 of the Federal Reserve Act is amended by adding at the end the following:

“(n) To examine, at the Board’s discretion, any depository institution, and any affiliate of such depository institution, in connection with any advance to, any discount of any instrument for, or any request for any such advance or discount by, such depository institution under this Act.”.

(d) Effective Date.—The amendment made by subsection (b) shall take effect at the end of the 2-year period beginning on the date of enactment of this Act.

(e) Conforming Amendments Redesignating Sections 13a, 25(a), and 25(b) of the Federal Reserve Act.—The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended—

(1) by redesignating section 13a as section 13A;

(2) by redesignating section 25(a) as section 25A; and

(3) by redesignating section 25(b) as section 25B.

SEC. 143. EARLY RESOLUTION.

(a) In General.—It is the sense of the Congress that the Federal banking agencies should facilitate early resolution of troubled insured depository institutions whenever feasible if early resolution would have the least possible long-term cost to the deposit insurance fund, consistent with the least-cost and prompt corrective action provisions of the Federal Deposit Insurance Act.

(b) General Principles.—In encouraging the Federal banking agencies to pursue early resolution strategies, the Congress contemplates that any resolution transaction under section 13(c) of that Act would observe the following general principles:

(1) Competitive Negotiation.—The transaction should be negotiated competitively, taking into account the value of expediting the process.

(2) Resulting Institution Adequately Capitalized.—Any insured depository institution created or assisted in the trans-
action (hereafter the "resulting institution") and any institution acquiring the troubled institution should meet all applicable minimum capital standards.

(3) **Substantial Private Investment.**—The transaction should involve substantial private investment.

(4) **Concessions.**—Preexisting owners and debtholders of any troubled institution or its holding company should make substantial concessions.

(5) **Qualified Management.**—Directors and senior management of the resulting institution should be qualified to perform their duties, and should not include individuals substantially responsible for the troubled institution's problems.

(6) **FDIC's Participation.**—The transaction should give the Federal Deposit Insurance Corporation an opportunity to participate in the success of the resulting institution.

(7) **Structure of Transaction.**—The transaction should, insofar as practical, be structured so that—

(A) the Federal Deposit Insurance Corporation—
   (i) does not acquire a significant proportion of the troubled institution's problem assets;
   (ii) succeeds to the interests of the troubled institution's preexisting owners and debtholders in proportion to the assistance the Corporation provides; and
   (iii) limits the Corporation's assistance in term and amount; and

(B) new investors share risk with the Corporation.

(c) **Report.**—Two years after the date of enactment of this Act, the Federal Deposit Insurance Corporation shall submit a report to Congress analyzing the effect of early resolution on the deposit insurance funds.

**Subtitle F—Federal Insurance for State Chartered Depository Institutions**

**SEC. 151. DEPOSITORY INSTITUTIONS LACKING FEDERAL DEPOSIT INSURANCE.**

(a) **Annual Independent Audit of Private Deposit Insurer; Disclosure by Institutions Lacking Federal Deposit Insurance.**—

(1) In general.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new section:

12 USC 1831t.

"SEC. 40. DEPOSITORY INSTITUTIONS LACKING FEDERAL DEPOSIT INSURANCE.

"(a) **Annual Independent Audit of Private Deposit Insurers.**—

"(1) **Audit Required.**—Any private deposit insurer shall obtain an annual audit from an independent auditor using generally accepted auditing standards. The audit shall include a determination of whether the private deposit insurer follows generally accepted accounting principles and has set aside sufficient reserves for losses.

"(2) **Providing Copies of Audit Report.**—
“(A) PRIVATE DEPOSIT INSURER.—The private deposit insurer shall provide a copy of the audit report—

“(i) to each depository institution the deposits of which are insured by the private deposit insurer, not later than 14 days after the audit is completed; and

“(ii) to the appropriate supervisory agency of each State in which such an institution receives deposits, not later than 7 days after the audit is completed.

“(B) DEPOSITORY INSTITUTION.—Any depository institution the deposits of which are insured by the private deposit insurer shall provide a copy of the audit report, upon request, to any current or prospective customer of the institution.

“(b) DISCLOSURE REQUIRED.—Any depository institution lacking Federal deposit insurance shall, within the United States, do the following:

“(1) PERIODIC STATEMENTS; ACCOUNT RECORDS.—Include conspicuously in all periodic statements of account, on each signature card, and on each passbook, certificate of deposit, or similar instrument evidencing a deposit a notice that the institution is not federally insured, and that if the institution fails, the Federal Government does not guarantee that depositors will get back their money.

“(2) ADVERTISING; PREMISES.—Include conspicuously in all advertising and at each place where deposits are normally received a notice that the institution is not federally insured.

“(3) ACKNOWLEDGMENT OF RISK.—Receive deposits only for the account of persons who have signed a written acknowledgment that the institution is not federally insured, and that if the institution fails, the Federal Government does not guarantee that they will get back their money.

“(c) MANNER AND CONTENT OF DISCLOSURE.—To ensure that current and prospective customers understand the risks involved in foregoing Federal deposit insurance, the Federal Trade Commission, by regulation or order, shall prescribe the manner and content of disclosure required under this section.

“(d) EXCEPTIONS FOR INSTITUTIONS NOT RECEIVING RETAIL DEPOSITS.—The Federal Trade Commission may, by regulation or order, make exceptions to subsection (b) for any depository institution that, within the United States, does not receive initial deposits of less than $100,000 from individuals who are citizens or residents of the United States, other than money received in connection with any draft or similar instrument issued to transmit money.

“(e) ELIGIBILITY FOR FEDERAL DEPOSIT INSURANCE.—

“(1) IN GENERAL.—Except as permitted by the Federal Trade Commission, in consultation with the Federal Deposit Insurance Corporation, no depository institution (other than a bank, including an unincorporated bank) lacking Federal deposit insurance may use the mails or any instrumentality of interstate commerce to receive or facilitate receiving deposits, unless the appropriate supervisor of the State in which the institution is chartered has determined that the institution meets all eligibility requirements for Federal deposit insurance, including—

“(A) in the case of an institution described in section 19(b)(1)(A)(iv) of the Federal Reserve Act, all eligibility requirements set forth in the Federal Credit Union Act and
regulations of the National Credit Union Administration; and
“(B) in the case of any other institution, all eligibility requirements set forth in this Act and regulations of the Corporation.
“(2) Authority of FDIC and NCUA not affected.—No determination under paragraph (1) shall bind, or otherwise affect the authority of, the National Credit Union Administration or the Corporation.
“(f) Definitions.—For purposes of this section:
“(1) Appropriate supervisor.—The ‘appropriate supervisor’ of a depository institution means the agency primarily responsible for supervising the institution.
“(2) Depository Institution.—The term ‘depository institution’ includes—
“(A) any entity described in section 19(b)(1)(A)(iv) of the Federal Reserve Act; and
“(B) any entity that, as determined by the Federal Trade Commission—
“(i) is engaged in the business of receiving deposits; and
“(ii) could reasonably be mistaken for a depository institution by the entity’s current or prospective customers.
“(3) Lacking Federal deposit insurance.—A depository institution lacks Federal deposit insurance if the institution is not either—
“(A) an insured depository institution; or
“(B) an insured credit union, as defined in section 101 of the Federal Credit Union Act.
“(4) Private deposit insurer.—The term ‘private deposit insurer’ means any entity insuring the deposits of any depository institution lacking Federal deposit insurance.
“(g) Enforcement.—Compliance with the requirements of this section, and any regulation prescribed or order issued under this section, shall be enforced under the Federal Trade Commission Act by the Federal Trade Commission.”

12 USC 1831t note.
Effective dates.—Section 40 of the Federal Deposit Insurance Act (as added by paragraph (1)) shall become effective on the date of enactment of this Act, except that—
(A) paragraphs (1) and (2) of subsection (b) shall become effective 1 year after the date of enactment of this Act;
(B) during the period beginning 1 year after that date of enactment of this Act and ending 30 months after that date of enactment, subsection (b)(1) shall apply with “, and that if the institution fails, the Federal Government does not guarantee that depositors will get back their money” omitted;
(C) subsection (e) shall become effective 2 years after that date of enactment; and
(D) subsection (b)(3) shall become effective 30 months after that date of enactment.

12 USC 1831e note.
Conforming Amendment to Federal Deposit Insurance Act.—Effective 1 year after the date of enactment of this Act, section 28 of the Federal Deposit Insurance Act (12 U.S.C. 1831e) is amended—
(A) by striking subsection (h); and
(B) by redesignating subsection (i) as subsection (h).

(b) Viability of Private Deposit Insurers.—

(1) Deadline for initial independent audit.—The initial annual audit under section 40(a)(1) of the Federal Deposit Insurance Act (as added by subsection (a)) shall be completed not later than 120 days after the date of enactment of this Act.

(2) Business plan required.—Not later than 240 days after the date of enactment of this Act, any private deposit insurer shall provide a business plan to each appropriate supervisor of each State in which deposits are received by any depository institution lacking Federal deposit insurance the deposits of which are insured by a private deposit insurer. The business plan shall explain in detail why the private deposit insurer is viable, and shall, at a minimum—

(A) describe the insurer’s—

(i) underwriting standards;

(ii) resources, including trends in and forecasts of assets, income, and expenses;

(iii) risk-management program, including examination and supervision, problem case resolution, and remedies; and

(B) include, for the preceding 5 years, copies of annual audits, annual reports, and annual meeting agendas and minutes.

(3) Definitions.—For purposes of this subsection, the terms “appropriate supervisor”, “deposit”, “depository institution”, and “lacking Federal deposit insurance” have the same meaning as in section 40(f) of the Federal Deposit Insurance Act (as added by subsection (a)).

Subtitle G—Technical Corrections

SEC. 161. TECHNICAL CORRECTIONS AND CLARIFICATIONS.

(a) Section 11 of the Federal Deposit Insurance Act.—Section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821) is amended—

(1) in subsection (d)(3)(A), by striking “(4)(A)” and inserting “(4)”; 

(2) in subsection (d)(11)(B), by striking “(14)(C)” and inserting “(15)(B)”; 

(3) in subsection (e)(3)(C)(ii), by striking “subsection (k)” and inserting “subsection (i)”; 

(4) in subsection (e)(4)(B)(iii), by striking “subsection (k)” and inserting “subsection (i)”; 

(5) in subparagraphs (A) and (E) of subsection (e)(8), by striking “subsections (d)(9) and (i)(4)(I)” and inserting “subsection (d)(9)”; 

(6) in subsection (n)(9), by striking “(13)” and inserting “(12)”;

and

(7) in subsection (n)(11)(D), by striking “(8)” and inserting “(9)”.

(b) Clarification of FDIC Powers in FSLIC Resolution Fund Conservatorships and Receiverships.—Section 11A(a) of the Federal Deposit Insurance Act (12 U.S.C. 1821a(a)) is amended by adding at the end the following new paragraphs:
Effective date.

“(4) RIGHTS, POWERS, AND DUTIES.—Effective August 10, 1989, the Corporation shall have all rights, powers, and duties to carry out the Corporation’s duties with respect to the assets and liabilities of the FSLIC Resolution Fund that the Corporation otherwise has under this Act.

“(5) CORPORATION AS CONSERVATOR OR RECEIVER.—

“(A) IN GENERAL.—Effective August 10, 1989, the Corporation shall succeed the Federal Savings and Loan Insurance Corporation as conservator or receiver with respect to any depository institution—

“(i) the accounts of which were insured before August 10, 1989 by the Federal Savings and Loan Insurance Corporation; and

“(ii) for which a conservator or receiver was appointed before January 1, 1989.

“(B) RIGHTS, POWERS, AND DUTIES.—When acting as conservator or receiver with respect to any depository institution described in subparagraph (A), the Corporation shall have all rights, powers, and duties that the Corporation otherwise has as conservator or receiver under this Act.”

(c) CLERICAL AMENDMENT TO SUBSECTION HEADING.—The heading for section 3(w) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)) is amended by striking “HOLDING COMPANIES” and inserting “AFFILIATES OF DEPOSITORY INSTITUTIONS”.

(d) FDIC REMOVAL PERIOD MADE CONSISTENT WITH RTC PERIOD.—Section 9(b)(2)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1819(b)(2)(B)) is amended by inserting “before the end of the 90-day period beginning on the date the action, suit, or proceeding is filed against the Corporation or the Corporation is substituted as a party” before the period.

(e) CLARIFICATION OF FDIC AUTHORITY TO PAY DE MINIMUS CLAIMS.—The second sentence of section 11(i)(3)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1821(i)(3)(A)) is amended by striking “The” and inserting “Notwithstanding any other provision of Federal or State law, or the constitution of any State, the”.

(f) CLERICAL AMENDMENT TO SECTION HEADING.—

(1) The heading for section 219 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 is amended by striking “FROM TAXATION”.

(2) The table of contents for the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 is amended by striking “from taxation” in the item relating to section 219.

TITLE II—REGULATORY IMPROVEMENT

Subtitle A—Regulation of Foreign Banks

SEC. 201. SHORT TITLE.

This subtitle may be cited as the “Foreign Bank Supervision Enhancement Act of 1991”.

SEC. 202. REGULATION OF FOREIGN BANK OPERATIONS.

(a) ESTABLISHMENT AND TERMINATION OF FOREIGN BANK OFFICES IN THE UNITED STATES.—Section 7 of the International Banking Act
of 1978 (12 U.S.C. 3105) is amended by striking subsection (d) and inserting the following new subsections:

"(d) **ESTABLISHMENT OF FOREIGN BANK OFFICES IN THE UNITED STATES.**—

"(1) **PRIOR APPROVAL REQUIRED.**—No foreign bank may establish a branch or an agency, or acquire ownership or control of a commercial lending company, without the prior approval of the Board.

"(2) **REQUIRED STANDARDS FOR APPROVAL.**—The Board may not approve an application under paragraph (1) unless it determines that—

"(A) the foreign bank engages directly in the business of banking outside of the United States and is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country; and

"(B) the foreign bank has furnished to the Board the information it needs to adequately assess the application.

"(3) **STANDARDS FOR APPROVAL.**—In acting on any application under paragraph (1), the Board may take into account—

"(A) whether the appropriate authorities in the home country of the foreign bank have consented to the proposed establishment of a branch, agency or commercial lending company in the United States by the foreign bank;

"(B) the financial and managerial resources of the foreign bank, including the bank’s experience and capacity to engage in international banking;

"(C) whether the foreign bank has provided the Board with adequate assurances that the bank will make available to the Board such information on the operations or activities of the foreign bank and any affiliate of the bank that the Board deems necessary to determine and enforce compliance with this Act, the Bank Holding Company Act of 1956, and other applicable Federal law; and

"(D) whether the foreign bank and the United States affiliates of the bank are in compliance with applicable United States law.

"(4) **FACTOR.**—In acting on an application under paragraph (1), the Board shall not make the size of the foreign bank the sole determinant factor, and may take into account the needs of the community as well as the length of operation of the foreign bank and its relative size in its home country. Nothing in this paragraph shall affect the ability of the Board to order a State branch, agency, or commercial lending company subsidiary to terminate its activities in the United States pursuant to any standard set forth in this Act.

"(5) **ESTABLISHMENT OF CONDITIONS.**—Consistent with the standards for approval in paragraph (2), the Board may impose such conditions on its approval under this subsection as it deems necessary.

"(e) **TERMINATION OF FOREIGN BANK OFFICES IN THE UNITED STATES.**—

"(1) **STANDARDS FOR TERMINATION.**—The Board, after notice and opportunity for hearing and notice to any appropriate State bank supervisor, may order a foreign bank that operates a State branch or agency or commercial lending company subsidiary in
the United States to terminate the activities of such branch, agency, or subsidiary if the Board finds that—

"(A) the foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country; or

"(B)(i) there is reasonable cause to believe that such foreign bank, or any affiliate of such foreign bank, has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States; and

"(ii) as a result of such violation or practice, the continued operation of the foreign bank’s branch, agency or commercial lending company subsidiary in the United States would not be consistent with the public interest or with the purposes of this Act, the Bank Holding Company Act of 1956, or the Federal Deposit Insurance Act.

However, in making findings under this paragraph, the Board shall not make size the sole determinant factor, and may take into account the needs of the community as well as the length of operation of the foreign bank and its relative size in its home country. Nothing in this paragraph shall affect the ability of the Board to order a State branch, agency, or commercial lending company subsidiary to terminate its activities in the United States pursuant to any standard set forth in this Act.

"(2) Discretion to deny hearing.—The Board may issue an order under paragraph (1) without providing for an opportunity for a hearing if the Board determines that expeditious action is necessary in order to protect the public interest.

"(3) Effective date of termination order.—An order issued under paragraph (1) shall take effect before the end of the 120-day period beginning on the date such order is issued unless the Board extends such period.

"(4) Compliance with state and federal law.—Any foreign bank required to terminate activities conducted at offices or subsidiaries in the United States pursuant to this subsection shall comply with the requirements of applicable Federal and State law with respect to procedures for the closure or dissolution of such offices or subsidiaries.

"(5) Recommendation to agency for termination of a federal branch or agency.—The Board may transmit to the Comptroller of the Currency a recommendation that the license of any Federal branch or Federal agency of a foreign bank be terminated in accordance with section 4(i) if the Board has reasonable cause to believe that such foreign bank or any affiliate of such foreign bank has engaged in conduct for which the activities of any State branch or agency may be terminated under paragraph (1).

"(6) Enforcement of orders.—

"(A) In general.—In the case of contumacy of any office or subsidiary of the foreign bank against which the Board or, in the case of an order issued under section 4(i), the Comptroller of the Currency has issued an order under paragraph (1) or a refusal by such office or subsidiary to comply with such order, the Board or the Comptroller of the Currency may invoke the aid of the district court of the United States within the jurisdiction of which the office or subsidiary is located.
“(B) Court order.—Any court referred to in subparagraph (A) may issue an order requiring compliance with an order issued under paragraph (1).

“(7) Criteria relating to foreign supervision.—Not later than 1 year after the date of enactment of this subsection, the Board, in consultation with the Secretary of the Treasury, shall develop and publish criteria to be used in evaluating the operation of any foreign bank in the United States that the Board has determined is not subject to comprehensive supervision or regulation on a consolidated basis. In developing such criteria, the Board shall allow reasonable opportunity for public review and comment.

“(f) Judicial review.—

“(1) Jurisdiction of United States courts of appeals.—Any foreign bank—

“(A) whose application under subsection (d) or section 10(a) has been disapproved by the Board;

“(B) against which the Board has issued an order under subsection (e) or section 10(b); or

“(C) against which the Comptroller of the Currency has issued an order under section 4(i) of this Act,

may obtain a review of such order in the United States court of appeals for any circuit in which such foreign bank operates a branch, agency, or commercial lending company that has been required by such order to terminate its activities, or in the United States Court of Appeals for the District of Columbia Circuit, by filing a petition for review in the court before the end of the 80-day period beginning on the date the order was issued.

“(2) Scope of judicial review.—Section 706 of title 5, United States Code (other than paragraph (2)(F) of such section) shall apply with respect to any review under paragraph (1).

“(g) Consultation with State bank supervisor.—The Board shall request and consider any views of the appropriate State bank supervisor with respect to any application or action under subsection (d) or (e).

“(h) Limitations on powers of State branches and agencies.—

“(1) In general.—After the end of the 1-year period beginning on the date of enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991, a State branch or State agency may not engage in any type of activity that is not permissible for a Federal branch unless—

“(A) the Board has determined that such activity is consistent with sound banking practice; and

“(B) in the case of an insured branch, the Federal Deposit Insurance Corporation has determined that the activity would pose no significant risk to the deposit insurance fund.

“(2) Single borrower lending limit.—A State branch or State agency shall be subject to the same limitations with respect to loans made to a single borrower as are applicable to a Federal branch or Federal agency under section 4(b).

“(3) Other authority not affected.—This section does not limit the authority of the Board or any State supervisory authority to impose more stringent restrictions.”.
standards for approval of federal branches and
gencies.—Section 4(a) of the International Banking Act of 1978 (12
U.S.C. 3102(a)) is amended—
(1) by striking “(a) Except as provided in section 5,” and
inserting “(a) establishment and operation of federal
branches and agencies.—
“(1) initial federal branch or agency.—Except as provided
in section 5.”; and
(2) by adding at the end the following new paragraph:
“(2) board conditions required to be included.—In consid­
ering any application for approval under this subsection, the
Comptroller of the Currency shall include any condition im­
posed by the Board under section 7(d)(5) as a condition for the
approval of such application by the agency.”.
standards for approval of additional federal branches
and agencies.—Section 4(h) of the International Banking Act of
1978 (12 U.S.C. 3102(h)) is amended—
(1) by redesignating paragraphs (1) and (2) as subparagraphs
(A) and (B), respectively;
(2) by striking “(h) a foreign bank” and inserting “(h) addi­
tional branches or agencies.—
“(1) approval of agency required.—A foreign bank”; and
(3) by adding at the end the following new paragraph:
“(2) notice to and comment by board.—The Comptroller of
the Currency shall provide the Board with notice and an
opportunity for comment on any application to establish an
additional Federal branch or Federal agency under this
subsection.”.
disapproval for failure to agree to provide necessary
information.—Section 3(c) of the Bank Holding Company Act of
1956 (12 U.S.C. 1842(c)) is amended—
(1) by redesignating paragraphs (1) and (2) as subparagraphs
(A) and (B), respectively;
(2) by striking “(c) The Board shall” and inserting “(c) fac­
tors for consideration by board.—
“(1) competitive factors.—The Board shall”;
(3) by striking “in every case” and inserting “(2) banking
and community factors.—In every case”;
(4) by striking “community to be served. Notwithstanding any
other provision of law” and inserting “community to be served.
“(4) treatment of certain bank stock loans.—Notwith­
standing any other provision of law”; and
(5) by inserting after paragraph (2) (as so designated by
paragraph (3) of this subsection) the following new paragraph:
“(3) supervisory factors.—The Board shall disapprove any
application under this section by any company if—
“(A) the company fails to provide the Board with ade­
quate assurances that the company will make available to
the Board such information on the operations or activities
of the company, and any affiliate of the company, as the
Board determines to be appropriate to determine and en­
force compliance with this Act; or
“(B) in the case of an application involving a foreign
bank, the foreign bank is not subject to comprehensive
supervision or regulation on a consolidated basis by the
appropriate authorities in the bank’s home country.”.
conforming amendments.—
(1) **Affiliate defined.**—Section 1(b)(13) of the International Banking Act of 1978 (12 U.S.C. 3101(13)) is amended by inserting “‘affiliate,’” after “the terms” the 1st place such term appears.

(2) **Definitions.**—Section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101(b)) is amended—

(A) by striking “and” at the end of paragraph (13);

(B) by striking the period at the end of paragraph (14) and inserting a semicolon; and

(C) by adding at the end the following new paragraphs:

“(15) the term ‘representative office’ means any office of a foreign bank which is located in any State and is not a Federal branch, Federal agency, State branch, State agency, or subsidiary of a foreign bank;

“(16) the term ‘office’ means any branch, agency, or representative office; and

“(17) the term ‘State bank supervisor’ has the meaning given to such term in section 3 of the Federal Deposit Insurance Act.”.

SEC. 203. CONDUCT AND COORDINATION OF EXAMINATIONS.

(a) Authority of Board to Conduct and Coordinate Examinations.—Section 7(c) of the International Banking Act of 1978 (12 U.S.C. 3105(b)) is amended—

(1) by striking paragraph (1) and inserting the following new paragraph:

“(1) **Examination of branches, agencies, and affiliates.**—

“(A) **In general.**—The Board may examine each branch or agency of a foreign bank, each commercial lending company or bank controlled by 1 or more foreign banks or 1 or more foreign companies that control a foreign bank, and other office or affiliate of a foreign bank conducting business in any State.

“(B) **Coordination of examinations.**—

“(i) **In general.**—The Board shall coordinate examinations under this paragraph with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and appropriate State bank supervisors to the extent such coordination is possible.

“(ii) **Simultaneous examinations.**—The Board may request simultaneous examinations of each office of a foreign bank and each affiliate of such bank operating in the United States.

“(C) **Annual on-site examination.**—Each branch or agency of a foreign bank shall be examined at least once during each 12-month period (beginning on the date the most recent examination of such branch or agency ended) in an on-site examination.

“(D) **Cost of examinations.**—The cost of any examination under subparagraph (A) shall be assessed against and collected from the foreign bank or the foreign company that controls the foreign bank, as the case may be.”; and

(2) in paragraph (2), by inserting “**Reporting requirements.**” before “Each branch”.

(b) Coordination of Examinations.—Section 4(b) of the International Banking Act of 1978 (12 U.S.C. 3102(b)) is amended by adding at the end thereof the following new sentence: “The Comptroller of the Currency shall coordinate examinations of Federal branches and agencies of foreign banks with examinations...
conducted by the Board under section 7(c)(1) and, to the extent possible, shall participate in any simultaneous examinations of the United States operations of a foreign bank requested by the Board under such section.”.

(c) Participation in Coordinated Examinations.—

(1) IN GENERAL.—Section 10(b) of the Federal Deposit Insurance Act (12 U.S.C. 1820(b)) is amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7), respectively, and by inserting after paragraph (4) the following new paragraph:

“(5) EXAMINATION OF INSURED STATE BRANCHES.—The Board of Directors shall—

“(A) coordinate examinations of insured State branches of foreign banks with examinations conducted by the Board of Governors of the Federal Reserve System under section 7(c)(1) of the International Banking Act of 1978; and

“(B) to the extent possible, participate in any simultaneous examination of the United States operations of a foreign bank requested by the Board under such section.”.

(2) TECHNICAL AND CONFORMING AMENDMENT.—Paragraph (6) of section 10(b) of the Federal Deposit Insurance Act (12 U.S.C. 1820(b)) (as so redesignated under paragraph (1) of this subsection) by striking “or (4)” and inserting “(4), or (5)”.

SEC. 204. SUPERVISION OF THE REPRESENTATIVE OFFICES OF FOREIGN BANKS.

Section 10 of the International Banking Act of 1978 (12 U.S.C. 3107) is amended to read as follows:

“SEC. 10. REPRESENTATIVE OFFICES.

“(a) Prior Approval to Establish Representative Offices.—

“(1) IN GENERAL.—No foreign bank may establish a representative office without the prior approval of the Board.

“(2) Standards for Approval.—In acting on any application under this paragraph to establish a representative office, the Board shall take into account the standards contained in section 7(d)(2) and may impose any additional requirements that the Board determines to be necessary to carry out the purposes of this Act.

“(b) Termination of Representative Offices.—The Board may order the termination of the activities of a representative office of a foreign bank on the basis of the standards, procedures, and requirements applicable under paragraphs (1), (2), and (3) of section 7(d) with respect to branches and agencies.

“(c) Examinations.—The Board may make examinations of each representative office of a foreign bank, the cost of which shall be assessed against and paid by such foreign bank.

“(d) Compliance With State Law.—This Act does not authorize the establishment of a representative office in any State in contravention of State law.”.

SEC. 205. REPORTING OF STOCK LOANS.

Section 7(j)(9) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(9)) is amended to read as follows:

“(9) REPORTING OF STOCK LOANS.—

“(A) Report required.—Any financial institution and any affiliate of any financial institution that has credit outstanding to any person or group of persons which is
secured, directly or indirectly, by shares of an insured depository institution shall file a consolidated report with the appropriate Federal banking agency for such insured depository institution if the extensions of credit by the financial institution and such institution's affiliates, in the aggregate, are secured, directly or indirectly, by 25 percent or more of any class of shares of the same insured depository institution.

"(B) Definitions.—For purposes of this paragraph—

"(i) Financial institution.—The term 'financial institution' means any insured depository institution and any foreign bank that is subject to the provisions of the Bank Holding Company Act of 1956 by virtue of section 8(a) of the International Banking Act of 1978.

"(ii) Credit outstanding.—The term 'credit outstanding' includes—

"(I) any loan or extension of credit,

"(II) the issuance of a guarantee, acceptance, or letter of credit, including an endorsement or standby letter of credit, and

"(III) any other type of transaction that extends credit or financing to the person or group of persons.

"(iii) Group of persons.—The term 'group of persons' includes any number of persons that the financial institution reasonably believes—

"(I) are acting together, in concert, or with one another to acquire or control shares of the same insured depository institution, including an acquisition of shares of the same insured depository institution at approximately the same time under substantially the same terms; or

"(II) have made, or propose to make, a joint filing under section 13 of the Securities Exchange Act of 1934 regarding ownership of the shares of the same insured depository institution.

"(C) Inclusion of shares held by the financial institution.—Any shares of the insured depository institution held by the financial institution or any of its affiliates as principal shall be included in the calculation of the number of shares in which the financial institution or its affiliates has a security interest for purposes of subparagraph (A).

"(D) Report requirements.—

"(i) Timing of report.—The report required under this paragraph shall be a consolidated report on behalf of the financial institution and all affiliates of the institution, and shall be filed in writing within 30 days of the date on which the financial institution or any such affiliate first believes that the security for any outstanding credit consists of 25 percent or more of any class of shares of an insured depository institution.

"(ii) Content of report.—The report under this paragraph shall indicate the number and percentage of shares securing each applicable extension of credit, the identity of the borrower, and the number of shares held as principal by the financial institution and any affiliate of such institution.
“(iii) Copy to other agencies.—A copy of any report under this paragraph shall be filed with the appropriate Federal banking agency for the financial institution (if other than the agency receiving the report under this paragraph).

“(iv) Other information.—Each appropriate Federal banking agency may require any additional information necessary to carry out the agency’s supervisory responsibilities.

“(E) Exceptions.—

“(i) Exception where information provided by borrower.—Notwithstanding subparagraph (A), a financial institution and the affiliates of such institution shall not be required to report a transaction under this paragraph if the person or group of persons referred to in such subparagraph has disclosed the amount borrowed from such institution or affiliate and the security interest of the institution or affiliate to the appropriate Federal banking agency for the insured depository institution in connection with a notice filed under this subsection, an application filed under the Bank Holding Company Act of 1956, section 10 of the Home Owners’ Loan Act, or any other application filed with the appropriate Federal banking agency for the insured depository institution as a substitute for a notice under this subsection, such as an application for deposit insurance, membership in the Federal Reserve System, or a national bank charter.

“(ii) Exception for shares owned for more than 1 year.—Notwithstanding subparagraph (A), a financial institution and any affiliate of such institution shall not be required to report a transaction involving—

“(I) a person or group of persons that has been the owner or owners of record of the stock for a period of 1 year or more; or

“(II) stock issued by a newly chartered bank before the bank’s opening.”.

SEC. 206. COOPERATION WITH FOREIGN SUPERVISORS.

The International Banking Act of 1978 (12 U.S.C. 3101 et seq.) is amended by adding at the end the following new section:

SEC. 15. COOPERATION WITH FOREIGN SUPERVISORS.

“(a) Disclosure of Supervisory Information to Foreign Supervisors.—Notwithstanding any other provision of law, the Board, Comptroller of the Currency, Federal Deposit Insurance Corporation, and Director of the Office of Thrift Supervision may disclose information obtained in the course of exercising supervisory or examination authority to any foreign bank regulatory or supervisory authority if the Board, Comptroller, Corporation, or Director determines that such disclosure is appropriate and will not prejudice the interests of the United States.

“(b) Requirement of Confidentiality.—Before making any disclosure of any information to a foreign authority, the Board, Comptroller of the Currency, Federal Deposit Insurance Corporation, and Director of the Office of Thrift Supervision shall obtain, to the extent necessary, the agreement of such foreign authority to
maintain the confidentiality of such information to the extent possible under applicable law.

SEC. 207. APPROVAL REQUIRED FOR ACQUISITION BY FOREIGN BANKS OF SHARES OF UNITED STATES BANKS.

Section 8(a) of the International Banking Act of 1978 (12 U.S.C. 3106(a)) is amended by striking "thereto" and all that follows through the period and inserting "to such provisions."

SEC. 208. PENALTIES.

The International Banking Act of 1978 (12 U.S.C. 3101 et seq.) is amended by inserting after section 15 (as added by section 206 of this subtitle) the following new section:

"SEC. 16. PENALTIES.

"(a) CIVIL MONEY PENALTY.—

"(1) In general.—Any foreign bank, and any office or subsidiary of a foreign bank, that violates, and any individual who participates in a violation of, any provision of this Act, or any regulation prescribed or order issued under this Act, shall forfeit and pay a civil penalty of not more than $25,000 for each day during which such violation continues.

"(2) Assessment procedures.—Any penalty imposed under paragraph (1) may be assessed and collected by the Board or the Comptroller of the Currency in the manner provided in subparagraphs (E), (F), (G), (H), and (I) of section 8(i)(2) of the Federal Deposit Insurance Act for penalties imposed (under such section), and any such assessments shall be subject to the provisions of such section.

"(3) Hearing procedure.—Section 8(h) of the Federal Deposit Insurance Act shall apply to any proceeding under this section.

"(4) Disbursement.—All penalties collected under authority of this section shall be deposited into the Treasury.

"(5) Violate defined.—For purposes of this section, the term 'violate' includes taking any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

"(6) Regulations.—The Board and the Comptroller of the Currency shall each prescribe regulations establishing such procedures as may be necessary to carry out this section.

"(b) Notice under this section after separation from service.—The resignation, termination of employment or participation, or separation of an institution-affiliated party (within the meaning of section 3(u) of the Federal Deposit Insurance Act) with respect to a foreign bank, or any office or subsidiary of a foreign bank (including a separation caused by the termination of a location in the United States), shall not affect the jurisdiction or authority of the Board or the Comptroller of the Currency to issue any notice or to proceed under this section against any such party, if such notice is served before the end of the 6-year period beginning on the date such party ceased to be an institution-affiliated party with respect to such foreign bank or such office or subsidiary of a foreign bank (whether such date occurs on, before, or after the date of the enactment of the Foreign Bank Supervision Enhancement Act of 1991).

"(c) Penalty for failure to make reports.—
“(1) First tier.—Any foreign bank, or any office or subsidiary of a foreign bank, that—

“(A) maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such error—

“(i) fails to make, submit, or publish such reports or information as may be required under this Act or under regulations prescribed by the Board or the Comptroller of the Currency under this Act, within the period of time specified by the agency; or

“(ii) submits or publishes any false or misleading report or information; or

“(B) inadvertently transmits or publishes any report that is minimally late, shall be subject to a penalty of not more than $2,000 for each day during which such failure continues or such false or misleading information is not corrected. The foreign bank, or the office or subsidiary of a foreign bank, shall have the burden of proving that an error was inadvertent and that a report was inadvertently transmitted or published late.

“(2) Second tier.—Any foreign bank, or any office or subsidiary of a foreign bank, that—

“(A) fails to make, submit, or publish such reports or information as may be required under this Act or under regulations prescribed by the Board or the Comptroller of the Currency pursuant to this Act, within the time period specified by such agency; or

“(B) submits or publishes any false or misleading report or information, in a manner not described in paragraph (1) shall be subject to a penalty of not more than $20,000 for each day during which such failure continues or such false or misleading information is not corrected.

“(3) Third tier.—Notwithstanding paragraph (2), if any company knowingly or with reckless disregard for the accuracy of any information or report described in paragraph (2) submits or publishes any false or misleading report or information, the Board or the Comptroller of the Currency may, in the Board’s or Comptroller’s discretion, assess a penalty of not more than $1,000,000 or 1 percent of total assets of such foreign bank, or such office or subsidiary of a foreign bank, whichever is less, per day for each day during which such failure continues or such false or misleading information is not corrected.

“(4) Assessment of penalties.—Any penalty imposed under paragraph (1), (2), or (3) shall be assessed and collected by the Board or the Comptroller of the Currency in the manner provided in subsection (a)(2) (for penalties imposed under such subsection) and any such assessment (including the determination of the amount of the penalty) shall be subject to the provisions of such subsection.

“(5) Hearing procedure.—Section 8(h) of the Federal Deposit Insurance Act shall apply to any proceeding under this subsection.”.
SEC. 209. POWERS OF AGENCIES RESPECTING APPLICATIONS, EXAMINATIONS, AND OTHER PROCEEDINGS.

Section 13(b) of the International Banking Act of 1978 (12 U.S.C. 3108(b)) is amended—

(1) by striking “(b) In addition to” and inserting “(b) ENFORCEMENT.—"

"(1) IN GENERAL.—In addition to;"

(2) by adding at the end the following new paragraphs:

"(2) AUTHORITY TO ADMINISTER OATHS; SUBPOENA POWER.—In the course of, or in connection with, an application, examination, investigation, or other proceeding under this Act, the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, as the case may be, any member of the Board or of the Board of Directors of the Corporation, and any designated representative of the Board, Comptroller, or Corporation (including any person designated to conduct any hearing under this Act) may—"

"(A) administer oaths and affirmations and take or cause to be taken depositions; and"

"(B) issue, revoke, quash, or modify any subpoena, including any subpoena requiring the attendance and testimony of a witness or any subpoenas duces tecum."

"(3) ADMINISTRATIVE ASPECTS OF SUBPOENAS.—"

"(A) ATTENDANCE AND PRODUCTION AT DESIGNATED SITE.—The attendance of any witness and the production of any document pursuant to a subpoena under paragraph (2) may be required at the place designated in the subpoena from any place in any State (as defined in section 3(a)(3) of the Federal Deposit Insurance Act) or other place subject to the jurisdiction of the United States."

"(B) SERVICE OF SUBPOENA.—Service of a subpoena issued under this subsection may be made by registered mail, or in such other manner reasonably calculated to give actual notice as the Board, Comptroller of the Currency, or Federal Deposit Insurance Corporation may by regulation or otherwise provide."

"(C) FEES AND TRAVEL EXPENSES.—Witnesses subpoenaed under this subsection shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States."

"(4) CONTUMACY OR REFUSAL.—"

"(A) IN GENERAL.—In the case of contumacy of any person issued a subpoena under this subsection or a refusal by such person to comply with such subpoena, the Board, Comptroller of the Currency, or Federal Deposit Insurance Corporation, or any other party to proceedings in connection with which subpoena was issued may invoke the aid of—"

"(i) the United States District Court for the District of Columbia, or"

"(ii) any district court of the United States within the jurisdiction of which the proceeding is being conducted or the witness resides or carries on business."

"(B) COURT ORDER.—Any court referred to in subparagraph (A) may issue an order requiring compliance with a subpoena issued under this subsection."
"(5) EXPENSES AND FEES.—Any court having jurisdiction of any proceeding instituted under this subsection may allow any party to such proceeding such reasonable expenses and attorneys' fees as the court deems just and proper.

"(6) CRIMINAL PENALTY.—Any person who willfully fails or refuses to attend and testify or to answer any lawful inquiry or to produce books, papers, correspondence, memoranda, contracts, agreements, or other records in accordance with any subpoena under this subsection shall be fined under title 18, United States Code, imprisoned not more than 1 year, or both. Each day during which any such failure or refusal continues shall be treated as a separate offense."

SEC. 210. CLARIFICATION OF MANAGERIAL STANDARDS IN BANK HOLDING COMPANY ACT OF 1956.

Section 3(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(c)) (as amended by section 202(d) of this subtitle) is amended by adding at the end the following new paragraph:

"(5) MANAGERIAL RESOURCES.—Consideration of the managerial resources of a company or bank under paragraph (2) shall include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the company or bank."

SEC. 211. STANDARDS AND FACTORS IN THE HOME OWNERS' LOAN ACT.

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

(1) in paragraph (1), by inserting after subparagraph (B) the following:

"Consideration of the managerial resources of a company or savings association under subparagraph (B) shall include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the company or association.");

(2) in paragraph (2)—

(A) by inserting after the second sentence "Consideration of the managerial resources of a company or savings association shall include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the company or association.");

(B) by striking "or" at the end of subparagraph (A);

(C) by striking the period at the end of subparagraph (B) and inserting a comma; and

(D) by inserting after subparagraph (B) the following new subparagraphs:

"(C) if the company fails to provide adequate assurances to the Director that the company will make available to the Director such information on the operations or activities of the company, and any affiliate of the company, as the Director determines to be appropriate to determine and enforce compliance with this Act, or

"(D) in the case of an application involving a foreign bank, if the foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."."
SEC. 212. AUTHORITY OF FEDERAL BANKING AGENCIES TO ENFORCE CONSUMER STATUTES.

(a) Amendments to the Home Mortgage Disclosure Act.—

(1) Maintenance of records and public disclosure.—Section 304(h) of the Home Mortgage Disclosure Act of 1975 (12 U.S.C. 2803(h)) is amended—

(A) by striking paragraph (1) and inserting the following new paragraph:

"(1) the Office of the Comptroller of the Currency for national banks and Federal branches and Federal agencies of foreign banks;"; and

(B) by striking paragraph (3) and inserting the following new paragraph:

"(3) the Federal Deposit Insurance Corporation for banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), mutual savings banks, insured State branches of foreign banks, and any other depository institution described in section 303(2)(A) which is not otherwise referred to in this paragraph;".

(2) Enforcement.—Section 305(b) of the Home Mortgage Disclosure Act of 1975 (12 U.S.C. 2804(b)) is amended—

(A) by striking paragraph (1) and inserting the following new paragraph:

"(1) section 8 of the Federal Deposit Insurance Act, in the case of—

(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;

(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the Board; and

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), mutual savings banks as defined in section 3(f) of the Federal Deposit Insurance Act (12 U.S.C. 1813(f)), insured State branches of foreign banks, and any other depository institution not referred to in this paragraph or paragraph (2) or (3) of this subsection, by the Board of Directors of the Federal Deposit Insurance Corporation;"

and

(B) by adding at the end the following:

"The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).".

(b) Amendment to the Truth in Lending Act.—Section 108(a) of the Truth in Lending Act (15 U.S.C. 1607(a)) is amended—

(1) by striking paragraph (1) and inserting the following new paragraph:

"(1) section 8 of the Federal Deposit Insurance Act, in the case of—"
“(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;

“(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the Board; and

“(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation.”; and

(2) by adding at the end the following:

“The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).”.

(c) Amendment to the Fair Credit Reporting Act.—Section 621(b) of the Fair Credit Reporting Act (15 U.S.C. 1681s(b)) is amended—

(1) by striking paragraph (1) and inserting the following new paragraph:

“(1) section 8 of the Federal Deposit Insurance Act, in the case of—

“(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;

“(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the Board of Governors of the Federal Reserve System; and

“(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation.”; and

(2) by adding at the end the following:

“The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).”.

(d) Amendment to the Equal Credit Opportunity Act.—Section 704(a) of the Equal Credit Opportunity Act (15 U.S.C. 1691c(a)) is amended—

(1) by striking paragraph (1) and inserting the following new paragraph:

“(1) section 8 of the Federal Deposit Insurance Act, in the case of—
“(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;
“(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the Board; and
“(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation.”; and

(2) by adding at the end the following:
“The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).”.

(e) AMENDMENT TO THE FAIR DEBT COLLECTION PRACTICES ACT.—
Section 814(b) of the Fair Debt Collection Practices Act (15 U.S.C. 1692l(b)) is amended—
(1) by striking paragraph (1) and inserting the following:
“(1) section 8 of the Federal Deposit Insurance Act, in the case of—
“(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;
“(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the Board of Governors of the Federal Reserve System; and
“(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation.”; and
(2) by adding at the end the following:
“The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).”.

(f) AMENDMENT TO THE ELECTRONIC FUND TRANSFER ACT.—
Section 917(a) of the Electronic Fund Transfer Act (15 U.S.C. 1693o(a)) is amended—
(1) by striking paragraph (1) and inserting the following:
“(1) section 8 of the Federal Deposit Insurance Act, in the case of—
"(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;

"(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the Board; and

"(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation;"

(2) by adding at the end the following:

"The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101)."

(g) AMENDMENT TO THE FEDERAL TRADE COMMISSION ACT.—

(1) DEFINITIONS.—Section 4 of the Federal Trade Commission Act (15 U.S.C. 44) is amended by adding at the end the following new paragraph:

"'Banks' means the types of banks and other financial institutions referred to in section 18(f)(2)."

(2) ENFORCEMENT.—Section 18(f) of the Federal Trade Commission Act (15 U.S.C. 57a(f)) is amended—

(A) by striking paragraph (2) and inserting the following:

"(2) ENFORCEMENT.—Compliance with regulations prescribed under this subsection shall be enforced under section 8 of the Federal Deposit Insurance Act, in the case of—

"(A) national banks, banks operating under the code of law for the District of Columbia, and Federal branches and Federal agencies of foreign banks, by the divisions of consumer affairs established by the Office of the Comptroller of the Currency;

"(B) member banks of the Federal Reserve System (other than national banks and banks operating under the code of law for the District of Columbia), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act, by the division of consumer affairs established by the Board of Governors of the Federal Reserve System; and

"(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation;"

and

(B) by adding at the end the following:

"The terms used in this paragraph that are not defined in the Federal Trade Commission Act or otherwise defined in section
3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).”.

(h) AMENDMENT TO THE EXPEDITED FUNDS AVAILABILITY ACT.—Section 610(a) of the Expedited Funds Availability Act (12 U.S.C. 4009(a)) is amended—

(1) by striking paragraph (1) and inserting the following:

“(1) section 8 of the Federal Deposit Insurance Act in the case of—

“(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;

“(B) member banks of the Federal Reserve System (other than national banks), and offices, branches, and agencies of foreign banks located in the United States (other than Federal branches, Federal agencies, and insured State branches of foreign banks), by the Board of Governors of the Federal Reserve System; and

“(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation;”; and

(2) by adding at the end the following:

“The terms used in paragraph (1) that are not defined in this title or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).”.

SEC. 213. CRIMINAL PENALTY FOR VIOLATING THE INTERNATIONAL BANKING ACT OF 1978.

The International Banking Act of 1978 (12 U.S.C. 3101 et seq.) is amended by inserting after section 16 (as added by section 208 of this subtitle) the following new section:

“SEC. 17. CRIMINAL PENALTY.

“Whoever, with the intent to deceive, to gain financially, or to cause financial gain or loss to any person, knowingly violates any provision of this Act or any regulation or order issued by the appropriate Federal banking agency under this Act shall be imprisoned not more than 5 years or fined not more than $1,000,000 for each day during which a violation continues, or both.”.

SEC. 214. MISCELLANEOUS AMENDMENTS TO THE INTERNATIONAL BANKING ACT OF 1978.

(a) Section 6.—Section 6 of the International Banking Act of 1978 (12 U.S.C. 3104) is amended—

(1) by redesignating subsection (b) as subsection (b)(1);

(2) by designating the last undesignated paragraph as paragraph (2); and

(3) by adding at the end the following new subsection:

“(c) RETAIL DEPOSIT-TAKING BY FOREIGN BANKS.—

“(1) IN GENERAL.—After the date of enactment of this subsection, notwithstanding any other provision of this Act or any provision of the Federal Deposit Insurance Act, in order to
accept or maintain deposit accounts having balances of less than $100,000, a foreign bank shall—

"(A) establish 1 or more banking subsidiaries in the United States for that purpose; and

"(B) obtain Federal deposit insurance for any such subsidiary in accordance with the Federal Deposit Insurance Act.

"(2) Exception.—Deposit accounts with balances of less than $100,000 may be accepted or maintained in a branch of a foreign bank only if such branch was an insured branch on the date of the enactment of this subsection."

(b) Section 7.—Section 7 of the International Banking Act of 1978 (12 U.S.C. 3105) is amended by adding at the end the following new subsection:

"(j) Study on Equivalence of Foreign Bank Capital.—Not later than 180 days after enactment of this subsection, the Board and the Secretary of the Treasury shall jointly submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives a report—

"(1) analyzing the capital standards contained in the framework for measurement of capital adequacy established by the Supervisory committee of the Bank for International Settlements, foreign regulatory capital standards that apply to foreign banks conducting banking operations in the United States, and the relationship of the Basle and foreign standards to risk-based capital and leverage requirements for United States banks; and

"(2) establishing guidelines for the adjustments to be used by the Board in converting data on the capital of such foreign banks to the equivalent risk-based capital and leverage requirements for United States banks for purposes of determining whether a foreign bank's capital level is equivalent to that imposed on United States banks for purposes of determinations under section 7 of the International Banking Act of 1978 and sections 3 and 4 of the Bank Holding Company Act of 1956."

An update shall be prepared annually explaining any changes in the analysis under paragraph (1) and resulting changes in the guidelines pursuant to paragraph (2).


(a) In General.—The Secretary of the Treasury (hereafter referred to as the "Secretary"), jointly with the Board of Governors of the Federal Reserve System and in consultation with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Attorney General, shall conduct a study of whether foreign banks should be required to conduct banking operations in the United States through subsidiaries rather than branches. In conducting the study, the Secretary shall take into account—

(1) differences in accounting and regulatory practices abroad and the difficulty of assuring that the foreign bank meets United States capital and management standards and is adequately supervised;

(2) implications for the deposit insurance system;

(3) competitive equity considerations;

(4) national treatment of foreign financial institutions;
(5) the need to prohibit money laundering and illegal payments;
(6) safety and soundness considerations;
(7) implications for international negotiations for liberalized trade in financial services;
(8) the tax liability of foreign banks;
(9) whether the establishment of subsidiaries by foreign banks to operate in the United States should be required only if United States banks are authorized to engage in securities activities and interstate banking and branching; and
(10) differences in treatment of United States creditors under the bankruptcy and receivership laws.

(b) Report Required.—Not later than 1 year after the date of enactment of this Act, the Secretary shall transmit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives a report on the results of the study under subsection (a). Any additional or dissenting views of participating agencies shall be included in the report.


SEC. 221. STUDY ON REGULATORY BURDEN.

(a) In General.—Not later than 1 year after the date of enactment of this Act, the Federal Financial Institutions Examination Council, in consultation with individuals representing insured depository institutions, consumers, community groups, and other interested parties, shall—
(1) review the policies and procedures, and recordkeeping and documentation requirements used to monitor and enforce compliance with—
   (A) all laws under the jurisdiction of the Federal banking agencies; and
   (B) all laws affecting insured depository institutions under the jurisdiction of the Secretary of the Treasury;
(2) determine whether such policies, procedures, and requirements impose unnecessary burdens on insured depository institutions; and
(3) identify any revisions of such policies, procedures, and requirements that could reduce unnecessary burdens on insured depository institutions without in any respect—
   (A) diminishing either compliance with or enforcement of consumer laws in any respect; or
   (B) endangering the safety and soundness of insured depository institutions.

(b) Report.—Not later than 1 year after the date of enactment of this Act, the Federal Financial Institutions Examination Council shall submit to the Congress a report describing the revisions identified under subsection (a)(3).

(c) Definitions.—For purposes of this section, the terms “insured depository institution” and “Federal banking agency” have the same meanings as in section 3 of the Federal Deposit Insurance Act.
SEC. 222. DISCUSSION OF LENDING DATA.

(a) Public Sections of Community Reinvestment Act Reports.—Section 807(b)(1)(B) of the Community Reinvestment Act of 1977 (12 U.S.C. 2906(b)(1)(B)) is amended by inserting “and data” after “facts”.

(b) Other Community Reinvestment Act Amendments.—Section 807 of the Community Reinvestment Act of 1977 (12 U.S.C. 2906) is amended—

(1) in subsection (a)(1), by striking “depository institutions regulatory agency” and inserting “financial supervisory agency”;
(2) in subsection (b)(1)(A)—
   (A) by striking “depository institutions regulatory agency’s” and inserting “financial supervisory agency’s”; and
   (B) by striking “depository institutions regulatory agencies” and inserting “financial supervisory agencies”; and
(3) in subsection (c), by striking “depository institutions regulatory agency” each place such term appears and inserting “financial supervisory agency”.

SEC. 223. ENFORCEMENT OF EQUAL CREDIT OPPORTUNITY ACT.

(a) Pattern or Practice.—Section 706(g) of the Equal Credit Opportunity Act (15 U.S.C. 1691e(g)) is amended by adding at the end the following new sentence: “Each agency referred to in paragraphs (1), (2), and (3) of section 704(a) shall refer the matter to the Attorney General whenever the agency has reason to believe that 1 or more creditors has engaged in a pattern or practice of discouraging or denying applications for credit in violation of section 701(a). Each such agency may refer the matter to the Attorney General whenever the agency has reason to believe that 1 or more creditors has violated section 701(a).”.

(b) Damages.—Section 706(h) of the Equal Credit Opportunity Act (15 U.S.C. 1691e(h)) is amended by inserting “actual and punitive damages and” after “including”.

(c) Notice to HUD.—Section 706 of the Equal Credit Opportunity Act (15 U.S.C. 1691e) is amended by adding at the end the following new subsection:

“(k) Notice to HUD of Violations.—Whenever an agency referred to in paragraph (1), (2), or (3) of section 704(a)—
   “(1) has reason to believe, as a result of receiving a consumer complaint, conducting a consumer compliance examination, or otherwise, that a violation of this title has occurred;
   “(2) has reason to believe that the alleged violation would be a violation of the Fair Housing Act; and
   “(3) does not refer the matter to the Attorney General pursuant to subsection (g),
the agency shall notify the Secretary of Housing and Urban Development of the violation, and shall notify the applicant that the Secretary of Housing and Urban Development has been notified of the alleged violation and that remedies for the violation may be available under the Fair Housing Act.”.

(d) Appraisals.—Section 701 of the Equal Credit Opportunity Act (15 U.S.C. 1691) is amended by adding at the end the following:

“(e) Each creditor shall promptly furnish an applicant, upon written request by the applicant made within a reasonable period of time of the application, a copy of the appraisal report used in connection with the applicant’s application for a loan that is or
would have been secured by a lien on residential real property. The creditor may require the applicant to reimburse the creditor for the cost of the appraisal.”.

SEC. 224. HOME MORTGAGE DISCLOSURE ACT.

(a) In General.—Section 309 of the Home Mortgage Disclosure Act (12 U.S.C. 2808) is amended—

(1) by striking “depository” before “institution”;
(2) by inserting “specified in section 303(2)(A)” after “institution”; and
(3) by adding at the end the following: “The Board, in consultation with the Secretary, may exempt institutions described in section 303(2)(B) that are comparable within their respective industries to institutions that are exempt under the preceding sentence.”.

(b) Effective Date.—This section shall become effective on January 1, 1992.

SEC. 225. NOTICE OF SAFEGUARD EXCEPTION.

Section 604 of the Expedited Funds Availability Act (12 U.S.C. 4003) is amended—

(1) in subsection (b), by inserting “(a)(2),” after “subsection”;
(2) in subsection (c)(1), by striking “(F)” after “subsections (a)(2)”;
(3) in subsection (d), by inserting “(a)(2),” after “subsections”;
(4) in subsection (f)(1)(A)(i), by striking “day” and inserting “time period within which”; and
(5) in subsection (f), by adding at the end of paragraph (2) the following:

“(D) In the case of a deposit to which subsection (b)(1) or (b)(2) applies, the depository institution may, for nonconsumer accounts and other classes of accounts, as defined by the Board, that generally have a large number of such deposits, provide notice at or before the time it first determines that the subsection applies.

“(E) In the case of a deposit to which subsection (b)(3) applies, the depository institution may, subject to regulations of the Board, provide notice at the beginning of each time period it determines that the subsection applies. In addition to the requirements contained in paragraph (1)(A), the notice shall specify the time period for which the exception will apply.”.

SEC. 226. DELEGATED PROCESSING.

Section 328(a) of the Cranston-Gonzalez National Affordable Housing Act (12 U.S.C. 1713 note) is amended in the first sentence by inserting before the period “or other individuals and entities expressly approved by the Department of Housing and Urban Development”.

SEC. 227. DEPOSITS AT NONPROPRIETARY AUTOMATED TELLER MACHINES.

(a) In General.—Section 603(e) of the Expedited Funds Availability Act (12 U.S.C. 4002(e)) is amended by striking paragraphs (1)(C) and (2).

(b) Conforming Amendments.—The Expedited Funds Availability Act (12 U.S.C. 4001 et seq.) is amended—
(1) in section 603(e) (12 U.S.C. 4002(e))—
   (A) by striking the heading for paragraph (1) and insert-
   ing the following:
   "(1) NONPROPRIETARY ATM.—"; and
   (B) by redesignating paragraphs (3) and (4) as paragraphs
   (2) and (3), respectively; and
   (2) in section 604(a)(2) (12 U.S.C. 4003(a)(2)) by striking “and
   (2)’’.

SEC. 228. NOTICE OF BRANCH CLOSURE.

The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is
amended by adding after section 38 (as added by section 131 of this
Act) the following new section:

12 USC 1831p. “SEC. 39. NOTICE OF BRANCH CLOSURE.

“(a) Notice to Appropriate Federal Banking Agency.—
   “(1) IN GENERAL.—An insured depository institution which
   proposes to close any branch shall submit a notice of the
   proposed closing to the appropriate Federal banking agency not
   later than the first day of the 90-day period ending on the date
   proposed for the closing.
   “(2) CONTENTS OF NOTICE.—A notice under paragraph (1) shall
   include—
   “(A) a detailed statement of the reasons for the decision
   to close the branch; and
   “(B) statistical or other information in support of such
   reasons.
   “(b) Notice to Customers.—
   “(1) IN GENERAL.—An insured depository institution which
   proposes to close a branch shall provide notice of the proposed
   closing to its customers.
   “(2) CONTENTS OF NOTICE.—Notice under paragraph (1) shall
   consist of—
   “(A) posting of a notice in a conspicuous manner on the
   premises of the branch proposed to be closed during not less
   than the 30-day period ending on the date proposed for that
   closing; and
   “(B) inclusion of a notice in—
   “(i) at least one of any regular account statements
   mailed to customers of the branch proposed to be
   closed, or
   “(ii) in a separate mailing,
   by not later than the beginning of the 90-day period ending
   on the date proposed for that closing.
   “(c) Adoption of Policies.—Each insured depository institution
   shall adopt policies for closings of branches of the institution.’’.

Subtitle C—Bank Enterprise Act

SEC. 231. SHORT TITLE.

This subtitle may be cited as the “Bank Enterprise Act of 1991”.

SEC. 232. REDUCED ASSESSMENT RATE FOR DEPOSITS ATTRIBUTABLE TO
LIFELINE ACCOUNTS.

(a) Qualification of Lifeline Accounts by Federal Reserve Board.—
In general.—The Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation shall establish minimum requirements for accounts providing basic transaction services for consumers at insured depository institutions in order for such accounts to qualify as lifeline accounts for purposes of this section and section 7(b)(10) of the Federal Deposit Insurance Act.

(2) Factors to be considered.—In determining the minimum requirements under paragraph (1) for lifeline accounts at insured depository institutions, the Board and the Corporation shall consider the following factors:

A) Whether the account is available to provide basic transaction services for individuals who maintain a balance of less than $1,000 or such other amount which the Board may determine to be appropriate.
B) Whether any service charges or fees to which the account is subject, if any, for routine transactions do not exceed a minimal amount.
C) Whether any minimum balance or minimum opening requirement to which the account is subject, if any, is not more than a minimal amount.
D) Whether checks, negotiable orders of withdrawal, or similar instruments for making payments or other transfers to third parties may be drawn on the account.
E) Whether the depositor is permitted to make more than a minimal number of withdrawals from the account each month by any means described in subparagraph (D) or any other means.
F) Whether a monthly statement itemizing all transactions for the monthly reporting period is made available to the depositor with respect to such account or a passbook is provided in which all transactions with respect to such account are recorded.
G) Whether depositors are permitted access to tellers at the institution for conducting transactions with respect to such account.
H) Whether other account relationships with the institution are required in order to open any such account.
I) Whether individuals are required to meet any prerequisite which discriminates against low-income individuals in order to open such account.
J) Such other factors as the Board may determine to be appropriate.

(3) Definitions.—For purposes of this subsection—

A) Board.—The term “Board” means the Board of Governors of the Federal Reserve System.
B) Insured depository institution.—The term “insured depository institution” has the meaning given to such term in section 3(c)(2) of the Federal Deposit Insurance Act.
C) Lifeline account.—The term “lifeline account” means any transaction account (as defined in section 19(b)(1)(C) of the Federal Reserve Act) which meets the minimum requirements established by the Board under this subsection.

(b) Reduced Assessment Rates for Lifeline Account Deposits.—
(1) **REPORTING LIFELINE ACCOUNT DEPOSITS.**—Section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)) (as amended by sections 122, 123, and 141 of this Act) is amended by redesignating paragraphs (6), (7), (8), (9), and (10) as paragraphs (7), (8), (9), (10), and (11), respectively, and by inserting after paragraph (5) the following new paragraph:

"(6) **LIFELINE ACCOUNT DEPOSITS.**—In the reports of condition required to be reported under this subsection, the deposits in lifeline accounts (as defined in section 232(a)(3)(C) of the Bank Enterprise Act of 1991) shall be reported separately."

(2) **ASSESSMENT RATES APPLICABLE TO LIFELINE DEPOSITS.**—Section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended by redesignating paragraph (10) (as so redesignated by section 103(b) of this Act) as paragraph (11) and by inserting after paragraph (9) the following new paragraph:

"(10) **ASSESSMENT RATE FOR LIFELINE ACCOUNT DEPOSITS.**—Notwithstanding any other provision of this subsection, that portion of the average assessment base of any insured depository institution which is attributable to deposits in lifeline accounts (as reported in the institution's reports of condition pursuant to subsection (a)(6)) shall be subject to assessment at the assessment rate of $\frac{1}{2}$ the maximum rate."

(3) **ASSESSMENT PROCEDURE.**—Section 7(b)(2)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)(A)) is amended—

(A) by striking subclause (II) of clause (i) and inserting the following new subclause:

"(II) such Bank Insurance Fund member's average assessment base for the immediately preceding semiannual period (minus any amount taken into account under clause (iii) with respect to lifeline account deposits); and";

and

(B) by striking subclause (II) of clause (ii) and inserting the following new subclause:

"(II) such Savings Association Insurance Fund member's average assessment base for the immediately preceding semiannual period (minus any amount taken into account under clause (iii) with respect to lifeline account deposits); and";

and

(C) by adding at the end the following new clause:

"(iii) the semiannual assessment due from any Bank Insurance Fund member or Savings Association Insurance Fund member with respect to lifeline account deposits for any semiannual assessment period shall be the product of—

"(I) $\frac{1}{2}$ the assessment rate applicable with respect to such deposits pursuant to paragraph (10) during that semiannual assessment period; and

"(II) the portion of such member's average assessment base for the immediately preceding semiannual period which is attributable to deposits in lifeline accounts (as reported in the institution's reports of condition pursuant to subsection (a)(6))."

(c) **AVAILABILITY OF FUNDS.**—The provisions of this section shall not take effect until appropriations are specifically provided in advance. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section.
SEC. 233. ASSESSMENT CREDITS FOR QUALIFYING ACTIVITIES RELATING TO DISTRESSED COMMUNITIES.

(a) Determination of Credits for Increases in Community Enterprise Activities.—

(1) In general.—The Community Enterprise Assessment Credit Board established under subsection (d) shall issue guidelines for insured depository institutions eligible under this subsection for any community enterprise assessment credit with respect to any semiannual period. Such guidelines shall—

(A) designate the eligibility requirements for any institution meeting applicable capital standards to receive an assessment credit under section 7(d)(4) of the Federal Deposit Insurance Act; and

(B) determine the community enterprise assessment credit available to any eligible institution under paragraph (3).

(2) Qualifying activities.—An insured depository institution shall be eligible for any community enterprise assessment credit for any semiannual period for—

(A) any increase during such period in the amount of new originations of qualified loans and other financial assistance provided for low- and moderate-income persons in distressed communities, or enterprises integrally involved with such neighborhoods, which the Board determines are qualified to be taken into account for purposes of this subsection; and

(B) any increase during such period in the amount of deposits accepted from persons domiciled in the distressed community, at any office of the institution (including any branch) located in any qualified distressed community, and any increase during such period in the amount of new originations of loans and other financial assistance made within that community, except that in no case shall the credit for increased deposits at any institution or branch exceed the credit for increased loan and other financial assistance by the bank or branch in the distressed community.

(3) Amount of assessment credit.—The amount of any community enterprise assessment credit available under section 7(d)(4) for any insured depository institution, or a qualified portion thereof, for any semiannual period shall be the amount which is equal to 5 percent, in the case of an institution which does not meet the community development organization requirements under section 235, and 15 percent, in the case of an institution, or a qualified portion thereof, which meets such requirements (or any percentage designated under paragraph (5)) of the sum of—

(A) the amounts of assets described in paragraph (2)(A); and

(B) the amounts of deposits, loans, and other extensions of credit described in paragraph (2)(B).

(4) Determination of qualified loans and other financial assistance.—Except as provided in paragraph (6), the types of loans and other financial assistance which the Board may determine to be qualified to be taken into account under para-
graph (2)(A) for purposes of the community enterprise assessment credit, may include the following:

(A) Loans insured or guaranteed by the Secretary of Housing and Urban Development, the Secretary of the Department of Veterans Affairs, the Administrator of the Small Business Administration, and the Secretary of Agriculture.

(B) Loans or financing provided in connection with activities assisted by the Administrator of the Small Business Administration or any small business investment company and investments in small business investment companies.

(C) Loans or financing provided in connection with any neighborhood housing service program assisted under the Neighborhood Reinvestment Corporation Act.

(D) Loans or financing provided in connection with any activities assisted under the community development block grant program under title I of the Housing and Community Development Act of 1974.

(E) Loans or financing provided in connection with activities assisted under title II of the Cranston-Gonzalez National Affordable Housing Act.

(F) Loans or financing provided in connection with a homeownership program assisted under title III of the United States Housing Act of 1937 or subtitle B or C of title IV of the Cranston-Gonzalez National Affordable Housing Act.

(G) Financial assistance provided through community development corporations.

(H) Federal and State programs providing interest rate assistance for homeowners.

(I) Extensions of credit to nonprofit developers or purchasers of low-income housing and small business developments.

(J) In the case of members of any Federal home loan bank, participation in the community investment fund program established by the Federal home loan banks.

(K) Conventional mortgages targeted to low- or moderate-income persons.

(5) ADJUSTMENT OF PERCENTAGE.—The Board may increase or decrease the percentage referred to in paragraph (3) for determining the amount of any community enterprise assessment credit pursuant to such paragraph, except that the percentage established for insured depository institutions which meet the community development organization requirements under section 235 shall not be less than 3 times the amount of the percentage applicable for insured depository institutions which do not meet such requirements.

(6) CERTAIN INVESTMENTS NOT ELIGIBLE TO BE TAKEN INTO ACCOUNT.—Investments by any insured depository institution in loans and securities that are not the result of originations by the institution shall not be taken into account for purposes of determining the amount of any credit pursuant to this subsection.

(b) QUALIFIED DISTRESSED COMMUNITY DEFINED.—

(1) IN GENERAL.—For purposes of this section, the term “qualified distressed community” means any neighborhood or community which—
(A) meets the minimum area requirements under paragraph (3) and the eligibility requirements of paragraph (4); and

(B) is designated as a distressed community by any insured depository institution in accordance with paragraph (2) and such designation is not disapproved under such paragraph.

(2) Designation requirements.—

(A) Notice of designation.—

(i) Notice to agency.—Upon designating an area as a qualified distressed community, an insured depository institution shall notify the appropriate Federal banking agency of the designation.

(ii) Public notice.—Upon the effective date of any designation of an area as a qualified distressed community, an insured depository institution shall publish a notice of such designation in major newspapers and other community publications which serve such area.

(B) Agency duties relating to designations.—

(i) Providing information.—At the request of any insured depository institution, the appropriate Federal banking agency shall provide to the institution appropriate information to assist the institution to identify and designate a qualified distressed community.

(ii) Period for disapproval.—Any notice received by the appropriate Federal banking agency from any insured depository institution under subparagraph (A)(i) shall take effect at the end of the 90-day period beginning on the date such notice is received unless written notice of the approval or disapproval of the application by the agency is provided to the institution before the end of such period.

(3) Minimum area requirements.—For purposes of this subsection, an area meets the requirements of this paragraph if—

(A) the area is within the jurisdiction of 1 unit of general local government;

(B) the boundary of the area is contiguous; and

(C) the area—

(i) has a population, as determined by the most recent census data available, of not less than—

(I) 4,000, if any portion of such area is located within a metropolitan statistical area (as designated by the Director of the Office of Management and Budget) with a population of 50,000 or more; or

(II) 1,000, in any other case; or

(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

(4) Eligibility requirements.—For purposes of this subsection, an area meets the requirements of this paragraph if at least 2 of the following criteria are met:

(A) Income.—At least 70 percent of the families and unrelated individuals residing in the area have incomes of less than 80 percent of the median income of the area.

(B) Poverty.—At least 20 percent of the residents residing in the area have incomes which are less than the
national poverty level (as determined pursuant to criteria established by the Director of the Office of Management and Budget).

(C) UNEMPLOYMENT.—The unemployment rate for the area is one and one-half times greater than the national average (as determined by the Bureau of Labor Statistic's most recent figures).

(c) ASSESSMENT CREDIT PROVIDED.—

(1) IN GENERAL.—Section 7(d) of the Federal Deposit Insurance Act (12 U.S.C. 1817(d)) is amended—

(A) by redesignating paragraphs (4) and (5) as paragraphs (6) and (7), respectively; and

(B) by inserting after paragraph (3) the following new paragraphs:

"(4) COMMUNITY ENTERPRISE ASSESSMENT CREDITS.—Notwithstanding paragraphs (2)(A) and (3)(A) and in addition to any assessment credit authorized under paragraph (2)(B) or (3)(B), the Corporation shall allow an assessment credit for any semiannual assessment period to any Bank Insurance Fund member or Savings Association Insurance Fund member satisfying the requirements of the Community Enterprise Assessment Credit Board under section 233(a)(1) of the Bank Enterprise Act of 1991 in the amount determined by such Board through regulation for such period pursuant to such section.

"(5) MAXIMUM AMOUNT OF CREDIT.—The total amount of assessment credits allowed under this subsection (including community enterprise assessment credits pursuant to paragraph (4)) for any insured depository institution for any semiannual period shall not exceed the amount which is equal to 20 percent, in the case of an institution which does not meet the community development organization requirements under section 235 of the Bank Enterprise Act of 1991, and 50 percent, in the case of an institution which meets such requirements, of the assessment imposed on such institution for the semiannual period.”.

(2) TECHNICAL AND CONFORMING AMENDMENTS.—

(A) Subparagraph (A) of section 7(d)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(d)(1)) is amended by inserting “(other than credits allowed pursuant to paragraph (4))” after “amount to be credited”.

(B) Subparagraph (B) of section 7(d)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(d)(1)) is amended by inserting “(taking into account any assessment credit allowed pursuant to paragraph (4))” after “should be reduced”.

(d) COMMUNITY ENTERPRISE ASSESSMENT CREDIT BOARD.—

(1) ESTABLISHMENT.—There is hereby established the “Community Enterprise Assessment Credit Board”.

(2) NUMBER AND APPOINTMENT.—The Board shall be composed of 5 members as follows:

(A) The Secretary of the Treasury or a designee of the Secretary.

(B) The Secretary of Housing and Urban Development or a designee of the Secretary.

(C) The Chairperson of the Federal Deposit Insurance Corporation or a designee of the Chairperson.
(D) 2 individuals appointed by the President from among individuals who represent community organizations.

(3) Terms.—
   (A) Appointed Members.—Each appointed member shall be appointed for a term of 5 years.
   (B) Interim Appointment.—Any member appointed to fill a vacancy occurring before the expiration of the term to which such member's predecessor was appointed shall be appointed only for the remainder of such term.
   (C) Continuation of Service.—Each appointed member may continue to serve after the expiration of the period to which such member was appointed until a successor has been appointed.

(4) Chairperson.—The Secretary of the Treasury shall serve as the Chairperson of the Board.

(5) No Pay.—No members of the Commission may receive any pay for service on the Board.

(6) Travel Expenses.—Each member shall receive travel expenses, including per diem in lieu of subsistence, in accordance with sections 5702 and 5703 of title 5, United States Code.

(7) Meetings.—The Board shall meet at the call of the Chairperson or a majority of the Board’s members.

(e) Duties of the Board.—
   (1) Procedure for Determining Community Enterprise Assessment Credits.—The Board shall establish procedures for accepting and considering applications by insured depository institutions under subsection (a)(1) for community enterprise assessment credits and making determinations with respect to such applications.
   (2) Notice to Fdic.—The Board shall notify the applicant and the Federal Deposit Insurance Corporation of any determination of the Board with respect to any application referred to in paragraph (1) in sufficient time for the Corporation to include the amount of such credit in the computation made for purposes of the notification required under section 7(d)(1)(B).

(f) Availability of Funds.—The provisions of this section shall not take effect until appropriations are specifically provided in advance. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this section.

(g) Definitions.—For purposes of this section—
   (1) Appropriate Federal Banking Agency.—The term “appropriate Federal banking agency” has the meaning given to such term in section 3(q) of the Federal Deposit Insurance Act.
   (2) Board.—The term “Board” means the Community Enterprise Assessment Credit Board established under the amendment made by subsection (d).
   (3) Insured Depository Institution.—The term “insured depository institution” has the meaning given to such term in section 3(c)(2) of the Federal Deposit Insurance Act.
(A) is a community development bank, or controls any community development bank, which meets the requirements of subsection (b);

(B) controls any community development corporation, or maintains any community development unit within the institution, which meets the requirements of subsection (c);

(C) invests in accounts in any community development credit union designated as a low-income credit union, subject to restrictions established for such credit unions by the National Credit Union Administration Board; or

(D) invests in a community development organization jointly controlled by two or more institutions;

(2) except in the case of an institution which is a community development bank, the amount of the capital invested, in the form of debt or equity, by the institution in the community development organization referred to in paragraph (1) (or, in the case of any community development unit, the amount which the institution irrevocably makes available to such unit for the purposes described in paragraph (3)) is not less than the greater of—

(A) \( \frac{1}{2} \) of 1 percent of the capital, as defined by generally accepted accounting principles, of the institution; or

(B) the sum of the amounts invested in such community development organization; and

(3) the community development organization provides loans for residential mortgages, home improvement, and community development and other financial services, other than financing for the purchase of automobiles or extension of credit under any open-end credit plan (as defined in section 103(i) of the Truth in Lending Act), to low- and moderate-income persons, nonprofit organizations, and small businesses located in qualified distressed communities in a manner consistent with the intent of this subtitle.

(b) Community Development Bank Requirements.—A community development bank meets the requirements of this subsection if—

(1) the community development bank has a 15-member advisory board designated as the “Community Investment Board” and consisting entirely of community leaders who—

(A) shall be appointed initially by the board of directors of the community development bank and thereafter by the Community Investment Board from nominations received from the community; and

(B) are appointed for a single term of 2 years, except that, of the initial members appointed to the Community Investment Board, \( \frac{1}{2} \) shall be appointed for a term of 8 months, \( \frac{1}{2} \) shall be appointed for a term of 16 months, and \( \frac{1}{2} \) shall be appointed for a term of 24 months, as designated by the board of directors of the community development bank at the time of the appointment;

(2) \( \frac{1}{2} \) of the members of the community development bank’s board of directors are appointed from among individuals nominated by the Community Investment Board; and

(3) the bylaws of the community development bank require that the board of directors of the bank meet with the Community Investment Board at least once every 3 months.
(c) **Community Development Corporation Requirements.**—Any community development corporation, or community development unit within any insured depository institution meets the requirements of this subsection if the corporation or unit provides the same or greater, as determined by the appropriate Federal banking agency, community participation in the activities of such corporation or unit as would be provided by a Community Investment Board under subsection (b) if such corporation or unit were a community development bank.

(d) **Adequate Dispersal Requirement.**—The appropriate Federal banking agency may approve the establishment of a community development organization under this subtitle only upon finding that the distressed community is not adequately served by an existing community development organization.

(e) **Definitions.**—For purposes of this section—

1. **Community development bank.**—The term “community development bank” means any depository institution (as defined in section 3(c)(1) of the Federal Deposit Insurance Act).

2. **Community development organization.**—The term “community development organization” means any community development bank, community development corporation, community development unit within any insured depository institution, or community development credit union.

3. **Low- and moderate-income persons.**—The term “low- and moderate-income persons” has the meaning given such term in section 102(a)(20) of the Housing and Community Development Act of 1974.

4. **Nonprofit organization; small business.**—The terms “nonprofit organization” and “small business” have the meanings given to such terms by regulations which the appropriate Federal banking agency shall prescribe for purposes of this section.

5. **Qualified distressed community.**—The term “qualified distressed community” has the meaning given to such term in section 233(b).

**Subtitle D—FDIC Property Disposition**

**SEC. 241. FDIC Affordable Housing Program.**

(a) **In General.**—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding after section 39 (as added by section 228 of this title) the following new section:

```
"SEC. 40. FDIC Affordable Housing Program.

"(a) Purpose.—The purpose of this section is to provide homeownership and rental housing opportunities for very low-income, low-income, and moderate-income families.

"(b) Funding and Limitations of Program.—

"(1) Duration of Program.—The provisions of this section shall be effective, subject to the provisions of paragraph (2), only during the 3-year period beginning upon the commencement of the first fiscal year for which amounts are provided pursuant to paragraph (2)(A).

"(2) Annual Fiscal Limitations.—

```

Dissadvantaged. 12 USC 1831q.
"(A) IN GENERAL.—In each fiscal year during the 3-year period referred to in paragraph (1), the provisions of this section shall apply only—

"(i) to such extent or in such amounts as are provided in appropriations Acts for any losses resulting during the fiscal year from the sale of properties under this section, except that such amounts for losses may not exceed $30,000,000 in any fiscal year; and

"(ii) to the extent that amounts are provided in appropriations Acts pursuant to subparagraph (C) for any other costs relating to the program under this section.

"(B) DEFINITION OF LOSSES.—For purposes of this paragraph, the amount of losses resulting from the sale of properties under this section during any fiscal year shall be the amount equal to the sum of any affordable housing discounts reasonably anticipated to accrue during the fiscal year.

"(C) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated, for each fiscal year during the 3-year period referred to in paragraph (1), such sums as may be necessary for any costs of the program under this section other than losses resulting from the sale of properties under this section.

"(D) OTHER DEFINITIONS.—For purposes of this paragraph:

"(i) AFFORDABLE HOUSING DISCOUNT.—The term 'affordable housing discount' means, with respect to any eligible residential or eligible condominium property transferred under this section by the Corporation, the difference (if any) between the realizable disposition value of the property and the actual sale price of the property under this section.

"(ii) REALIZABLE DISPOSITION VALUE.—The term 'realizable disposition value' means the estimated sale price that the Corporation reasonably would be able to obtain upon the sale of a property by the Corporation under the provisions of this Act, not including this section, and any other applicable laws. Not later than the expiration of the 120-day period beginning upon the commencement of the first fiscal year for which amounts are provided pursuant to paragraph (2)(A), the Corporation shall establish, and publish in the Federal Register, procedures for determining the realizable disposition value of a property transferred under this section, which shall take into consideration such factors as the Corporation considers appropriate, including the actual sale prices of properties disposed of by the Resolution Trust Corporation under section 21A(c) of the Federal Home Loan Bank Act, the prices of other properties sold under similar programs, and the appraised value of the property transferred under this section. Until such procedures are established, the Corporation may consider the realizable disposition value of any eligible residential or condominium property to be equal to the appraised value of the property.

"(3) EXISTING CONTRACTS.—The provisions of this section shall not apply to any eligible residential property or any eligible

Federal
Register,
publication.
condominium property that is subject to an agreement entered into by the Corporation before the commencement of the first fiscal year for which amounts are provided pursuant to paragraph (2)(A) that provides for any other disposition of the property.

"(c) RULES GOVERNING DISPOSITION OF ELIGIBLE SINGLE FAMILY PROPERTIES.—

"(1) NOTICE TO CLEARINGHOUSES.—Within a reasonable period of time after acquiring title to an eligible single family property, the Corporation shall provide written notice to clearinghouses. Such notice shall contain basic information about the property, including but not limited to location, condition, and information relating to the estimated fair market value of the property. Each clearinghouse shall make such information available, upon request, to other public agencies, other nonprofit organizations, and qualifying households. The Corporation shall allow public agencies, nonprofit organizations, and qualifying households reasonable access to eligible single family property for purposes of inspection.

"(2) OFFERS TO SELL TO NONPROFIT ORGANIZATIONS, PUBLIC AGENCIES, AND QUALIFYING HOUSEHOLDS.—During the 180-day period beginning on the date on which the Corporation makes an eligible single family property available for sale, the Corporation shall offer to sell the property to—

"(A) qualifying households (including qualifying households with members who are veterans); or

"(B) public agencies or nonprofit organizations that agree to (i) make the property available for occupancy by and maintain it as affordable for low-income families (including low-income families with members who are veterans) for the remaining useful life of such property, or (ii) make the property available for purchase by any such family who, except as provided in paragraph (4), agrees to occupy the property as a principal residence for at least 12 months and certifies in writing that the family intends to occupy the property for at least 12 months.

The restrictions described in clause (i) of subparagraph (B) shall be contained in the deed or other recorded instrument. If, upon the expiration of such 180-day period, no qualifying household, public agency, or nonprofit organization has made a bona fide offer to purchase the property, the Corporation may offer to sell the property to any purchaser. The Corporation shall actively market eligible single family properties for sale to low-income families and to low-income families with members who are veterans.

"(3) RECAPTURE OF PROFITS FROM RESALE.—Except as provided in paragraph (4), if any eligible single family property sold (A) to a qualifying household, or (B) to a low-income family pursuant to paragraph (2)(B)(ii), subsection (j)(3)(A), or subsection (k)(2), is resold by the qualifying household or low-income family during the 1-year period beginning upon initial acquisition by the household or low-income family, the Corporation shall recapture 75 percent of the amount of any proceeds from the resale that exceed the sum of (i) the original sale price for the acquisition of the property by the qualifying household or low-income family, (ii) the costs of any improvements to the property made
after the date of the acquisition, and (iii) any closing costs in connection with the acquisition.

"(4) EXCEPTIONS TO RECAPTURE REQUIREMENT.—

"(A) Relocation.—The Corporation may in its discretion waive the applicability (i) to any qualifying household of the requirement under paragraph (3) and the requirements relating to residency of a qualifying household under subsections (p)(12) (B) and (C), and (ii) to any low-income family of the requirement under paragraph (3) and the residency requirements under paragraph (2)(B)(ii). The Corporation may grant any such waiver only for good cause shown, including any necessary relocation of the qualifying household or low-income family.

"(B) OTHER RECAPTURE PROVISIONS.—The requirement under paragraph (3) shall not apply to any eligible single family property for which, upon resale by the qualifying household or low-income family during the 1-year period beginning upon initial acquisition by the household or family, a portion of the sale proceeds or any subsidy provided in connection with the acquisition of the property by the household or family is required to be recaptured or repaid under any other Federal, State, or local law (including section 143(m) of the Internal Revenue Code of 1986) or regulation or under any sale agreement.

"(5) EXCEPTION TO AVOID DISPLACEMENT OF EXISTING RESIDENTS.—Notwithstanding the first sentence of paragraph (2), during the 180-day period following the date on which the Corporation makes an eligible single family property available for sale, the Corporation may sell the property to the household residing in the property, but only if (A) such household was residing in the property at the time notice regarding the property was provided to clearinghouses under paragraph (1), (B) such sale is necessary to avoid the displacement of, and unnecessary hardship to, the resident household, (C) the resident household intends to occupy the property as a principal residence for at least 12 months, and (D) the resident household certifies in writing that the household intends to occupy the property for at least 12 months.

"(d) RULES GOVERNING DISPOSITION OF ELIGIBLE MULTIFAMILY HOUSING PROPERTIES.—

"(1) NOTICE TO CLEARINGHOUSES.—Within a reasonable period of time after acquiring title to an eligible multifamily housing property, the Corporation shall provide written notice to clearinghouses. Such notice shall contain basic information about the property, including but not limited to location, number of units (identified by number of bedrooms), and information relating to the estimated fair market value of the property. Each clearinghouse shall make such information available, upon request, to qualifying multifamily purchasers. The Corporation shall allow qualifying multifamily purchasers reasonable access to eligible multifamily housing properties for purposes of inspection.

"(2) EXPRESSION OF SERIOUS INTEREST.—Qualifying multifamily purchasers may give written notice of serious interest in a property during a period ending 90 days after the time the Corporation provides notice under paragraph (1). The notice of
serious interest shall be in such form and include such information as the Corporation may prescribe.

“(3) Notice of readiness for sale.—Upon the expiration of the period referred to in paragraph (2) for a property, the Corporation shall provide written notice to any qualifying multifamily purchaser that has expressed serious interest in the property. Such notice shall specify the minimum terms and conditions for sale of the property.

“(4) Offers by qualifying multifamily purchasers.—A qualifying multifamily purchaser receiving notice in accordance with paragraph (3) shall have 45 days (from the date notice is received) to make a bona fide offer to purchase the property. The Corporation shall accept an offer that complies with the terms and conditions established by the Corporation. If, before the expiration of such 45-day period, any offer to purchase a property initially accepted by the Corporation is subsequently rejected or fails (for any reason), the Corporation shall accept another offer to purchase the property made during such period that complies with the terms and conditions established by the Corporation (if such another offer is made). The preceding sentence may not be construed to require a qualifying multifamily purchaser whose offer is accepted during the 45-day period to purchase the property before the expiration of the period.

“(5) Extension of restricted offer periods.—The Corporation may provide notice to clearinghouses regarding, and offer for sale under the provisions of paragraphs (1) through (4), any eligible multifamily housing property—

“(A) in which no qualifying multifamily purchaser has expressed serious interest during the period referred to in paragraph (2), or

“(B) for which no qualifying multifamily purchaser has made a bona fide offer before the expiration of the period referred to in paragraph (4),

except that the Corporation may, in the discretion of the Corporation, alter the duration of the periods referred to in paragraphs (2) and (4) in offering any property for sale under this paragraph.

“(6) Sale of multifamily properties to other purchasers.—

“(A) Timing.—If, upon the expiration of the period referred to in paragraph (2), no qualifying multifamily purchaser has expressed serious interest in a property, the Corporation may offer to sell the property, individually or in combination with other properties, to any purchaser.

“(B) Limitation on combination sales.—The Corporation may not sell in combination with other properties any property for which a qualifying multifamily purchaser has expressed serious interest in purchasing individually.

“(C) Expiration of offer period.—If, upon the expiration of the period referred to in paragraph (4), no qualifying multifamily purchaser has made an offer to purchase a property, the Corporation may offer to sell the property, individually or in combination with other properties, to any purchaser.

“(7) Low-income occupancy requirements.—

“(A) Single property purchases.—With respect to any purchase of a single eligible multifamily housing property
by a qualifying multifamily purchaser under paragraph (4) or (5)—

"(i) not less than 35 percent of all dwelling units purchased shall be made available for occupancy by and maintained as affordable for low-income and very low-income families during the remaining useful life of the property in which the units are located; provided that

"(ii) not less than 20 percent of all dwelling units purchased shall be made available for occupancy by and maintained as affordable for very low-income families during the remaining useful life of the property in which the units are located.

"(B) Aggregation requirements for multiproperty purchases.—With respect to any purchase under paragraph (4) or (5) by a qualifying multifamily purchaser involving more than one eligible multifamily housing property as a part of the same negotiation, with respect to which the purchaser intends to aggregate the low-income occupancy required under this paragraph over the total number of units so purchased—

"(i) not less than 40 percent of the aggregate number of all dwelling units purchased shall be made available for occupancy by and maintained as affordable for low-income and very low-income families during the remaining useful life of the building or structure in which the units are located; provided that

"(ii) not less than 20 percent of the aggregate number of all dwelling units purchased shall be made available for occupancy by and maintained as affordable for very low-income families during the remaining useful life of the building or structure in which the units are located; and further provided that

"(iii) not less than 10 percent of the dwelling units in each separate property purchased shall be made available for occupancy by and maintained as affordable for low-income families during the remaining useful life of the property in which the units are located.

The requirements of this paragraph shall be contained in the deed or other recorded instrument.

"(8) Exemptions.—

"(A) Continued occupancy of current residents.—No purchaser of an eligible multifamily property may terminate the occupancy of any person residing in the property on the date of purchase for purposes of meeting low-income occupancy requirement applicable to the property under paragraph (7). The purchaser shall be considered to be in compliance with this subsection if each newly vacant dwelling unit is reserved for low-income occupancy until the low-income occupancy requirement is met.

"(B) Financial infeasibility.—The Secretary or the State housing finance agency for the State in which an eligible multifamily housing property is located may temporarily reduce the low-income occupancy requirements under paragraph (7) applicable to the property, if the Secretary or such agency determines that an owner's compliance with such requirements is no longer financially
feasible. The owner of the property shall make a good-faith effort to return low-income occupancy to the level required under paragraph (7), and the Secretary or the State housing finance agency, as appropriate, shall review the reduction annually to determine whether financial infeasibility continues to exist.

“(e) Rent Limitations.—

“(1) In general.—With respect to properties under paragraph (2), rents charged to tenants for units made available for occupancy by very low-income families shall not exceed 30 percent of the adjusted income of a family whose income equals 50 percent of the median income for the area, as determined by the Secretary, with adjustment for family size. Rents charged to tenants for units made available for occupancy by low-income families other than very low-income families shall not exceed 30 percent of the adjusted income of a family whose income equals 65 percent of the median income for the area, as determined by the Secretary, with adjustment for family size.

“(2) Applicability.—The rent limitations under this subsection shall apply to any eligible single family property sold pursuant to subsection (c)(2)(B)(i) and to any eligible multifamily housing property sold pursuant to subsection (d).

“(f) Preferences for Sales.—

“(1) In general.—In selling any eligible multifamily housing property or combinations of eligible residential properties, the Corporation shall give preference, among substantially similar offers, to the offer that would reserve the highest percentage of dwelling units for occupancy or purchase by very low-income and low-income families and would retain such affordability for the longest term.

“(2) Multiproperty Purchases.—The Corporation shall give preference, among substantially similar offers made under paragraph (4) or (5) of subsection (d) to purchase more than one eligible multifamily housing property as a part of the same negotiation, to offers made by purchasers who agree to maintain low-income occupancy in each separate property purchased in compliance with the levels required for properties under subsection (d)(7)(A).

“(3) Definition of substantially similar offers.—For purposes of this subsection, a given offer to purchase eligible multifamily housing property or combinations of such properties shall be considered to be substantially similar to another offer if the purchase price under such given offer is not less than 85 percent of the purchase price under the other offer.

“(g) Financing Sales.—

“(1) Assistance by Corporation.—

“(A) Sale price.—The Corporation shall establish a market value for each eligible multifamily housing property. The Corporation shall sell eligible multifamily housing property at the net realizable market value, except that the Corporation may agree to sell eligible multifamily housing property at a price below the net realizable market value to the extent necessary to facilitate an expedited sale of such property and enable a public agency or nonprofit organization to comply with the low-income occupancy requirements applicable to such property under subsection (d)(7). The Corporation may sell eligible single family prop-
erty or eligible condominium property to qualifying households, nonprofit organizations, and public agencies without regard to any minimum sale price.

"(B) Purchase Loan.—The Corporation may provide a loan at market interest rates to any purchaser of eligible residential property for all or a portion of the purchase price, which loan shall be secured by a first or second mortgage on the property. The Corporation may provide the loan at below market interest rates to the extent necessary to facilitate an expedited sale of eligible residential property and permit (i) a low-income family to purchase an eligible single family property under subsection (c), or (ii) a public agency or nonprofit organization to comply with the low-income occupancy requirements applicable to the purchase of an eligible residential property under subsection (c) or (d). The Corporation shall provide loans under this subparagraph in a form permitting sale or transfer of the loan to a subsequent holder. In providing financing for combinations of eligible multifamily housing properties under this section, the Corporation may hold a participating share, including a subordinate participation.

"(2) Assistance by HUD.—The Secretary shall take such action as may be necessary to expedite the processing of applications for assistance under section 202 of the Housing Act of 1959, the United States Housing Act of 1937, title IV of the Stewart B. McKinney Homeless Assistance Act, and the National Housing Act, to enable any organization or individual to purchase eligible residential property.

"(3) Assistance by FMHA.—The Secretary of Agriculture shall take such action as may be necessary to expedite the processing of applications for assistance under title V of the Housing Act of 1949 to enable any organization or individual to purchase eligible residential property.

"(4) Exception to Disposition Rules.—Notwithstanding the requirements under paragraphs (1), (2), (3), (4), (6), and (8) of subsection (d), the Corporation may provide for the disposition of eligible multifamily housing properties as necessary to facilitate purchase of such properties for use in connection with section 202 of the Housing Act of 1959.

"(5) Bulk Acquisitions Under Home Investment Partnerships Act.—

"(A) Purchase Price.—In providing for bulk acquisition of eligible single family properties by participating jurisdictions for inclusion in affordable housing activities under title II of the Cranston-Gonzalez National Affordable Housing Act, the Corporation shall agree to an amount to be paid for acquisition of such properties. The acquisition price shall include discounts for bulk purchase and for holding of the property such that the acquisition price for each property shall not exceed the fair market value of the property, as valued individually.

"(B) Exemptions.—To the extent necessary to facilitate sale of properties under this paragraph, the requirements of subsections (c) and (f) and of paragraph (1) of this subsection shall not apply to such transactions and properties involved in such transactions.
“(C) Inventories.—To facilitate acquisitions by such participating jurisdictions, the Corporation shall provide the participating jurisdictions with inventories of eligible single family properties not less than 4 times each year.

“(h) Coordination With Other Programs.—

“(1) Use of secondary market agencies.—In the disposition of eligible residential properties, the Corporation (in consultation with the Secretary) shall explore opportunities to work with secondary market entities to provide housing for low- and moderate-income families.

“(2) Credit enhancement.—

“(A) In general.—With respect to such properties, the Secretary may, consistent with statutory authorities, work through the Federal Housing Administration, the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and other secondary market entities to develop risk-sharing structures, mortgage insurance, and other credit enhancements to assist in the provision of property ownership, rental, and cooperative housing opportunities for low- and moderate-income families.

“(B) Certain tax-exempt bonds.—The Corporation may provide credit enhancements with respect to tax-exempt bonds issued on behalf of nonprofit organizations pursuant to section 103, and subpart A of part IV of subchapter A of chapter 1, of the Internal Revenue Code of 1986, with respect to the disposition of eligible residential properties for the purposes described in subparagraph (A).

“(3) National affordable housing act.—The Corporation shall coordinate the disposition of eligible residential property under this section with appropriate programs and provisions of, and amendments made by, the Cranston-Gonzalez National Affordable Housing Act, including titles II and IV of such Act.

“(i) Exemption for certain transactions with insured depository institutions.—The provisions of this section shall not apply with respect to any eligible residential property after the date the Corporation enters into a contract to sell such property to an insured depository institution (as defined in section 3), including any sale in connection with a transfer of all or substantially all of the assets of a closed insured depository institution (including such property) to another insured depository institution.

“(j) Transfer of certain eligible residential properties to state housing agencies for disposition.—Notwithstanding subsections (c), (d), (f), and (g), the Corporation may transfer eligible residential properties to the State housing finance agency or any other State housing agency for the State in which the property is located, or to any local housing agency in whose jurisdiction the property is located. Transfers of eligible residential properties under this subsection may be conducted by direct sale, consignment sale, or any other method the Corporation considers appropriate and shall be subject to the following requirements:

“(1) Individual or bulk transfer.—The Corporation may transfer such properties individually or in bulk, as agreed to by the Corporation and the State housing finance agency or State or local housing agency.

“(2) Acquisition price.—The acquisition price paid by the State housing finance agency or State or local housing agency to
the Corporation for properties transferred under this subsection shall be an amount agreed to by the Corporation and the transferee agency.

"(3) LOW-INCOME USE.—Any State housing finance agency or State or local housing agency acquiring properties under this subsection shall offer to sell or transfer the properties only as follows:

"(A) ELIGIBLE SINGLE FAMILY PROPERTIES.—For eligible single family properties—

"(i) to purchasers described under subparagraphs (A) and (B) of subsection (c)(2);

"(ii) if the purchaser is a purchaser described under subsection (c)(2)(B)(i), subject to the rent limitations under subsection (e)(1);

"(iii) subject to the requirement in the second sentence of subsection (c)(2); and

"(iv) subject to recapture by the Corporation of excess proceeds from resale of the properties under paragraphs (3) and (4) of subsection (c).

"(B) ELIGIBLE MULTIFAMILY HOUSING PROPERTIES.—For eligible multifamily housing properties—

"(i) to qualifying multifamily purchasers;

"(ii) subject to the low-income occupancy requirements under subsection (d)(7);

"(iii) subject to the provisions of subsection (d)(8);

"(iv) subject to a preference, among financially acceptable offers, to the offer that would reserve the highest percentage of dwelling units for occupancy or purchase by very low- and low-income families and would retain such affordability for the longest term; and

"(v) subject to the rent limitations under subsection (e)(1).

"(4) AFFORDABILITY.—The State housing finance agency or State or local housing agency shall endeavor to make the properties transferred under this subsection more affordable to low-income families based upon the extent to which the acquisition price of a property under paragraph (2) is less than the market value of the property.

"(k) EXCEPTION FOR SALES TO NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES.—

"(1) SUSPENSION OF OFFER PERIODS.—With respect to any eligible residential property, the Corporation may (in the discretion of the Corporation) suspend any of the requirements of paragraphs (1) and (2) of subsection (c) and paragraphs (1) through (4) of subsection (d), as applicable, but only to the extent that for the duration of the suspension the Corporation negotiates the sale of the property to a nonprofit organization or public agency. If the property is not sold pursuant to such negotiations, the requirements of any provisions suspended shall apply upon the termination of the suspension. Any time period referred to in such subsections shall toll for the duration of any suspension under this paragraph.

"(2) USE RESTRICTIONS.—

"(A) ELIGIBLE SINGLE FAMILY PROPERTY.—Any eligible single family property sold under this subsection shall be (i) made available for occupancy by and maintained as afford-
able for low-income families for the remaining useful life of the property, or made available for purchase by such families, (ii) subject to the rent limitations under subsection (e)(1), (iii) subject to the requirements relating to residency of a qualifying household under subsection (p)(12) and to residency of a low-income family under subsection (c)(2)(B), and (iv) subject to recapture by the Corporation of excess proceeds from resale of the property under paragraphs (3) and (4) of subsection (c).

"(B) ELIGIBLE MULTIFAMILY HOUSING PROPERTY.—Any eligible multifamily housing property sold under this subsection shall comply with the low-income occupancy requirements under subsection (d)(7) and shall be subject to the rent limitations under subsection (e)(1).

"(1) RULES GOVERNING DISPOSITION OF ELIGIBLE CONDOMINIUM PROPERTY.—

"(1) NOTICE TO CLEARINGHOUSES.—Within a reasonable period of time after acquiring title to an eligible condominium property, the Corporation shall provide written notice to clearinghouses. Such notice shall contain basic information about the property. Each clearinghouse shall make such information available, upon request, to purchasers described in subparagraphs (A) through (D) of paragraph (2). The Corporation shall allow such purchasers reasonable access to an eligible condominium property for purposes of inspection.

"(2) OFFERS TO SELL.—For the 180-day period following the date on which the Corporation makes an eligible condominium property available for sale, the Corporation may offer to sell the property, at the discretion of the Corporation, to 1 or more of the following purchasers:

"(A) Qualifying households.
"(B) Nonprofit organizations.
"(C) Public agencies.
"(D) For-profit entities.

"(3) LOW-INCOME OCCUPANCY REQUIREMENTS.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), any nonprofit organization, public agency, or for-profit entity that purchases an eligible condominium property shall (i) make the property available for occupancy by and maintain it as affordable for low-income families for the remaining useful life of the property, or (ii) make the property available for purchase by any such family who, except as provided in paragraph (5), agrees to occupy the property as a principal residence for at least 12 months and certifies in writing that the family intends to occupy the property for at least 12 months. The restriction described in clause (i) of the preceding sentence shall be contained in the deed or other recorded instrument.

"(B) MULTIPLE-UNIT PURCHASES.—If any nonprofit organization, public agency, or for-profit entity purchases more than 1 eligible condominium property as a part of the same negotiation or purchase, the Corporation may (in the discretion of the Corporation) waive the requirement under subparagraph (A) and provide instead that not less than 35 percent of all eligible condominium properties purchased shall be (i) made available for occupancy by and maintained as affordable for low-income families for the remaining
useful life of the property, or (ii) made available for pur-
chase by any such family who, except as provided in para-
graph (5), agrees to occupy the property as a principal
residence for at least 12 months and certifies in writing
that the family intends to occupy the property for at least
12 months. The restriction described in clause (i) of the
preceding sentence shall be contained in the deed or other
recorded instrument.

“(C) Sale to other purchasers.—If, upon the expiration
of the 180-day period referred to in paragraph (2), no pur-
chaser described in subparagraphs (A) through (D) of para-
graph (2) has made a bona fide offer to purchase the
property, the Corporation may offer to sell the property to
any other purchaser.

“(4) Recapture of profits from resale.—Except as provided
in paragraph (5), if any eligible condominium property sold (A)
to a qualifying household, or (B) to a low-income family pursuant
to paragraph (3)(A)(ii) or (3)(B)(ii), is resold by the qualifying
household or low-income family during the 1-year period begin-
ing upon initial acquisition by the household or family, the
Corporation shall recapture 75 percent of the amount of any
proceeds from the resale that exceed the sum of (i) the original
sale price for the acquisition of the property by the qualifying
household or low-income family, (ii) the costs of any improve-
ments to the property made after the date of the acquisition,
and (iii) any closing costs in connection with the acquisition.

“(5) Exception to recapture requirement.—The Corpora-
tion (or its successor) may in its discretion waive the applicabil-
ty to any qualifying household or low-income family of the
requirement under paragraph (4) and the requirements relating
to residency of a qualifying household or low-income family
(under subsection (p)(12) and paragraph (3) of this subsection,
respectively). The Corporation may grant any such a waiver
only for good cause shown, including any necessary relocation of
the qualifying household or low-income family.

“(6) Limitations on multiple unit purchases.—The Corpora-
tion may not sell or offer to sell as part of the same negotiation
or purchase any eligible condominium properties that are not
located in the same condominium project (as such term is
defined in section 604 of the Housing and Community Develop-
ment Act of 1980). The preceding sentence may not be construed
to require all eligible condominium properties offered or sold as
part of the same negotiation or purchase to be located in the
same structure.

“(7) Rent limitations.—Rents charged to tenants of eligible
condominium properties made available for occupancy by very
low-income families shall not exceed 30 percent of the adjusted
income of a family whose income equals 50 percent of the
median income for the area, as determined by the Secretary,
with adjustment for family size. Rents charged to tenants of
eligible condominium properties made available for occupancy
by low-income families other than very low-income families
shall not exceed 30 percent of the adjusted income of a family
whose income equals 65 percent of the median income for the
area, as determined by the Secretary, with adjustment for
family size.

“(m) Liability provisions.—
“(1) IN GENERAL.—The provisions of this section, or any failure by the Corporation to comply with such provisions, may not be used by any person to attack or defeat any title to property after it is conveyed by the Corporation.

“(2) LOW-INCOME OCCUPANCY.—The low-income occupancy requirements under subsections (c), (d), (j)(3), (k)(2), and (l)(3) shall be judicially enforceable against purchasers of property under this section and their successors in interest by affected very low- and low-income families, State housing finance agencies, and any agency, corporation, or authority of the United States. The parties specified in the preceding sentence shall be entitled to reasonable attorney fees upon prevailing in any such judicial action.

“(3) CLEARINGHOUSES.—A clearinghouse shall not be subject to suit for its failure to comply with the requirements of this section.

“(4) CORPORATION.—The Corporation shall not be liable to any depositor, creditor, or shareholder of any insured depository institution for which the Corporation has been appointed receiver, or any claimant against such an institution, because the disposition of assets of the institution under this section affects the amount of return from the assets.

“(n) AFFORDABLE HOUSING PROGRAM OFFICE.—The Corporation shall establish an Affordable Housing Program Office within the Corporation to carry out the provisions of this section and shall dedicate certain staff of the Corporation to the office.

“(o) REPORT.—To the extent applicable, in the annual report submitted by the Secretary to the Congress under section 8 of the Department of Housing and Urban Development Act, the Secretary shall include a detailed description of any activities under this section, including recommendations for any additional authority the Secretary considers necessary to implement the provisions of this section.

“(p) DEFINITIONS.—For purposes of this section:

“(1) ADJUSTED INCOME AND INCOME.—The terms ‘adjusted income’ and ‘income’ shall have the meaning given such terms in section 3(b) of the United States Housing Act of 1937.

“(2) CLEARINGHOUSE.—The term ‘clearinghouse’ means—

“(A) the State housing finance agency for the State in which an eligible residential property or eligible condominium property is located;

“(B) the Office of Community Investment (or other comparable division) within the Federal Housing Finance Board; and

“(C) any national nonprofit organizations (including any nonprofit entity established by the corporation established under title IX of the Housing and Community Development Act of 1968) that the Corporation determines has the capacity to act as a clearinghouse for information.

“(3) CORPORATION.—The term ‘Corporation’ means the Federal Deposit Insurance Corporation acting in its corporate capacity or its capacity as receiver.

“(4) ELIGIBLE CONDOMINIUM PROPERTY.—The term ‘eligible condominium property’ means a condominium unit, as such term is defined in section 604 of the Housing and Community Development Act of 1980—

“(A) to which such Corporation acquires title; and
"(B) that has an appraised value that does not exceed the applicable dollar amount set forth in the first sentence of section 203(b)(2) of the National Housing Act (which may, in the discretion of the Corporation, take into consideration any increase of such amount for high-cost areas).

"(5) ELIGIBLE MULTIFAMILY HOUSING PROPERTY.—The term 'eligible multifamily housing property' means a property consisting of more than 4 dwelling units—

"(A) to which the Corporation acquires title; and

"(B) that has an appraised value that does not exceed the applicable dollar amount set forth in section 221(d)(3)(ii) of the National Housing Act for elevator-type structures (which may, in the discretion of the Corporation, take into consideration any increase of such amount for high-cost areas).

"(6) ELIGIBLE RESIDENTIAL PROPERTY.—The term 'eligible residential property' includes eligible single family properties and eligible multifamily housing properties.

"(7) ELIGIBLE SINGLE FAMILY PROPERTY.—The term 'eligible single family property' means a 1- to 4-family residence (including a manufactured home)—

"(A) to which the Corporation acquires title; and

"(B) that has an appraised value that does not exceed the applicable dollar amount set forth in the first sentence of section 203(b)(2) of the National Housing Act (which may, in the discretion of the Corporation, take into consideration any increase of such amount for high-cost areas).

"(8) LOW-INCOME FAMILIES.—The term 'low-income families' means families and individuals whose incomes do not exceed 80 percent of the median income of the area involved, as determined by the Secretary, with adjustment for family size.

"(9) NET REALIZABLE MARKET VALUE.—The term 'net realizable market value' means a price below the market value that takes into account (A) any reductions in holding costs resulting from the expedited sale of a property, including foregone real estate taxes, insurance, maintenance costs, security costs, and loss of use of funds, and (B) the avoidance, if applicable, of fees paid to real estate brokers, auctioneers, or other individuals or organizations involved in the sale of property owned by the Corporation.

"(10) NONPROFIT ORGANIZATION.—The term 'nonprofit organization' means a private organization (including a limited equity cooperative)—

"(A) no part of the earnings of which inures to the benefit of any member, shareholder, founder, contributor, or individual; and

"(B) that is approved by the Corporation as to financial responsibility.

"(11) PUBLIC AGENCY.—The term 'public agency' means any Federal, State, local, or other governmental entity, and includes any public housing agency.

"(12) QUALIFYING HOUSEHOLD.—The term 'qualifying household' means a household—

"(A) who intends to occupy eligible single family property as a principal residence;

"(B) who agrees to occupy the property as a principal residence for at least 12 months;
“(C) who certifies in writing that the household intends to occupy the property as a principal residence for at least 12 months; and

“(D) whose income does not exceed 115 percent of the median income for the area, as determined by the Secretary, with adjustment for family size.

“(13) QUALIFYING MULTIFAMILY PURCHASER.—The term ‘qualifying multifamily purchaser’ means—

“(A) a public agency;

“(B) a nonprofit organization; or

“(C) a for-profit entity, which makes a commitment (for itself or any related entity) to comply with the low-income occupancy requirements under subsection (d)(7) for any eligible multifamily housing property for which an offer to purchase is made during or after the periods specified under subsection (d).

“(14) SECRETARY.—The term ‘Secretary’ means the Secretary of Housing and Urban Development.

“(15) STATE HOUSING FINANCE AGENCY.—The term ‘State housing finance agency’ means the public agency, authority, corporation, or other instrumentality of a State that has the authority to provide residential mortgage loan financing throughout the State.

“(16) VERY LOW-INCOME FAMILIES.—The term ‘very low-income families’ means families and individuals whose incomes do not exceed 50 percent of the median income of the area involved, as determined by the Secretary, with adjustment for family size.”

(b) COORDINATION.—The Federal Deposit Insurance Corporation and the Resolution Trust Corporation shall consult and coordinate with each other in carrying out their respective responsibilities under the affordable housing programs under section 42 of the Federal Deposit Insurance Act and section 21A(c) of the Federal Home Loan Bank Act. Such corporations shall develop any procedures, and may enter into any agreements, necessary to provide for the coordinated, efficient, and effective operation of such programs.

(c) CONFORMING AMENDMENTS.—

(1) FEDERAL DEPOSIT INSURANCE ACT.—Section 11(d) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)) is amended—

(A) in paragraph (2)(B), in the matter preceding clause (i), by inserting “(subject to the provisions of section 42)” before the comma; and

(B) in paragraph (2)(E), by inserting “(subject to the provisions of section 42)” before the first comma.

(2) HOUSING ACT OF 1959.—Section 202(h)(2) of the Housing Act of 1959 (12 U.S.C. 1701q(h)(2)), as amended by section 801(a) of the Cranston-Gonzalez National Affordable Housing Act, is amended by inserting “or from the Federal Deposit Insurance Corporation under section 42 of the Federal Deposit Insurance Act” after “Federal Home Loan Bank Act”.

Subtitle E—Whistleblower Protections

SEC. 251. ADDITIONAL WHISTLEBLOWER PROTECTIONS.

(a) ADDITIONAL COVERAGE ESTABLISHED UNDER FEDERAL DEPOSIT INSURANCE ACT.—
Section 33(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831j(a)) is amended to read as follows:

"(a) In General.—

(1) Employees of Depository Institutions.—No insured depository institution may discharge or otherwise discriminate against any employee with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to any Federal banking agency or to the Attorney General regarding any possible violation of any law or regulation by the depository institution or any director, officer, or employee of the institution.

(2) Employees of Banking Agencies.—No Federal banking agency, Federal home loan bank, or Federal Reserve bank may discharge or otherwise discriminate against any employee with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to any such agency or bank or to the Attorney General regarding any possible violation of any law or regulation by—

"(A) any depository institution or any such bank or agency;

"(B) any director, officer, or employee of any depository institution or any such bank; or

"(C) any officer or employee of the agency which employs such employee.”.

(2) Technical and Conforming Amendment.—Section 33(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831j(c)) is amended by inserting “Federal home loan bank, Federal Reserve bank, or Federal banking agency” after “depository institution”.

(3) Definition.—Section 33 of the Federal Deposit Insurance Act (12 U.S.C. 1831j) is amended by adding at the end the following new subsection:

“(e) Federal Banking Agency Defined.—For purposes of subsections (a) and (c), the term ‘Federal banking agency’ means the Corporation, the Board of Governors of the Federal Reserve System, the Federal Housing Finance Board, the Comptroller of the Currency, and the Director of the Office of Thrift Supervision.”.

(4) Effective Date.—Paragraph (2) of section 33(a) of the Federal Deposit Insurance Act (as added under the amendment made by paragraph (1)) shall be treated as having taken effect on January 1, 1987, and for purposes of any cause of action arising under such paragraph (as so effective) before the date of the enactment of this Act, the 2-year period referred to in section 33(b) of such Act shall be deemed to begin on such date of enactment.

(1) In General.—Section 213(a) of the Federal Credit Union Act (12 U.S.C. 1790b(a)) is amended to read as follows:

"(a) In General.—

(1) Employees of Credit Unions.—No insured credit union may discharge or otherwise discriminate against any employee with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to the
Board or the Attorney General regarding any possible violation of any law or regulation by the credit union or any director, officer, or employee of the credit union.

"(2) EMPLOYEES OF THE ADMINISTRATION.—The Administration may not discharge or otherwise discriminate against any employee (including any employee of the National Credit Union Central Liquidity Facility) with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to the Administration or the Attorney General regarding any possible violation of any law or regulation by—

"(A) any credit union the Administration;
"(B) any director, officer, or employee of any depository institution or any such bank; or
"(C) any officer or employee of the Administration.".

(2) TECHNICAL AND CONFORMING AMENDMENT.—Section 213(c) of the Federal Credit Union Act (12 U.S.C. 1790b(c)) is amended by inserting "or the Administration" after "credit union".

(3) EFFECTIVE DATE.—Paragraph (2) of section 213(a) of the Federal Credit Union Act (as added under the amendment made by paragraph (1)) shall be treated as having taken effect on January 1, 1987, and for purposes of any cause of action arising under such paragraph (as so effective) before the date of the enactment of this Act, the 2-year period referred to in section 213(b) of such Act shall be deemed to begin on such date of enactment.

(c) COVERAGE FOR EMPLOYEES OF RTC, OVERSIGHT BOARD, AND RTC CONTRACTORS.—

(1) COVERAGE ESTABLISHED.—Section 21A of the Federal Home Loan Bank Act (12 U.S.C. 1441a) is amended by adding at the end the following new subsection:

"(q) RTC, OVERSIGHT BOARD, AND RTC CONTRACTOR EMPLOYEE PROTECTION REMEDY.—

"(1) PROHIBITION AGAINST DISCRIMINATION.—The Corporation, the Oversight Board, and any person who is performing, directly or indirectly, any function or service on behalf of the Corporation or the Oversight Board may not discharge or otherwise discriminate against any employee (including any employee of the Federal Deposit Insurance Corporation on assignment to the Corporation under this section or any personnel referred to in subparagraphs (C) and (F) of subsection (a)(5)) with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to the Corporation, the Oversight Board, the Attorney General, or any appropriate Federal banking agency (as defined in section 3(q) of the Federal Deposit Insurance Act) regarding any possible violation of any law or regulation by the Corporation, the Oversight Board, or such person or any director, officer, or employee of the Corporation, the Oversight Board, or the person.

"(2) ENFORCEMENT.—Any employee or former employee who believes that such employee has been discharged or discriminated against in violation of paragraph (1) may file a civil action in the appropriate United States district court before the end of
the 2-year period beginning on the date of such discharge or discrimination.

“(3) REMEDIES.—If the district court determines that a violation has occurred, the court may order the Corporation or the person which committed the violation to—

“(A) reinstate the employee to the employee’s former position;
“(B) pay compensatory damages; or
“(C) take other appropriate actions to remedy any past discrimination.

“(4) LIMITATION.—The protections of this section shall not apply to any employee who—

“(A) deliberately causes or participates in the alleged violation of law or regulation; or
“(B) knowingly or recklessly provides substantially false information to the Corporation, the Attorney General, or any appropriate Federal banking agency.”.

(2) EFFECTIVE DATE.—Subsection (q) of section 21A of the Federal Home Loan Bank Act (as added under the amendment made by paragraph (1)) shall be treated as having taken effect on August 9, 1989, and for purposes of any cause of action arising under such subsection (as so effective) before the date of the enactment of this Act, the 2-year period referred to in section 21A(q)(2) of such Act shall be deemed to begin on such date of enactment.

Subtitle F—Truth in Savings

SEC. 261. SHORT TITLE.

This subtitle may be cited as the “Truth in Savings Act”.

SEC. 262. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress hereby finds that economic stability would be enhanced, competition between depository institutions would be improved, and the ability of the consumer to make informed decisions regarding deposit accounts, and to verify accounts, would be strengthened if there was uniformity in the disclosure of terms and conditions on which interest is paid and fees are assessed in connection with such accounts.

(b) PURPOSE.—It is the purpose of this subtitle to require the clear and uniform disclosure of—

(1) the rates of interest which are payable on deposit accounts by depository institutions; and
(2) the fees that are assessable against deposit accounts, so that consumers can make a meaningful comparison between the competing claims of depository institutions with regard to deposit accounts.

SEC. 263. DISCLOSURE OF INTEREST RATES AND TERMS OF ACCOUNTS.

(a) IN GENERAL.—Except as provided in subsection (b), each advertisement, announcement, or solicitation initiated by any depository institution or deposit broker relating to any demand or interest-bearing account offered by an insured depository institution which includes any reference to a specific rate of interest payable on amounts deposited in such account, or to a specific yield or rate of
earnings on amounts so deposited, shall state the following information, to the extent applicable, in a clear and conspicuous manner:

(1) The annual percentage yield.
(2) The period during which such annual percentage yield is in effect.
(3) All minimum account balance and time requirements which must be met in order to earn the advertised yield (and, in the case of accounts for which more than 1 yield is stated, each annual percentage yield and the account minimum balance requirement associated with each such yield shall be in close proximity and have equal prominence).
(4) The minimum amount of the initial deposit which is required to open the account in order to obtain the yield advertised, if such minimum amount is greater than the minimum balance necessary to earn the advertised yield.
(5) A statement that regular fees or other conditions could reduce the yield.
(6) A statement that an interest penalty is required for early withdrawal.

(b) **Broadcast and Electronic Media and Outdoor Advertising Exception.**—The Board may, by regulation, exempt advertisements, announcements, or solicitations made by any broadcast or electronic medium or outdoor advertising display not on the premises of the depository institution from any disclosure requirements described in paragraph (4) or (5) of subsection (a) if the Board finds that any such disclosure would be unnecessarily burdensome.

(c) **Misleading Descriptions of Free or No-Cost Accounts Prohibited.**—No advertisement, announcement, or solicitation made by any depository institution or deposit broker may refer to or describe an account as a free or no-cost account (or words of similar meaning) if—

(1) in order to avoid fees or service charges for any period—
   (A) a minimum balance must be maintained in the account during such period; or
   (B) the number of transactions during such period may not exceed a maximum number; or
(2) any regular service or transaction fee is imposed.

(d) **Misleading or Inaccurate Advertisements, Etc., Prohibited.**—No depository institution or deposit broker shall make any advertisement, announcement, or solicitation relating to a deposit account that is inaccurate or misleading or that misrepresents its deposit contracts.

SEC. 284. ACCOUNT SCHEDULE.

(a) **In General.**—Each depository institution shall maintain a schedule of fees, charges, interest rates, and terms and conditions applicable to each class of accounts offered by the depository institution, in accordance with the requirements of this section and regulations which the Board shall prescribe. The Board shall specify, in regulations, which fees, charges, penalties, terms, conditions, and account restrictions must be included in a schedule required under this subsection. A depository institution need not include in such schedule any information not specified in such regulation.

(b) **Information on Fees and Charges.**—The schedule required under subsection (a) with respect to any account shall contain the following information:
(1) A description of all fees, periodic service charges, and penalties which may be charged or assessed against the account (or against the account holder in connection with such account), the amount of any such fees, charge, or penalty (or the method by which such amount will be calculated), and the conditions under which any such amount will be assessed.

(2) All minimum balance requirements that affect fees, charges, and penalties, including a clear description of how each such minimum balance is calculated.

(3) Any minimum amount required with respect to the initial deposit in order to open the account.

(c) Information on Interest Rates.—The schedule required under subsection (a) with respect to any account shall include the following information:

(1) Any annual percentage yield.

(2) The period during which any such annual percentage yield will be in effect.

(3) Any annual rate of simple interest.

(4) The frequency with which interest will be compounded and credited.

(5) A clear description of the method used to determine the balance on which interest is paid.

(6) The information described in paragraphs (1) through (4) with respect to any period after the end of the period referred to in paragraph (2) (or the method for computing any information described in any such paragraph), if applicable.

(7) Any minimum balance which must be maintained to earn the rates and obtain the yields disclosed pursuant to this subsection and a clear description of how any such minimum balance is calculated.

(8) A clear description of any minimum time requirement which must be met in order to obtain the yields disclosed pursuant to this subsection and any information described in paragraph (1), (2), (3), or (4) that will apply if any time requirement is not met.

(9) A statement, if applicable, that any interest which has accrued but has not been credited to an account at the time of a withdrawal from the account will not be paid by the depository institution or credited to the account by reason of such withdrawal.

(10) Any provision or requirement relating to nonpayment of interest, including any charge or penalty for early withdrawal, and the conditions under which any such charge or penalty may be assessed.

(d) Other Information.—The schedule required under subsection (a) shall include such other disclosures as the Board may determine to be necessary to allow consumers to understand and compare accounts, including frequency of interest rate adjustments, account restrictions, and renewal policies for time accounts.

(e) Style and Format.—Schedules required under subsection (a) shall be written in clear and plain language and be presented in a format designed to allow consumers to readily understand the terms of the accounts offered.

SEC. 265. DISCLOSURE REQUIREMENTS FOR CERTAIN ACCOUNTS.

The Board shall require, in regulations which the Board shall prescribe, such modification in the disclosure requirements under
this Act relating to annual percentage yield as may be necessary to carry out the purposes of this Act in the case of—

(1) accounts with respect to which determination of annual percentage yield is based on an annual rate of interest that is guaranteed for a period of less than 1 year;

(2) variable rate accounts;

(3) accounts which, pursuant to law, do not guarantee payment of a stated rate;

(4) multiple rate accounts; and

(5) accounts with respect to which determination of annual percentage yield is based on an annual rate of interest that is guaranteed for a stated term.

SEC. 266. DISTRIBUTION OF SCHEDULES.

(a) In General.—A schedule required under section 264 for an appropriate account shall be—

(1) made available to any person upon request;

(2) provided to any potential customer before an account is opened or a service is rendered; and

(3) provided to the depositor, in the case of any time deposit which is renewable at maturity without notice from the depositor, at least 30 days before the date of maturity.

(b) Distribution in Case of Certain Initial Deposits.—If—

(1) a depositor is not physically present at an office of a depository institution at the time an initial deposit is accepted with respect to an account established by or for such person; and

(2) the schedule required under section 264(a) has not been furnished previously to such depositor,

the depository institution shall mail the schedule to the depositor at the address shown on the records of the depository institution for such account no later than 10 days after the date of the initial deposit.

(c) Distribution of Notice of Certain Changes.—If—

(1) any change is made in any term or condition which is required to be disclosed in the schedule required under section 264(a) with respect to any account; and

(2) the change may reduce the yield or adversely affect any holder of the account,

all account holders who may be affected by such change shall be notified and provided with a description of the change by mail at least 30 days before the change takes effect.

(d) Distribution in Case of Accounts Established by More Than 1 Individual or by a Group.—If an account is established by more than 1 individual or for a person other than an individual, any distribution described in this section with respect to such account meets the requirements of this section if the distribution is made to 1 of the individuals who established the account or 1 individual representative of the person on whose behalf such account was established.

(e) Notice to Account Holders as of the Effective Date of Regulations.—For any account for which the depository institution delivers an account statement on a quarterly or more frequent basis, the depository institution shall include on or with any regularly scheduled mailing posted or delivered within 180 days after publication of regulations issued by the Board in final form, a statement that the account holder has the right to request an account schedule.
containing the terms, charges, and interest rates of the account, and that the account holder may wish to request such an account schedule.

12 USC 4306. SEC. 267. PAYMENT OF INTEREST.

(a) CALCULATED ON FULL AMOUNT OF PRINCIPAL.—Interest on an interest-bearing account at any depository institution shall be calculated by such institution on the full amount of principal in the account for each day of the stated calculation period at the rate or rates of interest disclosed pursuant to this Act.

(b) NO PARTICULAR METHOD OF COMPOUNDING INTEREST REQUIRED.—Subsection (a) shall not be construed as prohibiting or requiring the use of any particular method of compounding or crediting of interest.

(c) DATE BY WHICH INTEREST MUST ACCRUVE.—Interest on accounts that are subject to this Act shall begin to accrue not later than the business day specified for interest-bearing accounts in section 606 of the Expedited Funds Availability Act, subject to subsections (b) and (c) of such section.

12 USC 4307. SEC. 268. PERIODIC STATEMENTS.

Each depository institution shall include on or with each periodic statement provided to each account holder at such institution a clear and conspicuous disclosure of the following information with respect to such account:

(1) The annual percentage yield earned.
(2) The amount of interest earned.
(3) The amount of any fees or charges imposed.
(4) The number of days in the reporting period.

12 USC 4308. SEC. 269. REGULATIONS.

(a) IN GENERAL.—

(1) REGULATIONS REQUIRED.—Before the end of the 9-month period beginning on the date of the enactment of this Act, the Board, after consultation with each agency referred to in section 270(a) and public notice and opportunity for comment, shall prescribe regulations to carry out the purpose and provisions of this Act.

(2) EFFECTIVE DATE OF REGULATIONS.—The regulations prescribed under paragraph (1) shall take effect not later than 6 months after publication in final form.

(3) CONTENTS OF REGULATIONS.—The regulations prescribed under paragraph (1) may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of accounts as, in the judgment of the Board, are necessary or proper to carry out the purposes of this Act, to prevent circumvention or evasion of the requirements of this Act, or to facilitate compliance with the requirements of this Act.

(4) DATE OF APPLICABILITY.—The provisions of this Act shall not apply with respect to any depository institution before the effective date of regulations prescribed by the Board under this subsection (or by the National Credit Union Administration Board under section 12(b), in the case of any depository institution described in clause (iv) of section 19(b)(1)(A) of the Federal Reserve Act).

(b) MODEL FORMS AND CLAUSES.—
(1) In general.—The Board shall publish model forms and clauses for common disclosures to facilitate compliance with this Act. In devising such forms, the Board shall consider the use by depository institutions of data processing or similar automated machines.

(2) Use of forms and clauses deemed in compliance.—Nothing in this Act may be construed to require a depository institution to use any such model form or clause prescribed by the Board under this subsection. A depository institution shall be deemed to be in compliance with the disclosure provisions of this Act if the depository institution—

(A) uses any appropriate model form or clause as published by the Board; or

(B) uses any such model form or clause and changes it by—

(i) deleting any information which is not required by this Act; or

(ii) rearranging the format,

if in making such deletion or rearranging the format, the depository institution does not affect the substance, clarity, or meaningful sequence of the disclosure.

(3) Public notice and opportunity for comment.—Model disclosure forms and clauses shall be adopted by the Board after duly given notice in the Federal Register and an opportunity for public comment in accordance with section 553 of title 5, United States Code.

SEC. 270. ADMINISTRATIVE ENFORCEMENT.

(a) In general.—Compliance with the requirements imposed under this Act shall be enforced under—

(1) section 8 of the Federal Deposit Insurance Act—

(A) by the appropriate Federal banking agency (as defined in section 3(q) of the Federal Deposit Insurance Act) in the case of insured depository institutions (as defined in section 3(c)(2) of such Act);

(B) by the Federal Deposit Insurance Corporation in the case of depository institutions described in clause (i), (ii), or (iii) of section 19(b)(1)(A) of the Federal Reserve Act which are not insured depository institutions (as defined in section 3(c)(2) of the Federal Deposit Insurance Act); and

(C) by the Director of the Office of Thrift Supervision in the case of depository institutions described in clause (v) and or (vi) of section 19(b)(1)(A) of the Federal Reserve Act which are not insured depository institutions (as defined in section 3(c)(2) of the Federal Deposit Insurance Act); and

(2) the Federal Credit Union Act, by the National Credit Union Administration Board in the case of depository institutions described in clause (iv) of section 19(b)(1)(A) of the Federal Reserve Act.

(b) Additional enforcement powers.—

(1) Violation of this act treated as violation of other acts.—For purposes of the exercise by any agency referred to in subsection (a) of such agency's powers under any Act referred to in such subsection, a violation of a requirement imposed under this Act shall be deemed to be a violation of a requirement imposed under that Act.
(2) **Enforcement authority under other acts.**—In addition to the powers of any agency referred to in subsection (a) under any provision of law specifically referred to in such subsection, each such agency may exercise, for purposes of enforcing compliance with any requirement imposed under this Act, any other authority conferred on such agency by law.

(c) **Regulations by Agencies Other Than the Board.**—The authority of the Board to issue regulations under this Act does not impair the authority of any other agency referred to in subsection (a) to make rules regarding its own procedures in enforcing compliance with the requirements imposed under this Act.

SEC. 271. CIVIL LIABILITY.

(a) **Civil Liability.**—Except as otherwise provided in this section, any depository institution which fails to comply with any requirement imposed under this Act or any regulation prescribed under this Act with respect to any person who is an account holder is liable to such person in an amount equal to the sum of—

1. any actual damage sustained by such person as a result of the failure;
2. (A) in the case of an individual action, such additional amount as the court may allow, except that the liability under this subparagraph shall not be less than $100 nor greater than $1,000; or
   (B) in the case of a class action, such amount as the court may allow, except that—
      (i) as to each member of the class, no minimum recovery shall be applicable; and
      (ii) the total recovery under this subparagraph in any class action or series of class actions arising out of the same failure to comply by the same depository institution shall not be more than the lesser of $500,000 or 1 percent of the net worth of the depository institution involved; and
3. in the case of any successful action to enforce any liability under paragraph (1) or (2), the costs of the action, together with a reasonable attorney's fee as determined by the court.

(b) **Class Action Awards.**—In determining the amount of any award in any class action, the court shall consider, among other relevant factors—

1. the amount of any actual damages awarded;
2. the frequency and persistence of failures of compliance;
3. the resources of the depository institution;
4. the number of persons adversely affected; and
5. the extent to which the failure of compliance was intentional.

(c) **Bona Fide Errors.**—

1. **General rule.**—A depository institution may not be held liable in any action brought under this section for a violation of this Act if the depository institution demonstrates by a preponderance of the evidence that the violation was not intentional and resulted from a bona fide error, notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.
2. **Examples.**—Examples of a bona fide error include clerical, calculation, computer malfunction and programming, and printing errors, except that an error of legal judgment with
respect to a depository institution's obligation under this Act is not a bona fide error.

(d) No Liability for Overpayment.—A depository institution may not be held liable in any action under this section for a violation of this Act if the violation has resulted in—

(1) an interest payment to the account holder in an amount greater than the amount determined under any disclosed rate of interest applicable with respect to such payment; or

(2) a charge to the consumer in an amount less than the amount determined under the disclosed charge or fee schedule applicable with respect to such charge.

(e) Jurisdiction.—Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within 1 year after the date of the occurrence of the violation involved.

(f) Reliance on Board Rulings.—No provision of this section imposing any liability shall apply to any act done or omitted in good faith in conformity with any regulation or order, or any interpretation of any regulation or order, of the Board, or in conformity with any interpretation or approval by an official or employee of the Board duly authorized by the Board to issue such interpretation or approval under procedures prescribed by the Board, notwithstanding, the fact that after such act or omission has occurred, such regulation, order, interpretation, or approval is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

(g) Notification of and Adjustment for Errors.—A depository institution shall not be liable under this section or section 270 for any failure to comply with any requirement imposed under this Act with respect to any account if—

(1) before—

(A) the end of the 60-day period beginning on the date on which the depository institution discovered the failure to comply;

(B) any action is instituted against the depository institution by the account holder under this section with respect to such failure to comply; and

(C) any written notice of such failure to comply is received by the depository institution from the account holder,

the depository institution notifies the account holder of the failure of such institution to comply with such requirement; and

(2) the depository institution makes such adjustments as may be necessary with respect to such account to ensure that—

(A) the account holder will not be liable for any amount in excess of the amount actually disclosed with respect to any fee or charge;

(B) the account holder will not be liable for any fee or charge imposed under any condition not actually disclosed; and

(C) interest on amounts in such account will accrue at the annual percentage yield, and under the conditions, actually disclosed (and credit will be provided for interest already accrued at a different annual percentage yield and under different conditions than the yield or conditions disclosed).

(h) Multiple Interests in 1 Account.—If more than 1 person holds an interest in any account—
(1) the minimum and maximum amounts of liability under subsection (a)(2)(A) for any failure to comply with the requirements of this Act shall apply with respect to such account; and
(2) the court shall determine the manner in which the amount of any such liability with respect to such account shall be distributed among such persons.

(i) **Continuing Failure to Disclose.**

(1) **Certain Continuing Failures Treated as 1 Violation.**
Except as provided in paragraph (2), the continuing failure of any depository institution to disclose any particular term required to be disclosed under this Act with respect to a particular account shall be treated as a single violation for purposes of determining the amount of any liability of such institution under subsection (a) for such failure to disclose.

(2) **Subsequent Failure to Disclose.**
The continuing failure of any depository institution to disclose any particular term required to be disclosed under this Act with respect to a particular account after judgment has been rendered in favor of the account holder in connection with a prior failure to disclose such term with respect to such account shall be treated as a subsequent violation for purposes of determining liability under subsection (a).

(3) **Coordination with Section 270.**
This subsection shall not limit or otherwise affect the enforcement power under section 270 of any agency referred to in subsection (a) of such section.

12 USC 4311. **SEC. 272. CREDIT UNIONS.**

(a) **In General.**
No regulation prescribed by the Board under this Act shall apply directly with respect to any depository institution described in clause (iv) of section 19(b)(1)(A) of the Federal Reserve Act.

(b) **Regulations Prescribed by the NCUA.**
Within 90 days of the effective date of any regulation prescribed by the Board under this Act, the National Credit Union Administration Board shall prescribe a regulation substantially similar to the regulation prescribed by the Board taking into account the unique nature of credit unions and the limitations under which they may pay dividends on member accounts.

12 USC 4312. **SEC. 273. EFFECT ON STATE LAW.**
The provisions of this Act do not supersede any provisions of the law of any State relating to the disclosure of yields payable or terms for accounts to the extent such State law requires the disclosure of such yields or terms for accounts, except to the extent that those laws are inconsistent with the provisions of this Act, and then only to the extent of the inconsistency. The Board may determine whether such inconsistencies exist.

12 USC 4313. **SEC. 274. DEFINITIONS.**
For the purposes of this Act—

(1) **Account.**
The term "account" means any account offered to 1 or more individuals or an unincorporated nonbusiness association of individuals by a depository institution into which a customer deposits funds, including demand accounts, time accounts, negotiable order of withdrawal accounts, and share draft accounts.
(2) **Annual percentage yield.**—The term "annual percentage yield" means the total amount of interest that would be received on a $100 deposit, based on the annual rate of simple interest and the frequency of compounding for a 365-day period, expressed as a percentage calculated by a method which shall be prescribed by the Board in regulations.

(3) **Annual rate of simple interest.**—The term "annual rate of simple interest"—
   (A) means the annualized rate of interest paid with respect to each compounding period, expressed as a percentage; and
   (B) may be referred to as the "annual percentage rate".

(4) **Board.**—The term "Board" means the Board of Governors of the Federal Reserve System.

(5) **Deposit broker.**—The term "deposit broker"—
   (A) has the meaning given to such term in section 29(f)(1) of the Federal Deposit Insurance Act; and
   (B) includes any person who solicits any amount from any other person for deposit in an insured depository institution.

(6) **Depository institution.**—The term "depository institution" has the meaning given such term in clauses (i) through (vi) of section 19(b)(1)(A) of the Federal Reserve Act.

(7) **Interest.**—The term "interest" includes dividends paid with respect to share draft accounts which are accounts within the meaning of paragraph (3).

(8) **Multiple rate account.**—The term "multiple rate account" means any account that has 2 or more annual rates of simple interest which take effect at the same time or in succeeding periods and which are known at the time of disclosure.

**TITLE III—REGULATORY IMPROVEMENT**

**Subtitle A—Activities**

**SEC. 301. LIMITATIONS ON BROKERED DEPOSITS AND DEPOSIT SOLICITATIONS.**

(a) **In general.**—Section 29 of the Federal Deposit Insurance Act (12 U.S.C. 1831f) is amended—
   (1) in subsection (a), by striking "troubled institution" and inserting "insured depository institution that is not well capitalized";
   (2) in subsection (c), by inserting "which is adequately capitalized" after "insured depository institution";
   (3) in subsection (d), by striking all after "unsound practice;" and inserting the following:
      "(2) is necessary to enable the institution to meet the demands of its depositors or pay its obligations in the ordinary course of business; and
      "(3) is consistent with the conservator's fiduciary duty to minimize the institution's losses.

Effective 90 days after the date on which the institution was placed in conservatorship, the institution may not accept such deposits.";
(4) by redesignating subsections (e) through (g) as subsections (f) through (h), respectively, and inserting after subsection (d) the following:

"(e) Restriction on Interest Rate Paid.—Any insured depository institution which, under subsection (c) or (d), accepts funds obtained, directly or indirectly, by or through a deposit broker, may not pay a rate of interest on such funds which, at the time that such funds are accepted, significantly exceeds—

"(1) the rate paid on deposits of similar maturity in such institution's normal market area for deposits accepted in the institution's normal market area; or

"(2) the national rate paid on deposits of comparable maturity, as established by the Corporation, for deposits accepted outside the institution's normal market area.”;

(5) in subsection (f), as redesignated, by striking “troubled”;

and

(6) by striking subsection (h), as redesignated.

(b) Notification and Recordkeeping.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 29 the following:

12 USC 1831f-1. “SEC. 29A. DEPOSIT BROKER NOTIFICATION AND RECORDKEEPING.

“(a) Notification.—

“(1) In general.—A deposit broker, as defined in section 29(g), shall not solicit or place any deposit with an insured depository institution, unless such deposit broker has provided the Corporation with written notice that it is a deposit broker.

“(2) Termination of deposit broker status.—When a deposit broker referred to in paragraph (1) ceases to act as a deposit broker it shall provide the Corporation with a written notice that it is no longer acting as a deposit broker.

“(3) Form and content.—The notices required by paragraphs (1) and (2) shall be in such form and contain such information concerning the deposit solicitation and placement activities of a deposit broker as the Corporation may prescribe as necessary or appropriate to carry out the purposes of this subsection.

“(b) Records.—The Corporation may prescribe regulations requiring each deposit broker that has filed a notice under subsection (a)(1) to maintain separate records relating to the total amounts and maturities of the deposits placed by such broker for each insured depository institution during specified time periods. Such regulations shall specify the format in which and the period for which such records shall be preserved, as well as the time period within which the deposit broker shall furnish to the Corporation copies of such records (or designated portions thereof) as the Corporation may request.

“(c) Periodic Reports.—

“(1) In general.—The Corporation may prescribe regulations requiring each deposit broker that has filed a notice under subsection (a)(1) to file with the Corporation separate quarterly reports relating to the total amounts and maturities of the deposits placed by such broker for each insured depository institution during the applicable quarter. Such regulations shall specify the form and content of such reports, as well as the applicable reporting period.

“(2) Designated agent.—The Corporation may designate another entity as its agent for the purpose of receiving and
maintaining reports under this subsection. If the Corporation designates such an agent the Corporation may, through its agent, prescribe and collect an appropriate quarterly fee from each deposit broker that filed reports with the agent during the applicable quarter, in an amount sufficient to defray the Corporation’s cost of retaining the agent and to reflect the proportionate amount of the deposits placed with insured depository institutions by each broker during the applicable quarter.”.

(c) Deposit Solicitation Restricted.—Section 29 of the Federal Deposit Insurance Act (12 U.S.C. 1831f) is amended by adding at the end the following:

“(h) Deposit Solicitation Restricted.—An insured depository institution that is undercapitalized, as defined in section 38, shall not solicit deposits by offering rates of interest that are significantly higher than the prevailing rates of interest on insured deposits—
“(1) in such institution’s normal market areas; or
“(2) in the market area in which such deposits would otherwise be accepted.”.

(d) Deadline for Regulations.—The Corporation shall promulgate final regulations to carry out the amendments made under subsections (a), (b), and (c) not later than 150 days after the date of enactment of this Act, and those regulations shall become effective not later than 180 days after that date of enactment, except that such regulations shall not apply to any specific time deposit made before that date of enactment until the stated maturity of the time deposit.

SEC. 302. RISK-BASED ASSESSMENTS.

(a) Risk-Based Assessment System.—Section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended to read as follows:

“(b) Assessments.—
“(1) Risk-Based Assessment System.—
“(A) Risk-Based Assessment System Required.—The Board of Directors shall, by regulation, establish a risk-based assessment system for insured depository institutions.
“(B) Private Reinsurance Authorized.—In carrying out this paragraph, the Corporation may—
“(i) obtain private reinsurance covering not more than 10 percent of any loss the Corporation incurs with respect to an insured depository institution; and
“(ii) base that institution’s semiannual assessment (in whole or in part) on the cost of the reinsurance.
“(C) Risk-Based Assessment System Defined.—For purposes of this paragraph, the term ‘risk-based assessment system’ means a system for calculating a depository institution’s semiannual assessment based on—
“(i) the probability that the deposit insurance fund will incur a loss with respect to the institution, taking into consideration the risks attributable to—
“(I) different categories and concentrations of assets;
“(II) different categories and concentrations of liabilities, both insured and uninsured, contingent and noncontingent; and
"(III) any other factors the Corporation determines are relevant to assessing such probability; "
"(ii) the likely amount of any such loss; and "
"(iii) the revenue needs of the deposit insurance fund.

"(D) SEPARATE ASSESSMENT SYSTEMS.—The Board of Directors may establish separate risk-based assessment systems for large and small members of each deposit insurance fund.

"(2) SETTING ASSESSMENTS.—

"(A) ACHIEVING AND MAINTAINING DESIGNATED RESERVE RATIO.—

"(i) IN GENERAL.—The Board of Directors shall set semiannual assessments for insured depository institutions—

"(I) to maintain the reserve ratio of each deposit insurance fund at the designated reserve ratio; or "
"(II) if the reserve ratio is less than the designated reserve ratio, to increase the reserve ratio to the designated reserve ratio as provided in paragraph (3). "

"(ii) FACTORS TO BE CONSIDERED.—In carrying out clause (i), the Board of Directors shall consider the deposit insurance fund's—

"(I) expected operating expenses, "
"(II) case resolution expenditures and income, "
"(III) the effect of assessments on members' earnings and capital, and "
"(IV) any other factors that the Board of Directors may deem appropriate.

"(iii) MINIMUM ASSESSMENT.—The semiannual assessment for each member of a deposit insurance fund shall be not less than $1,000.

"(iv) DESIGNATED RESERVE RATIO DEFINED.—The designated reserve ratio of each deposit insurance fund for each year shall be—

"(I) 1.25 percent of estimated insured deposits; or "
"(II) a higher percentage of estimated insured deposits that the Board of Directors determines to be justified for that year by circumstances raising a significant risk of substantial future losses to the fund.

"(B) INDEPENDENT TREATMENT OF FUNDS.—The Board of Directors shall—

"(i) set semiannual assessments for members of each deposit insurance fund independently from semiannual assessments for members of any other deposit insurance fund; and "
"(ii) set the designated reserve ratio of each deposit insurance fund independently from the designated reserve ratio of any other deposit insurance fund.

"(C) NOTICE OF ASSESSMENTS.—The Corporation shall notify each insured depository institution of that institution's semiannual assessment.

"(D) PRIORITY OF FINANCING CORPORATION AND FUNDING CORPORATION ASSESSMENTS.—Notwithstanding any other provision of this paragraph, amounts assessed by the Financing Corporation under section 21 of the Federal
Home Loan Bank Act against Savings Association Insurance Fund members, shall be subtracted from the amounts authorized to be assessed by the Corporation under this paragraph.

"(E) MINIMUM ASSESSMENTS.—The Corporation shall design the risk-based assessment system for any deposit insurance fund so that, if the Corporation has borrowings outstanding under section 14 on behalf of that fund or the reserve ratio of that fund remains below the designated reserve ratio, the total amount raised by semiannual assessments on members of that fund shall be not less than the total amount that would have been raised if—

"(i) section 7(b) as in effect on July 15, 1991 remained in effect; and

"(ii) the assessment rate in effect on July 15, 1991 remained in effect.

"(F) TRANSITION RULE FOR SAVINGS ASSOCIATION INSURANCE FUND.—With respect to the Savings Association Insurance Fund, during the period beginning on the effective date of the amendments made by section 302(a) of the Federal Deposit Insurance Corporation Improvement Act of 1991 and ending on December 31, 1997—

"(i) subparagraph (A)(i)(II) shall apply as if such subparagraph did not include ‘as provided in paragraph (3)’; and

"(ii) subparagraph (E) shall be applied by substituting ‘if section 7(b) as in effect on July 15, 1991 remained in effect.’ for ‘if—’ and all that follows through clause (ii).

"(G) SPECIAL RULE UNTIL THE INSURANCE FUNDS ACHIEVE THE DESIGNATED RESERVE RATIO.—Until a deposit insurance fund achieves the designated reserve ratio, the Corporation may limit the maximum assessment on insured depository institutions under the risk-based assessment system authorized under paragraph (1) to not less than 10 basis points above the average assessment on insured depository institutions under that system.

"(3) SPECIAL RULE FOR RECAPITALIZING UNDERCAPITALIZED FUNDS—

"(A) IN GENERAL.—Except as provided in paragraph (2)(F), if the reserve ratio of any deposit insurance fund is less than the designated reserve ratio under paragraph (2)(A)(iv), the Board of Directors shall set semiannual assessment rates for members of that fund—

"(i) that are sufficient to increase the reserve ratio for that fund to the designated reserve ratio not later than 1 year after such rates are set; or

"(ii) in accordance with a schedule promulgated by the Corporation under subparagraph (B).

"(B) RECAPITALIZATION SCHEDULES.—For purposes of subparagraph (A)(ii), the Corporation shall by regulation promulgate a schedule that specifies, at semiannual intervals, target reserve ratios for that fund, culminating in a reserve ratio that is equal to the designated reserve ratio not later than 15 years after the date on which the schedule is implemented.
“(C) Amending schedule.—The Corporation may, by regulation, amend a schedule promulgated under subparagraph (B), but such amendments may not extend the date specified in subparagraph (B).

“(D) Application to SAIF members.—This paragraph shall become applicable to Savings Association Insurance Fund members on January 1, 1998.

“(4) Semiannual period defined.—For purposes of this section, the term 'semiannual period' means a period beginning on January 1 of any calendar year and ending on June 30 of the same year, or a period beginning on July 1 of any calendar year and ending on December 31 of the same year.

“(5) Records to be maintained.—Each insured depository institution shall maintain all records that the Corporation may require for verifying the correctness of the institution's semiannual assessments. No insured depository institution shall be required to retain those records for that purpose for a period of more than 5 years from the date of the filing of any certified statement, except that when there is a dispute between the insured depository institution and the Corporation over the amount of any assessment, the depository institution shall retain the records until final determination of the issue.”.

(b) Certified Statements and Payment Procedures.—Section 7(c) of the Federal Deposit Insurance Act (12 U.S.C. 1817(c)) is amended to read as follows:

“(c) Certified Statements; Payments.—

“(1) Certified statements required.—

“(A) In general.—Each insured depository institution shall file with the Corporation a certified statement containing such information as the Corporation may require for determining the institution's semiannual assessment.

“(B) Form of certification.—The certified statement required under subparagraph (A) shall—

“(i) be in such form and set forth such supporting information as the Board of Directors shall prescribe; and

“(ii) be certified by the president of the depository institution or any other officer designated by its board of directors or trustees that to the best of his or her knowledge and belief, the statement is true, correct and complete, and in accordance with this Act and regulations issued hereunder.

“(2) Payments required.—

“(A) In general.—Each insured depository institution shall pay to the Corporation the semiannual assessment imposed under subsection (b).

“(B) Form of payment.—The payments required under subparagraph (A) shall be made in such manner and at such time or times as the Board of Directors shall prescribe by regulation.

“(3) Newly insured institutions.—To facilitate the administration of this section, the Board of Directors may waive the requirements of paragraphs (1) and (2) for the semiannual period in which a depository institution becomes insured.”.

(c) Regulations.—To implement the risk-based assessment system required under section 7(b) of the Federal Deposit Insurance
Act (as amended by subsection (a)), the Federal Deposit Insurance Corporation shall—

(1) provide notice of proposed regulations in the Federal Register, not later than December 31, 1992, with an opportunity for comment on the proposal of not less than 120 days; and

(2) promulgate final regulations not later than July 1, 1993.

(d) AUTHORITY TO PRESCRIBE REGULATIONS AND DEFINITIONS.—

Section 10 of the Federal Deposit Insurance Act (12 U.S.C. 1820) is amended by adding at the end the following:

“(f) AUTHORITY TO PRESCRIBE REGULATIONS AND DEFINITIONS.—

Except to the extent that authority under this Act is conferred on any of the Federal banking agencies other than the Corporation, the Corporation may—

“(1) prescribe regulations to carry out this Act; and

“(2) by regulation define terms as necessary to carry out this Act.”.

(e) CONFORMING AMENDMENTS.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended—

(1) in section 5(d)(3)(B)—

(A) by striking “average assessment base” and inserting “deposits”; and

(B) by striking “shall—” and all that follows through “(iii) shall be treated” and inserting “shall be treated”;

(2) in section 7(a)(5) by striking “and for the computation of assessments provided in subsection (b) of this section”; and

(3) in section 7 by amending subsection (d) to read as follows:

“(d) CORPORATION EXEMPT FROM APPORTIONMENT.—Notwithstanding any other provision of law, amounts received pursuant to any assessment under this section and any other amounts received by the Corporation shall not be subject to apportionment for the purposes of chapter 15 of title 31, United States Code, or under any other authority.”; and

(4) in the last sentence of section 8(q) by striking “upon” and inserting “with respect to”.

(f) TRANSITION TO NEW ASSESSMENT SYSTEM.—

To carry out the amendments made by this section, the Corporation may promulgate regulations governing the transition from the assessment system in effect on the date of enactment of this Act to the assessment system required under the amendments made by this section.

(g) EFFECTIVE DATE OF AMENDMENTS.—

The amendments made by this section shall become effective on the earlier of—

(1) 180 days after the date on which final regulations promulgated in accordance with subsection (c) become effective; or

(2) January 1, 1994.

SEC. 303. RESTRICTIONS ON INSURED STATE BANK ACTIVITIES.

(a) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 23 the following new section:

“SEC. 24. ACTIVITIES OF INSURED STATE BANKS.

“(a) IN GENERAL.—After the end of the 1-year period beginning on the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991, an insured State bank may not engage as principal in any type of activity that is not permissible for a national bank unless—
“(1) the Corporation has determined that the activity would pose no significant risk to the appropriate deposit insurance fund; and

“(2) the State bank is, and continues to be, in compliance with applicable capital standards prescribed by the appropriate Federal banking agency.

“(b) INSURANCE UNDERWRITING.—

“(1) In general.—Notwithstanding subsection (a), an insured State bank may not engage in insurance underwriting except to the extent that activity is permissible for national banks.

“(2) Exception for certain federally reinsured crop insurance.—Notwithstanding any other provision of law, an insured State bank or any of its subsidiaries that provided insurance on or before September 30, 1991, which was reinsured in whole or in part by the Federal Crop Insurance Corporation may continue to provide such insurance.”

“(c) EQUITY INVESTMENTS BY INSURED STATE BANKS.—

“(1) In general.—An insured State bank may not, directly or indirectly, acquire or retain any equity investment of a type that is not permissible for a national bank.

“(2) Exception for certain subsidiaries.—Paragraph (1) shall not prohibit an insured State bank from acquiring or retaining an equity investment in a subsidiary of which the insured State bank is a majority owner.

“(3) Exception for qualified housing projects.—

“(A) Exception.—Notwithstanding any other provision of this subsection, an insured State bank may invest as a limited partner in a partnership, the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation, or new construction of a qualified housing project.

“(B) Limitation.—The aggregate of the investments of any insured State bank pursuant to this paragraph shall not exceed 2 percent of the total assets of the bank.

“(C) Qualified housing project defined.—As used in this paragraph—

“(i) Qualified housing project.—The term ‘qualified housing project’ means residential real estate that is intended to primarily benefit lower income people throughout the period of the investment.

“(ii) Lower income.—The term ‘lower income’ means income that is less than or equal to the median income based on statistics from State or Federal sources.

“(4) Transition rule.—

“(A) In general.—The Corporation shall require any insured State bank to divest any equity investment the retention of which is not permissible under this subsection as quickly as can be prudently done, and in any event before the end of the 5-year period beginning on the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991.

“(B) Treatment of noncompliance during divestment.—With respect to any equity investment held by any insured State bank on the date of enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991 which was lawfully acquired before such date, the bank shall be deemed not to be in violation of the prohibition in
this subsection on retaining such investment so long as the
bank complies with the applicable requirements established
by the Corporation for divesting such investments.

“(d) Subsidiaries of Insured State Banks.—

“(1) In general.—After the end of the 1-year period begin­
ning on the date of the enactment of the Federal Deposit
Insurance Corporation Improvement Act of 1991, a subsidiary of
an insured State bank may not engage as principal in any type
of activity that is not permissible for a subsidiary of a national
bank unless—

“(A) the Corporation has determined that the activity
poses no significant risk to the appropriate deposit insur­
ance fund; and

“(B) the bank is, and continues to be, in compliance with
applicable capital standards prescribed by the appropriate
Federal banking agency.

“(2) Insurance underwriting prohibited.—

“(A) Prohibition.—Notwithstanding paragraph (1), no
subsidiary of an insured State bank may engage in insur­
ance underwriting except to the extent such activities are
permissible for national banks.

“(B) Continuation of existing activities.—Notwith­
standing subparagraph (A), a well-capitalized insured State
bank or any of its subsidiaries that was lawfully providing
insurance as principal in a State on November 21, 1991,
may continue to provide, as principal, insurance of the
same type to residents of the State (including companies or
partnerships incorporated in, organized under the laws of,
licensed to do business in, or having an office in the State,
but only on behalf of their employees resident in or prop­
erty located in the State), individuals employed in the
State, and any other person to whom the bank or subsidiary
has provided insurance as principal, without interruption,
since such person resided in or was employed in such State.

“(C) Exception.—Subparagraph (A) does not apply to a
subsidiary of an insured State bank if—

“(i) the insured State bank was required, before June
1, 1991, to provide title insurance as a condition of the
bank’s initial chartering under State law; and

“(ii) control of the insured State bank has not
changed since that date.

“(e) Savings Bank Life Insurance.—

“(1) In general.—No provision of this Act shall be construed
as prohibiting or impairing the sale or underwriting of savings
bank life insurance, or the ownership of stock in a savings bank
life insurance company, by any insured bank which—

“(A) is located in the Commonwealth of Massachusetts or
the State of New York or Connecticut; and

“(B) meets the consumer disclosure requirements under
section 18(k) with respect to such insurance.

“(2) FDIC finding and action regarding risk.—

“(A) Finding.—Before the end of the 1-year period begin­
ning on the date of the enactment of the Federal Deposit
Insurance Corporation Improvement Act of 1991, the Cor­
poration shall make a finding whether savings bank life
insurance activities of insured banks pose or may pose any
significant risk to the insurance fund of which such banks are members.

"(B) ACTIONS.—

"(i) IN GENERAL.—The Corporation shall, pursuant to any finding made under subparagraph (A), take appropriate actions to address any risk that exists or may subsequently develop with respect to insured banks described in paragraph (1)(A).

"(ii) AUTHORIZED ACTIONS.—Actions the Corporation may take under this subparagraph include requiring the modification, suspension, or termination of insurance activities conducted by any insured bank if the Corporation finds that the activities pose a significant risk to any insured bank described in paragraph (1)(A) or to the insurance fund of which such bank is a member.

"(f) COMMON AND PREFERRED STOCK INVESTMENT.—

"(1) IN GENERAL.—An insured State bank shall not acquire or retain, directly or indirectly, any equity investment of a type or in an amount that is not permissible for a national bank or is not otherwise permitted under this section.

"(2) EXCEPTION FOR BANKS IN CERTAIN STATES.—Notwithstanding paragraph (1), an insured State bank may, to the extent permitted by the Corporation, acquire and retain ownership of securities described in paragraph (1) to the extent the aggregate amount of such investment does not exceed an amount equal to 100 percent of the bank's capital if such bank—

"(A) is located in a State that permitted, as of September 30, 1991, investment in common or preferred stock listed on a national securities exchange or shares of an investment company registered under the Investment Company Act of 1940; and

"(B) made or maintained an investment in such securities during the period beginning on September 30, 1990, and ending on November 26, 1991.

"(3) EXCEPTION FOR CERTAIN TYPES OF INSTITUTIONS.—Notwithstanding paragraph (1), an insured State bank may—

"(A) acquire not more than 10 percent of a corporation that only—

"(i) provides directors', trustees', and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions; or

"(ii) reinsures such policies; and

"(B) acquire or retain shares of a depository institution if—

"(i) the institution engages only in activities permissible for national banks;

"(ii) the institution is subject to examination and regulation by a State bank supervisor;

"(iii) 20 or more depository institutions own shares of the institution and none of those institutions owns more than 15 percent of the institution's shares; and

"(iv) the institution's shares (other than directors' qualifying shares or shares held under or initially acquired through a plan established for the benefit of the
institution's officers and employees) are owned only by the institution.

"(4) Transition period for common and preferred stock investments.—

"(A) In general.—During each year in the 3-year period beginning on the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991, each insured State bank shall reduce by not less than 1/3 of its shares (as of such date of enactment) the bank's ownership of securities in excess of the amount equal to 100 percent of the capital of such bank.

"(B) Compliance at end of period.—By the end of the 3-year period referred to in subparagraph (A), each insured State bank and each subsidiary of a State bank shall be in compliance with the maximum amount limitations on investments referred to in paragraph (1).

"(6) Notice and approval.—An insured State bank may only engage in any investment pursuant to paragraph (2) if—

"(A) the bank has filed a 1-time notice of the bank's intention to acquire and retain investments described in paragraph (1); and

"(B) the Corporation has determined, within 60 days of receiving such notice, that acquiring or retaining such investments does not pose a significant risk to the insurance fund of which such bank is a member.

"(7) Divestiture.—

"(A) In general.—The Corporation may require divestiture by an insured State bank of any investment permitted under this subsection if the Corporation determines that such investment will have an adverse effect on the safety and soundness of the bank.

"(B) Reasonable standard.—The Corporation shall not require divestiture by any bank pursuant to subparagraph (A) without reason to believe that such investment will have an adverse effect on the safety and soundness of the bank.

"(g) Determinations.—The Corporation shall make determinations under this section by regulation or order.

"(h) Activity defined.—For purposes of this section, the term 'activity' includes acquiring or retaining any investment.

"(i) Other Authority Not Affected.—This section shall not be construed as limiting the authority of any appropriate Federal banking agency or any State supervisory authority to impose more stringent restrictions.

(b) Technical and Conforming Amendment.—The 13th undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 330) is amended by striking ": Provided, however, That no Federal reserve bank" and inserting ", except that the Board of Governors of the Federal Reserve System may limit the activities of State member banks and subsidiaries of State member banks in a manner consistent with section 24 of the Federal Deposit Insurance Act. No Federal reserve bank".
SEC. 304. RESTRICTIONS ON REAL ESTATE LENDING.

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

"(o) Real Estate Lending.—

"(1) Uniform regulations.—Not more than 9 months after the date of enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991, each appropriate Federal banking agency shall adopt uniform regulations prescribing standards for extensions of credit that are—

"(A) secured by liens on interests in real estate; or

"(B) made for the purpose of financing the construction of a building or other improvements to real estate.

"(2) Standards.—

"(A) Criteria.—In prescribing standards under paragraph (1), the agencies shall consider—

"(i) the risk posed to the deposit insurance funds by such extensions of credit;

"(ii) the need for safe and sound operation of insured depository institutions; and

"(iii) the availability of credit.

"(B) Variations permitted.—In prescribing standards under paragraph (1), the appropriate Federal banking agencies may differentiate among types of loans—

"(i) as may be required by Federal statute;

"(ii) as may be warranted, based on the risk to the deposit insurance fund; or

"(iii) as may be warranted, based on the safety and soundness of the institutions.

"(3) Loan Evaluation Standard.—No appropriate Federal banking agency shall adversely evaluate an investment or a loan made by an insured depository institution, or consider such a loan to be nonperforming, solely because the loan is made to or the investment is in commercial, residential, or industrial property, unless such investment or loan may affect the institution's safety and soundness.

"(4) Effective Date.—The regulations adopted under paragraph (1) shall become effective not later than 15 months after the date of enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991. Such regulations shall continue in effect except as uniformly amended by the appropriate Federal banking agencies, acting in concert."

(b) Conforming Amendment.—Section 24(a) of the Federal Reserve Act (12 U.S.C. 371(a)) is amended by striking "such terms," and all that follows through the period and inserting "section 18(o) of the Federal Deposit Insurance Act and such restrictions and requirements as the Comptroller of the Currency may prescribe by regulation or order."

SEC. 305. IMPROVING CAPITAL STANDARDS.

(a) Periodic Review of Capital Standards Generally.—Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by adding at the end the following new subsection:

"(o) Periodic Review of Capital Standards.—Each appropriate Federal banking agency shall, in consultation with the other Federal banking agencies, biennially review its capital standards for insured depository institutions to determine whether those stand-
ards require sufficient capital to facilitate prompt corrective action to prevent or minimize loss to the deposit insurance funds, consistent with section 38.”.

(b) REVIEW OF RISK-BASED CAPITAL STANDARDS.—
   (1) IN GENERAL.—Each appropriate Federal banking agency shall revise its risk-based capital standards for insured depository institutions to ensure that those standards—
   (A) take adequate account of—
      (i) interest-rate risk;
      (ii) concentration of credit risk; and
      (iii) the risks of nontraditional activities; and
   (B) reflect the actual performance and expected risk of loss of multifamily mortgages.

   (2) INTERNATIONAL DISCUSSIONS.—The Federal banking agencies shall discuss the development of comparable standards with members of the supervisory committee of the Bank for International Settlements.

   (3) DEADLINE FOR PRESCRIBING REVISED STANDARDS.—Each appropriate Federal banking agency shall—
      (A) publish final regulations in the Federal Register to implement paragraph (1) not later than 18 months after the date of enactment of this Act; and
      (B) establish reasonable transition rules to facilitate compliance with those regulations.

   (4) DEFINITIONS.—For purposes of this subsection, the terms "appropriate Federal banking agency", "Federal banking agency" and "insured depository institution" have the same meanings as in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(c) CONFORMING AMENDMENT DEFINING FEDERAL BANKING AGENCIES.—Section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) is amended by adding at the end the following:

   "(z) FEDERAL BANKING AGENCIES.—The term 'Federal banking agencies' means the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation."

SEC. 306. SAFEGUARDS AGAINST INSIDER ABUSE.

(a) RECODIFICATION OF CURRENT LAW RESTRICING EXTENSIONS OF CREDIT TO INSIDERS.—Section 22(h) of the Federal Reserve Act (12 U.S.C. 375b) is amended to read as follows:

   "(h) EXTENSIONS OF CREDIT TO EXECUTIVE OFFICERS, DIRECTORS, AND PRINCIPAL SHAREHOLDERS OF MEMBER BANKS.—
      (1) IN GENERAL.—No member bank may extend credit to any of its executive officers, directors, or principal shareholders, or to any related interest of such a person, except to the extent permitted under paragraphs (2), (3), (4), and (6).
      (2) PREFERENTIAL TERMS PROHIBITED.—A member bank may extend credit to its executive officers, directors, or principal shareholders, or to any related interest of such a person, only if the extension of credit—
         (A) is made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by the bank with persons who are not executive officers, directors, principal shareholders, or employees of the bank; and
“(B) does not involve more than the normal risk of repayment or present other unfavorable features.

“(3) Prior Approval Required.—A member bank may extend credit to a person described in paragraph (1) in an amount that, when aggregated with the amount of all other outstanding extensions of credit by that bank to each such person and that person's related interests, would exceed an amount prescribed by regulation of the appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act) only if—

“(A) the extension of credit has been approved in advance by a majority vote of that bank's entire board of directors; and

“(B) the interested party has abstained from participating, directly or indirectly, in the deliberations or voting on the extension of credit.

“(4) Aggregate Limit on Extensions of Credit to Any Executive Officer or Principal Shareholder.—A member bank may extend credit to any executive officer or principal shareholder, or to any related interest of such a person, only if the extension of credit is in an amount that, when aggregated with the amount of all outstanding extensions of credit by that bank to that person and that person's related interests, would not exceed the limits on loans to a single borrower established by section 5200 of the Revised Statutes. For purposes of this paragraph, section 5200 of the Revised Statutes shall be deemed to apply to a State member bank as if the State member bank were a national banking association.

“(5) [Reserved.]

“(6) Overdrafts by Executive Officers and Directors Prohibited.—

“(A) In General.—If any executive officer or director has an account at the member bank, the bank may not pay on behalf of that person an amount exceeding the funds on deposit in the account.

“(B) Exceptions.—Subparagraph (A) does not prohibit a member bank from paying funds in accordance with—

“(i) a written preauthorized, interest-bearing extension of credit specifying a method of repayment; and

“(ii) a written preauthorized transfer of funds from another account of the executive officer or director at that bank.

“(7) [Reserved.]

“(8) Executive Officer, Director, or Principal Shareholder of Certain Affiliates Treated as Executive Officer, Director, or Principal Shareholder of Member Bank.—For purposes of this subsection, any executive officer, director, or principal shareholder (as the case may be) of any bank holding company of which the member bank is a subsidiary, or of any other subsidiary of that company, shall be deemed to be an executive officer, director, or principal shareholder (as the case may be) of the member bank.

“(9) Definitions.—For purposes of this subsection:

“(A) Company.—

“(i) In General.—Except as provided in clause (ii), the term 'company' means any corporation, partnership, business or other trust, association, joint venture,
pool syndicate, sole proprietorship, unincorporated organization, or other business entity.

"(ii) EXCEPTIONS.—The term 'company' does not include—

"(I) an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act); or

"(II) a corporation the majority of the shares of which are owned by the United States or by any State.

"(B) CONTROL.—A person controls a company or bank if that person, directly or indirectly, or acting through or in concert with 1 or more persons—

"(i) owns, controls, or has the power to vote 25 percent or more of any class of the company's voting securities;

"(ii) controls in any manner the election of a majority of the company's directors; or

"(iii) has the power to exercise a controlling influence over the company's management or policies.

"(C) EXECUTIVE OFFICER.—A person is an 'executive officer' of a company or bank if that person participates or has authority to participate (other than as a director) in major policymaking functions of the company or bank.

"(D) EXTENSION OF CREDIT.—A member bank extends credit by making or renewing any loan, granting a line of credit, or entering into any similar transaction as a result of which a person becomes obligated (directly or indirectly, or by any means whatsoever) to pay money or its equivalent to the bank.

"(E) [Reserved.]

"(F) PRINCIPAL SHAREHOLDER.—The term 'principal shareholder' means any person that directly or indirectly, or acting through or in concert with one or more persons, owns, controls, or has the power to vote more than 10 percent of any class of voting securities of a member bank or company. For purposes of paragraph (4), if a member bank has its main banking office in a city, town, or village with a population of less than 30,000, the preceding sentence shall apply with '18 percent' substituted for '10 percent'.

"(G) RELATED INTEREST.—A 'related interest' of a person is—

"(i) any company controlled by that person; and

"(ii) any political or campaign committee that is controlled by that person or the funds or services of which will benefit that person.

"(H) SUBSIDIARY.—The term 'subsidiary' has the same meaning as in section 2 of the Bank Holding Company Act of 1956.

"(I) BOARD'S RULEMAKING AUTHORITY.—The Board of Governors of the Federal Reserve System may prescribe such regulations, including definitions of terms, as it determines to be necessary to effectuate the purposes and prevent evasions of this subsection."

(b) REQUIRING DEPOSITORY INSTITUTIONS TO FOLLOW NORMAL CREDIT UNDERWRITING PROCEDURES WHEN EXTENDING CREDIT TO
INSIDERS.—Section 22(h)(2) of the Federal Reserve Act (12 U.S.C. 375b(2)), as amended by subsection (a), is amended—
(1) by striking “and” at the end of subparagraph (A);
(2) by striking the period at the end of subparagraph (B) and inserting “; and”;
(3) by inserting after subparagraph (B) the following new subparagraph:
“(C) the bank follows credit underwriting procedures that are not less stringent than those applicable to comparable transactions by the bank with persons who are not executive officers, directors, principal shareholders, or employees of the bank.”.

(c) APPLYING TO DIRECTORS THE LIMIT ON LOANS TO ONE BORROWER.—Section 22(h)(4) of the Federal Reserve Act (12 U.S.C. 375b(4)), as amended by subsection (a), is amended—
(1) by inserting “, director,” after “AGGREGATE LIMIT ON EXTENSIONS OF CREDIT TO ANY EXECUTIVE OFFICER”; and
(2) by inserting “, director,” after “A member bank may extend credit to any executive officer”.

(d) LIMITING DEPOSITORY INSTITUTION’S AGGREGATE EXTENSIONS OF CREDIT TO INSIDERS.—
(1) IN GENERAL.—Section 22(h)(5) of the Federal Reserve Act (12 U.S.C. 375b(5)), as amended by subsection (a), is amended to read as follows:
“(5) AGGREGATE LIMIT ON EXTENSIONS OF CREDIT TO ALL EXECUTIVE OFFICERS, DIRECTORS, AND PRINCIPAL SHAREHOLDERS.—
“(A) IN GENERAL.—A member bank may extend credit to any executive officer, director, or principal shareholder, or to any related interest of such a person, if the extension of credit is in an amount that, when aggregated with the amount of all outstanding extensions of credit by that bank to its executive officers, directors, principal shareholders, and those persons’ related interests would not exceed the bank’s unimpaired capital and unimpaired surplus.
“(B) MORE STRINGENT LIMIT AUTHORIZED.—The Board may, by regulation, prescribe a limit that is more stringent than that contained in subparagraph (A).
“(C) BOARD MAY MAKE EXCEPTIONS FOR CERTAIN BANKS.—The Board may, by regulation, make exceptions to subparagraph (A) for member banks with less than $100,000,000 in deposits if the Board determines that the exceptions are important to avoid constricting the availability of credit in small communities or to attract directors to such banks. In no case may the aggregate amount of all outstanding extensions of credit to a bank’s executive officers, directors, principal shareholders, and those persons’ related interests be more than 2 times the bank’s unimpaired capital and unimpaired surplus.”.

(2) CONFORMING AMENDMENT.—Section 22(h)(1) of the Federal Reserve Act (12 U.S.C. 375b(1)), as amended by subsection (a), is amended by inserting “(5),” after “(4),”.

(e) PROHIBITING INSIDERS FROM ACCEPTING UNAUTHORIZED EXTENSIONS OF CREDIT.—Section 22(h)(7) of the Federal Reserve Act (12 U.S.C. 375b(7)), as amended by subsection (a), is amended to read as follows:
“(7) PROHIBITION ON KNOWINGLY RECEIVING UNAUTHORIZED EXTENSION OF CREDIT.—No executive officer, director, or prin-
principal shareholder shall knowingly receive (or knowingly permit any of that person’s related interests to receive) from a member bank, directly or indirectly, any extension of credit not authorized under this subsection.”.

(f) Applying Uniform Rules to All Companies Controlling Depository Institutions.—Section 22(h)(8) of the Federal Reserve Act (12 U.S.C. 375b(8)), as amended by subsection (a), is amended by striking “bank holding”.

(g) Applying Safeguards to Insider Transactions With Depository Institution’s Subsidiaries.—Section 22(h)(9)(E) of the Federal Reserve Act (12 U.S.C. 375b(9)(E)), as amended by subsection (a), is amended to read as follows:

“(E) Member bank.—The term ‘member bank’ includes any subsidiary of a member bank.”.

(h) Applying Uniform Rules to All Principal Shareholders.—Section 22(h)(9)(F) of the Federal Reserve Act (12 U.S.C. 375b(9)(F)), as amended by subsection (a), is amended by striking the last sentence.

(i) Limiting Savings Associations’ Extensions of Credit to Executive Officers.—Section 11(b)(1) of the Home Owners’ Loan Act (12 U.S.C. 1468(b)(1)) is amended by striking “Section 22(h)” and inserting “Subsections (g) and (h) of section 22”.

(j) Preventing Savings Associations From Making Preferential Extensions of Credit Through Correspondent Institutions.—Section 106(b)(2)(H)(i) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(2)(H)(i)) is amended by inserting “, a savings bank, and a savings association (as those terms are defined in section 3 of the Federal Deposit Insurance Act)” after “mutual savings bank”.

(k) Limiting State Nonmember Bank’s Extensions of Credit to Executive Officers; Clarifying the Prohibition on Preferential Extensions of Credit to Insiders.—Section 18(j) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)) is amended to read as follows:

“(j) Restrictions on Transactions With Affiliates and Insiders.—

“(1) Transactions with affiliates.—

“(A) In general.—Sections 23A and 23B of the Federal Reserve Act shall apply with respect to every nonmember insured bank in the same manner and to the same extent as if the nonmember insured bank were a member bank.

“(B) Affiliate defined.—For the purpose of subparagraph (A), any company that would be an affiliate (as defined in sections 23A and 23B) of a nonmember insured bank if the nonmember insured bank were a member bank shall be deemed to be an affiliate of that nonmember insured bank.

“(2) Extensions of credit to officers, directors, and principal shareholders.—Subsections (g) and (h) of section 22 of the Federal Reserve Act shall apply with respect to every nonmember insured bank in the same manner and to the same extent as if the nonmember insured bank were a member bank.

“(3) Avoiding extraterritorial application to foreign banks.—

“(A) Transactions with affiliates.—Paragraph (1) shall not apply with respect to a foreign bank solely because the foreign bank has an insured branch.
“(B) Extensions of credit to officers, directors, and principal shareholders.—Paragraph (2) shall not apply with respect to a foreign bank solely because the foreign bank has an insured branch, but shall apply with respect to the insured branch.

“(C) Foreign bank defined.—For purposes of this paragraph, the term ‘foreign bank’ has the same meaning as in section 1(b)(7) of the International Banking Act of 1978.”

12 USC 375b note.

(i) Effective Date.—The amendments made by this section shall become effective upon the earlier of—

1. the date on which final regulations under subsection (m)(1) become effective; or
2. 150 days after the date of enactment of this Act.

12 USC 375b note.

(m) Regulations.—

1. In general.—The Board of Governors of the Federal Reserve System shall, not later than 120 days after the date of enactment of this Act, promulgate final regulations to implement the amendments made by this section, other than the amendments made by subsections (i) and (k).

2. Limiting extensions of credit to executive officers.—The Federal Deposit Insurance Corporation and Director of the Office of Thrift Supervision shall each, not later than 120 days after the date of enactment of this Act, promulgate final regulations prescribing the maximum amount that a nonmember insured bank or insured savings association (as the case may be) may lend under section 22(g)(4) of the Federal Reserve Act, as made applicable to those institutions by subsections (k) and (i), respectively.

12 USC 375b note.

(n) Existing transactions not affected.—The amendments made by this section do not affect the validity of any extension of credit or other transaction lawfully entered into on or before the effective date of those amendments.

12 USC 375b note.

(o) Reporting of credit by executive officers and directors.—An executive officer or director of an insured depository institution, a bank holding company, or a savings and loan holding company, the shares of which are not publicly traded, shall report annually to the board of directors of the institution or holding company the outstanding amount of any credit that was extended to such executive officer or director and that is secured by shares of the institution or holding company.

SEC. 307. FDIC BACK-UP ENFORCEMENT AUTHORITY.

Section 8(t) of the Federal Deposit Insurance Act (12 U.S.C. 1818(t)) is amended to read as follows:

“(t) Authority of FDIC to take enforcement action against insured depository institutions and institution-affiliated parties.—

“(1) Recommending action by appropriate federal banking agency.—The Corporation, based on an examination of an insured depository institution by the Corporation or by the appropriate Federal banking agency or on other information, may recommend in writing to the appropriate Federal banking agency that the agency take any enforcement action authorized under section 7(j), this section, or section 18(j) with respect to any insured depository institution or any institution-affiliated party. The recommendation shall be accompanied by a written explanation of the concerns giving rise to the recommendation.
“(2) FDIC'S AUTHORITY TO ACT IF APPROPRIATE FEDERAL BANKING AGENCY FAILS TO FOLLOW RECOMMENDATION.—If the appropriate Federal banking agency does not, before the end of the 60-day period beginning on the date on which the agency receives the recommendation under paragraph (1), take the enforcement action recommended by the Corporation or provide a plan acceptable to the Corporation for responding to the Corporation’s concerns, the Corporation may take the recommended enforcement action if the Board of Directors determines, upon a vote of its members, that—

“(A) the insured depository institution is in an unsafe or unsound condition;

“(B) the institution is engaging in unsafe or unsound practices, and the recommended enforcement action will prevent the institution from continuing such practices; or

“(C) the institution’s conduct or threatened conduct (including any acts or omissions) poses a risk to the deposit insurance fund, or may prejudice the interests of the institution’s depositors.

“(3) EFFECT OF EXIGENT CIRCUMSTANCES.—

“(A) Authority to act.—The Corporation may, upon a vote of the Board of Directors, and after notice to the appropriate Federal banking agency, exercise its authority under paragraph (2) in exigent circumstances without regard to the time period set forth in paragraph (2).

“(B) Agreement on exigent circumstances.—The Corporation shall, by agreement with the appropriate Federal banking agency, set forth those exigent circumstances in which the Corporation may act under subparagraph (A).

“(4) CORPORATION’S POWERS; INSTITUTION’S DUTIES.—For purposes of this subsection—

“(A) the Corporation shall have the same powers with respect to any insured depository institution and its affiliates as the appropriate Federal banking agency has with respect to the institution and its affiliates; and

“(B) the institution and its affiliates shall have the same duties and obligations with respect to the Corporation as the institution and its affiliates have with respect to the appropriate Federal banking agency.

“(5) REQUESTS FOR FORMAL ACTIONS AND INVESTIGATIONS.—

“(A) Submission of requests.—A regional office of an appropriate Federal banking agency (including a Federal Reserve bank) that requests a formal investigation of or civil enforcement action against an insured depository institution shall submit the request concurrently to the chief officer of the appropriate Federal banking agency and to the Corporation.

“(B) Agencies required to report on requests.—Each appropriate Federal banking agency shall report semiannually to the Corporation on the status or disposition of all requests under subparagraph (A), including the reasons for any decision by the agency to approve or deny such requests.”.
SEC. 308. INTERBANK LIABILITIES.

(a) Reducing Systemic Risks Posed by Large Bank Failures.—The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended by inserting after section 22 the following new section:

"INTERBANK LIABILITIES

12 USC 371b-2.

"Sec. 23. (a) Purpose.—The purpose of this section is to limit the risks that the failure of a large depository institution (whether or not that institution is an insured depository institution) would pose to insured depository institutions.

"(b) Aggregate Limits on Insured Depository Institutions' Exposure to Other Depository Institutions.—The Board shall, by regulation or order, prescribe standards that have the effect of limiting the risks posed by an insured depository institution's exposure to any other depository institution.

"(c) Exposure Defined.—

"(1) In general.—For purposes of subsection (b), an insured depository institution's 'exposure' to another depository institution means—

"(A) all extensions of credit to the other depository institution, regardless of name or description, including—

"(i) all deposits at the other depository institution;

"(ii) all purchases of securities or other assets from the other depository institution subject to an agreement to repurchase; and

"(iii) all guarantees, acceptances, or letters of credit (including endorsements or standby letters of credit) on behalf of the other depository institution;

"(B) all purchases of or investments in securities issued by the other depository institution;

"(C) all securities issued by the other depository institution accepted as collateral for an extension of credit to any person; and

"(D) all similar transactions that the Board by regulation determines to be exposure for purposes of this section.

"(2) Exemptions.—The Board may, at its discretion, by regulation or order, exempt transactions from the definition of 'exposure' if it finds the exemptions to be in the public interest and consistent with the purpose of this section.

"(3) Attribution Rule.—For purposes of this section, any transaction by an insured depository institution with any person is a transaction with another depository institution to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, that other depository institution.

"(d) Insured Depository Institution.—For purposes of this section, the term 'insured depository institution' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

"(e) Rulemaking Authority; Enforcement.—The Board may issue such regulations and orders, including definitions consistent with this section, as may be necessary to administer and carry out the purpose of this section. The appropriate Federal banking agency shall enforce compliance with those regulations under section 8 of the Federal Deposit Insurance Act."

(b) Transition Rules.—The Board shall prescribe reasonable transition rules to facilitate compliance with section 23 of the Federal Reserve Act (as added by subsection (a)).
(c) Effective Date.—The amendment made by this section shall become effective 1 year after the date of enactment of this Act.

Subtitle B—Coverage

SEC. 311. DEPOSIT AND PASS-THROUGH INSURANCE.

(a) Exclusion of Certain Obligations From Deposit Insurance Coverage.—

(1) In general.—Section 11(a) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)) is amended by adding at the end the following new paragraph:

"(8) Certain investment contracts not treated as insured deposits.—

"(A) In general.—A liability of an insured depository institution shall not be treated as an insured deposit if the liability arises under any insured depository institution investment contract between any insured depository institution and any employee benefit plan which expressly permits benefit-responsive withdrawals or transfers.

"(B) Definitions.—For purposes of subparagraph (A)—

"(i) Benefit-responsive withdrawals or transfers.—The term 'benefit-responsive withdrawals or transfers' means any withdrawal or transfer of funds (consisting of any portion of the principal and any interest credited at a rate guaranteed by the insured depository institution investment contract) during the period in which any guaranteed rate is in effect, without substantial penalty or adjustment, to pay benefits provided by the employee benefit plan or to permit a plan participant or beneficiary to redirect the investment of his or her account balance.

"(ii) Employee benefit plan.—The term 'employee benefit plan'—

"(I) has the meaning given to such term in section 3(3) of the Employee Retirement Income Security Act of 1974; and

"(II) includes any plan described in section 401(d) of the Internal Revenue Code of 1986.''.

(2) Exclusion of obligations from treatment as deposits for other purposes.—Section 7(b)(6) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(6)) is amended—

(A) by striking "and" at the end of subparagraph (B);

(B) by striking the period at the end of subparagraph (C) and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(D) any liability of the insured depository institution which is not treated as an insured deposit pursuant to section 11(a)(8).".

(b) Insurance of Deposits.—

(1) Insured amounts payable.—Section 11(a) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)) (as amended by subsection (a)(1) of this section) is amended by striking "(a)(1)" and all that follows through paragraph (1) and inserting the following:

"(a) Deposit insurance.—

"(1) Insured amounts payable.—
“(A) IN GENERAL.—The Corporation shall insure the deposits of all insured depository institutions as provided in this Act.

“(B) NET AMOUNT OF INSURED DEPOSIT.—The net amount due to any depositor at an insured depository institution shall not exceed $100,000 as determined in accordance with subparagraphs (C) and (D).

“(C) AGGREGATION OF DEPOSITS.—For the purpose of determining the net amount due to any depositor under subparagraph (B), the Corporation shall aggregate the amounts of all deposits in the insured depository institution which are maintained by a depositor in the same capacity and the same right for the benefit of the depositor either in the name of the depositor or in the name of any other person, other than any amount in a trust fund described in section 7(i)(1).

“(D) COVERAGE ON PRO RATA OR ‘PASS-THROUGH’ BASIS.—

“(i) IN GENERAL.—Except as provided in clause (ii), for the purpose of determining the amount of insurance due under subparagraph (B), the Corporation shall provide deposit insurance coverage with respect to deposits accepted by any insured depository institution on a pro rata or ‘pass-through’ basis to a participant in or beneficiary of an employee benefit plan (as defined in section 11(a)(8)(B)(ii)), including any eligible deferred compensation plan described in section 457 of the Internal Revenue Code of 1986.

“(ii) EXCEPTION.—After the end of the 1-year period beginning on the date of the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991, the Corporation shall not provide insurance coverage on a pro rata or ‘pass-through’ basis pursuant to clause (i) with respect to deposits accepted by any insured depository institution which, at the time such deposits are accepted, may not accept brokered deposits under section 29.

“(iii) COVERAGE UNDER CERTAIN CIRCUMSTANCES.—

Clause (ii) shall not apply with respect to any deposit accepted by an insured depository institution described in such clause if, at the time the deposit is accepted—

“(I) the institution meets each applicable capital standard; and

“(II) the depositor receives a written statement from the institution that such deposits at such institution are eligible for insurance coverage on a pro rata or ‘pass-through’ basis.”.

(2) CERTAIN RETIREMENT ACCOUNTS.—Section 11(a)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(3)) is amended to read as follows:

“(3) CERTAIN RETIREMENT ACCOUNTS.—

“(A) IN GENERAL.—Notwithstanding any limitation in this Act relating to the amount of deposit insurance available for the account of any 1 depositor, deposits in an insured depository institution made in connection with—

“(i) any individual retirement account described in section 408(a) of the Internal Revenue Code of 1986;
“(ii) subject to the exception contained in paragraph (1)(D)(ii), any eligible deferred compensation plan described in section 457 of such Code; and
“(iii) any individual account plan defined in section 3(34) of the Employee Retirement Income Security Act, and any plan described in section 401(d) of the Internal Revenue Code of 1986, to the extent that participants and beneficiaries under such plan have the right to direct the investment of assets held in individual accounts maintained on their behalf by the plan, shall be aggregated and insured in an amount not to exceed $100,000 per participant per insured depository institution.
“(B) Amounts taken into account.—For purposes of subparagraph (A), the amount aggregated for insurance coverage under this paragraph shall consist of the present vested and ascertainable interest of each participant under the plan, excluding any remainder interest created by, or as a result of, the plan.”.

(3) Certain trust funds.—Section 7(i) of the Federal Deposit Insurance Act (12 U.S.C. 1817(i)) is amended to read as follows:
“(i) Insurance of Trust Funds.—
“(1) In general.—Trust funds held on deposit by an insured depository institution in a fiduciary capacity as trustee pursuant to any irrevocable trust established pursuant to any statute or written trust agreement shall be insured in an amount not to exceed $100,000 for each trust estate.
“(2) Interbank deposits.—Trust funds described in paragraph (1) which are deposited by the fiduciary depository institution in another insured depository institution shall be similarly insured to the fiduciary depository institution according to the trust estates represented.
“(3) Regulations.—The Board of Directors may prescribe such regulations as may be necessary to clarify the insurance coverage under this subsection and to prescribe the manner of reporting and depositing such trust funds.”.

(4) Expanded coverage by regulation.—

(A) Review of coverage.—For the purpose of prescribing regulations, during the 1-year period beginning on the date of the enactment of this Act, the Board of Directors shall review the capacities and rights in which deposit accounts are maintained and for which deposit insurance coverage is provided by the Corporation.

(B) Regulations.—After the end of the 1-year period referred to in subparagraph (A), the Board of Directors may prescribe regulations that provide for separate insurance coverage for the different capacities and rights in which deposit accounts are maintained if a determination is made by the Board of Directors that such separate insurance coverage is consistent with—

(i) the purpose of protecting small depositors and limiting the undue expansion of deposit insurance coverage; and

(ii) the insurance provisions of the Federal Deposit Insurance Act.

(C) Delayed effective date for regulations.—No regulation prescribed under subparagraph (B) may take effect

12 USC 1821 note.
before the 2-year period beginning on the date of the enactment of this Act.

(5) **TECHNICAL AND CONFORMING AMENDMENTS.**—

(A) Section 3(m) of the Federal Deposit Insurance Act (12 U.S.C. 1813(m)) is amended by striking "(m)(1)" and all that follows through paragraph (1) and inserting the following:

"(m) **INSURED DEPOSIT.**—

"(1) **IN GENERAL.**—Subject to paragraph (2), the term ‘insured deposit’ means the net amount due to any depositor for deposits in an insured depository institution as determined under sections 7(i) and 11(a).”.

(B) Section 11(a)(2)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(2)(A)) is amended by striking "his deposit shall be insured" and inserting "such depositor shall, for the purpose of determining the amount of insured deposits under this subsection, be deemed a depositor in such custodial capacity separate and distinct from any other officer, employee, or agent of the United States or any public unit referred to in clause (ii), (iii), (iv), or (v) and the deposit of any such depositor shall be insured in an amount not to exceed $100,000 per account”.

(C) The 2d subparagraph of section 11(a)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(2)) is amended by striking "(b)” and inserting “(B)”.

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by subsection (a) and paragraphs (2) and (3) of subsection (b) shall take effect at the end of the 2-year period beginning on the date of the enactment of this Act.

(2) **APPLICATION TO TIME DEPOSITS.**—

(A) **CERTAIN DEPOSITS EXCLUDED.**—Except with respect to the amendment referred to in paragraph (3), the amendments made by subsections (a) and (b) shall not apply to any time deposit which—

(i) was made before the date of enactment of this Act; and

(ii) matures after the end of the 2-year period referred to in paragraph (1).

(B) **ROLLOVERS AND RENEWALS TREATED AS NEW DEPOSIT.**—Any renewal or rollover of a time deposit described in subparagraph (A) after the date of the enactment of this Act shall be treated as a new deposit which is not described in such subparagraph.

(3) **EFFECTIVE DATE FOR AMENDMENT RELATING TO CERTAIN EMPLOYEE PLANS.**—

(A) Section 11(a)(1)(B) of the Federal Deposit Insurance Act (as amended by subsection (b)(1) of this section) shall take effect on the earlier of—

(i) the date of the enactment of this Act; or


(B) Section 11(a)(3)(A) of the Federal Deposit Insurance Act (as amended by subsection (b)(2) of this section) shall take effect on the earlier of the dates described in clauses (i) and (ii) of subparagraph (A) with respect to plans described in clause (ii) of such section.

(d) **INFORMATIONAL STUDY.**—
(1) IN GENERAL.—The Federal Deposit Insurance Corporation, in conjunction with such consultants and technical experts as the Corporation determines to be appropriate, shall conduct a study of the cost and feasibility of tracking the insured and uninsured deposits of any individual and the exposure, under any Act of Congress or any regulation of any appropriate Federal banking agency, of the Federal Government with respect to all insured depository institutions.

(2) ANALYSIS OF COSTS AND BENEFITS.—The study under paragraph (1) shall include detailed, technical analysis of the costs and benefits associated with the least expensive way to implement the system.

(3) SPECIFIC FACTORS TO BE STUDIED.—As part of the study under paragraph (1), the Corporation shall investigate, review, and evaluate

(A) the data systems that would be required to track deposits in all insured depository institutions;
(B) the reporting burdens of such tracking on individual depository institutions;
(C) the systems which exist or which would be required to be developed to aggregate such data on an accurate basis;
(D) the implications such tracking would have for individual privacy; and
(E) the manner in which systems would be administered and enforced.

(4) FEDERAL RESERVE BOARD SURVEY.—As part of the informational study required under paragraph (1), the Board of Governors of the Federal Reserve System shall conduct, in conjunction with other Federal departments and agencies as necessary, a survey of the ownership of deposits held by individuals including the dollar amount of deposits held, the type of deposit accounts held, and the type of financial institutions in which the deposit accounts are held.

(5) ANALYSIS BY FDIC.—The results of the survey under paragraph (4) shall be provided to the Federal Deposit Insurance Corporation before the end of the 1-year period beginning on the date of the enactment of this Act for analysis and inclusion in the informational study.

(6) REPORT TO CONGRESS.—Before the end of the 18-month period beginning on the date of the enactment of this Act, the Federal Deposit Insurance Corporation shall submit to the Congress a report containing a detailed statement of findings made and conclusions drawn from the study conducted under this section, including such recommendations for administrative and legislative action as the Corporation determines to be appropriate.

SEC. 312. FOREIGN DEPOSITS.

The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by inserting after section 40 (as added by preceding provisions of this Act) the following new section:

"SEC. 41. PAYMENTS ON FOREIGN DEPOSITS PROHIBITED.

(a) IN GENERAL.—Notwithstanding any other provision of law, the Corporation, the Board of Governors of the Federal Reserve System, the Resolution Trust Corporation, any other agency, department, and instrumentality of the United States, and any corporation
owned or controlled by the United States may not, directly or indirectly, make any payment or provide any assistance, guarantee, or transfer under this Act or any other provision of law in connection with any insured depository institution which would have the direct or indirect effect of satisfying, in whole or in part, any claim against the institution for obligations of the institution which would constitute deposits as defined in section 3(1) but for subparagraphs (A) and (B) of section 3(1)(5).

"(b) Exception.—Subsection (a) shall not apply to any payment, assistance, guarantee, or transfer made or provided by the Corporation if the Board of Directors determines in writing that such action is not inconsistent with any requirement of section 13(c).

"(c) DISCOUNT WINDOW LENDING.—No provision of this section shall be construed as prohibiting any Federal Reserve bank from making advances or otherwise extending credit pursuant to the Federal Reserve Act to any insured depository institution to the extent that such advance or extension of credit is consistent with the conditions and limitations imposed under section 10B of such Act.”.

SEC. 313. PENALTY FOR FALSE ASSESSMENT REPORTS.

(a) INSURED DEPOSITORY INSTITUTIONS.—Section 7(c) of the Federal Deposit Insurance Act (12 U.S.C. 1817(c)) is amended by adding at the end the following new paragraph:

"(5) Penalty for failure to make accurate certified statement.—

"(A) First tier.—Any insured depository institution which—

"(i) maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such an error, fails to submit the certified statement under paragraph (1) or (2) within the period of time required under paragraph (1) or (2) or submits a false or misleading certified statement; or

"(ii) submits the statement at a time which is minimally after the period required in such paragraph, shall be subject to a penalty of not more than $2,000 for each day during which such failure continues or such false and misleading information is not corrected. The institution shall have the burden of proving that an error was inadvertent or that a statement was inadvertently submitted late.

"(B) Second tier.—Any insured depository institution which fails to submit the certified statement under paragraph (1) or (2) within the period of time required under paragraph (1) or (2) or submits a false or misleading certified statement in a manner not described in subparagraph (A) shall be subject to a penalty of not more than $20,000 for each day during which such failure continues or such false and misleading information is not corrected.

"(C) Third tier.—Notwithstanding subparagraphs (A) and (B), if any insured depository institution knowingly or with reckless disregard for the accuracy of any certified statement described in paragraph (1) or (2) submits a false or misleading certified statement under paragraph (1) or (2), the Corporation may assess a penalty of not more than $1,000,000 or not more than 1 percent of the total assets of
the institution, whichever is less, per day for each day during which the failure continues or the false or misleading information in such statement is not corrected.

"(D) Assessment procedure.—Any penalty imposed under this paragraph shall be assessed and collected by the Corporation in the manner provided in subparagraphs (E), (F), (G), and (I) of section 8(i)(2) (for penalties imposed under such section) and any such assessment (including the determination of the amount of the penalty) shall be subject to the provisions of such section.

"(E) Hearing.—Any insured depository institution against which any penalty is assessed under this paragraph shall be afforded an agency hearing if the institution submits a request for such hearing within 20 days after the issuance of the notice of the assessment. Section 8(h) shall apply to any proceeding under this subparagraph.”

(b) INSURED CREDIT UNIONS.—Section 202(d)(2) of the Federal Credit Union Act (12 U.S.C. 1782(d)(2)) is amended to read as follows:

"(2) Penalty for failure to make accurate certified statement or to pay deposit or premium.—

"(A) First tier.—Any insured credit union which—

"(i) maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such an error, fails to submit any certified statement under subsection (b)(1) within the period of time required or submits a false or misleading certified statement under such subsection; or

"(ii) submits the statement at a time which is minimally after the time required,
shall be subject to a penalty of not more than $2,000 for each day during which such failure continues or such false and misleading information is not corrected. The insured credit union shall have the burden of proving that an error was inadvertent or that a statement was inadvertently submitted late.

"(B) Second tier.—Any insured credit union which—

"(i) fails to submit any certified statement under subsection (b)(1) within the period of time required or submits a false or misleading certified statement in a manner not described in subparagraph (A); or

"(ii) fails or refuses to pay any deposit or premium for insurance required under this title,
shall be subject to a penalty of not more than $20,000 for each day during which such failure continues, such false and misleading information is not corrected, or such deposit or premium is not paid.

"(C) Third tier.—Notwithstanding subparagraphs (A) and (B), if any insured depository institution knowingly or with reckless disregard for the accuracy of any certified statement under subsection (b)(1) or submits a false or misleading certified statement under such subsection, the Corporation may assess a penalty of not more than $1,000,000 or not more than 1 percent of the total assets of the institution, whichever is less, per day for each day during which the failure continues or the false or misleading information in such statement is not corrected.
"(D) **Assessment procedure.**—Any penalty imposed under this paragraph shall be assessed and collected by the Corporation in the manner provided in section 206(k)(2) (for penalties imposed under such section) and any such assessment (including the determination of the amount of the penalty) shall be subject to the provisions of such section.

"(E) **Hearing.**—Any insured depository institution against which any penalty is assessed under this paragraph shall be afforded an agency hearing if the institution submits a request for such hearing within 20 days after the issuance of the notice of the assessment. Section 206(j) shall apply to any proceeding under this subparagraph.

"(F) **Special rule for disputed payments.**—No penalty may be assessed for the failure of any insured credit union to pay any deposit or premium for insurance if—

"(i) the failure is due to a dispute between the credit union and the Board over the amount of the deposit or premium which is due from the credit union; and

"(ii) the credit union deposits security satisfactory to the Board for payment of the deposit or insurance premium upon final determination of the dispute."

## Subtitle C—Demonstration Project and Studies

### SEC. 321. FEASIBILITY STUDY ON AUTHORIZING INSURED AND UNINSURED DEPOSIT ACCOUNTS.

(a) **Study Required.**—The Federal Deposit Insurance Corporation shall study the feasibility of authorizing insured depository institutions to offer both insured and uninsured deposit accounts to customers.

(b) **Factors to Consider.**—In conducting the study required under subsection (a), the Corporation shall consider the following factors:

1. The risk a 2-window deposit system would pose to the deposit insurance system.
2. The disclosure standards which would be necessary to prevent customer confusion over the insured status of deposits and fraudulent or misleading practices with respect to such insured status.
3. The extent to which accounting standards would have to be revised or changed.
4. The manner in which a 2-window deposit plan could be implemented with the least disruption to the stability of, and the confidence of consumers in, the banking system.

(c) **Report.**—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Corporation shall submit a report to the Congress containing the Corporation's findings and conclusions with respect to the study under subsection (a) and any recommendations for legislative or administrative action the Corporation may determine to be appropriate.

### SEC. 322. PRIVATE REINSURANCE STUDY.

(a) **Study.**—

1. **In general.**—The Board of Directors of the Federal Deposit Insurance Corporation, in consultation with the Secretary of the Treasury and individuals from the private sector with expertise in private insurance, private reinsurance, depository...
institutions, or economics, shall conduct a study of the feasibility of establishing a private reinsurance system.

(2) Project.—The study conducted under this subsection shall include a demonstration project consisting of a simulation, by a sample of private reinsurers and insured depository institutions, of the activities required for a private reinsurance system, including—

(A) establishment of a pricing structure for risk-based premiums;

(B) formulation of insurance or reinsurance contracts; and

(C) identification and collection of information necessary to evaluate and monitor the risks in insured depository institutions.

(3) Actual Reinsurance Transactions.—The Federal Deposit Insurance Corporation may engage in actual reinsurance transactions as part of a demonstration project conducted under paragraph (2).

(b) Report.—

(1) In General.—Before the end of the 18-month period beginning on the date of the enactment of this Act, the Federal Deposit Insurance Corporation shall submit to the Congress a report on the study conducted under this section.

(2) Contents.—The report under this subsection shall include—

(A) an analysis and review of the project conducted under subsection (a)(2);

(B) conclusions regarding the feasibility of a private reinsurance system;

(C) recommendations regarding whether—

(i) such a system should be restricted to depository institutions over a certain asset size;

(ii) similar systems are feasible for depository institutions or groups of depository institutions of a lesser asset size; and

(iii) public policy goals can be satisfied by such systems; and

(D) recommendations for administrative and legislative action that may be necessary to establish such systems.

TITLE IV—MISCELLANEOUS PROVISIONS

Subtitle A—Payment System Risk Reduction

SEC. 401. FINDINGS AND PURPOSE.

The Congress finds that—

(1) many financial institutions engage daily in thousands of transactions with other financial institutions directly and through clearing organizations;

(2) the efficient processing of such transactions is essential to a smoothly functioning economy;

(3) such transactions can be processed most efficiently if, consistent with applicable contractual terms, obligations among financial institutions are netted;
(4) such netting procedures would reduce the systemic risk within the banking system and financial markets; and
(5) the effectiveness of such netting procedures can be assured only if they are recognized as valid and legally binding in the event of the closing of a financial institution participating in the netting procedures.

12 USC 4402. SEC. 402. DEFINITIONS.
For purposes of this subtitle—
(1) Broker or Dealer.—The term 'broker or dealer' means—
   (A) any company that is registered or licensed under Federal or State law to engage in the business of brokering, underwriting, or dealing in securities in the United States; and
   (B) to the extent consistent with this title, as determined by the Board of Governors of the Federal Reserve System, any company that is an affiliate of a company described in subparagraph (A) and that is engaged in the business of entering into netting contracts.
(2) Clearing Organization.—The term "clearing organization" means a clearinghouse, clearing association, clearing corporation, or similar organization—
   (A) that provides clearing, netting, or settlement services for its members and—
      (i) in which all members other than the clearing organization itself are financial institutions or other clearing organizations; or
      (ii) which is registered as a clearing agency under the Securities Exchange Act of 1934; or
   (B) that performs clearing functions for a contract market designated pursuant to the Commodity Exchange Act.
(3) Covered Clearing Obligation.—The term "covered clearing obligation" means an obligation of a member of a clearing organization to make payment to another member of a clearing organization, subject to a netting contract.
(4) Covered Contractual Payment Entitlement.—The term "covered contractual payment entitlement" means—
   (A) an entitlement of a financial institution to receive a payment, subject to a netting contract from another financial institution; and
   (B) an entitlement of a member of a clearing organization to receive payment, subject to a netting contract, from another member of a clearing organization of a covered clearing obligation.
(5) Covered Contractual Payment Obligation.—The term "covered contractual payment obligation" means—
   (A) an obligation of a financial institution to make payment, subject to a netting contract to another financial institution; and
   (B) a covered clearing obligation.
(6) Depository Institution.—The term "depository institution" means—
   (A) a depository institution as defined in section 19(b)(1)(A) of the Federal Reserve Act (other than clause (vii));
   (B) a branch or agency as defined in section 1(b) of the International Banking Act of 1978;
(C) a corporation chartered under section 25(a) of the Federal Reserve Act; or
(D) a corporation having an agreement or undertaking with the Board of Governors of the Federal Reserve System under section 25 of the Federal Reserve Act.

(7) FAILED FINANCIAL INSTITUTION.—The term “failed financial institution” means a financial institution that—
(A) fails to satisfy a covered contractual payment obligation when due;
(B) has commenced or had commenced against it insolvency, liquidation, reorganization, receivership (including the appointment of a receiver), conservatorship, or similar proceedings; or
(C) has generally ceased to meet its obligations when due.

(8) FAILED MEMBER.—The term “failed member” means any member that—
(A) fails to satisfy a covered clearing obligation when due,
(B) has commenced or had commenced against it insolvency, liquidation, reorganization, receivership (including the appointment of a receiver), conservatorship, or similar proceedings; or
(C) has generally ceased to meet its obligations when due.

(9) FINANCIAL INSTITUTION.—The term “financial institution” means a broker or dealer, a depository institution, a futures commission merchant, or any other institution as determined by the Board of Governors of the Federal Reserve System.

(10) FUTURES COMMISSION MERCHANT.—The term “futures commission merchant” means a company that is registered or licensed under Federal law to engage in the business of selling futures and options in commodities.

(11) MEMBER.—The term “member” means a member of or participant in a clearing organization, and includes the clearing organization.

(12) NET ENTITLEMENT.—The term “net entitlement” means the amount by which the covered contractual payment entitlements of a financial institution or member exceed the covered contractual payment obligations of the institution or member after netting under a netting contract.

(13) NET OBLIGATION.—The term “net obligation” means the amount by which the covered contractual payment obligations of a financial institution or member exceed the covered contractual payment entitlements of the institution or member after netting under a netting contract.

(14) NETTING CONTRACT.—
(A) IN GENERAL.—The term “netting contract”—
(i) means a contract or agreement between 2 or more financial institutions or members, that—
(I) is governed by the laws of the United States, any State, or any political subdivision of any State, and
(II) provides for netting present or future payment obligations or payment entitlements (including liquidation or close-out values relating to the obligations or entitlements) among the parties to the agreement; and
(ii) includes the rules of a clearing organization.
(B) Invalid Contracts Not Included.—The term "netting contract" does not include any contract or agreement that is invalid under or precluded by Federal commodities law.

12 USC 4403. SEC. 403. BILATERAL NETTING.

(a) General Rule.—Notwithstanding any other provision of law, the covered contractual payment obligations and the covered contractual payment entitlements between any 2 financial institutions shall be netted in accordance with, and subject to the conditions of, the terms of any applicable netting contract.

(b) Limitation on Obligation To Make Payment.—The only obligation, if any, of a financial institution to make payment with respect to covered contractual payment obligations to another financial institution shall be equal to its net obligation to such other financial institution, and no such obligation shall exist if there is no net obligation.

(c) Limitation on Right To Receive Payment.—The only right, if any, of a financial institution to receive payments with respect to covered contractual payment entitlements from another financial institution shall be equal to its net entitlement with respect to such other financial institution, and no such right shall exist if there is no net entitlement.

(d) Payment of Net Entitlement of Failed Financial Institution.—The net entitlement of any failed financial institution, if any, shall be paid to the failed financial institution in accordance with, and subject to the conditions of, the applicable netting contract.

(e) Effectiveness Notwithstanding Status as Financial Institution.—This section shall be given effect notwithstanding that a financial institution is a failed financial institution.

12 USC 4404. SEC. 404. CLEARING ORGANIZATION NETTING.

(a) General Netting Rule.—Notwithstanding any other provision of law, the covered contractual payment obligations and covered contractual payment entitlements of a member of a clearing organization to and from all other members of a clearing organization shall be netted in accordance with and subject to the conditions of any applicable netting contract.

(b) Limitation of Obligation To Make Payment.—The only obligation, if any, of a member of a clearing organization to make payment with respect to covered contractual payment obligations arising under a single netting contract to any other member of a clearing organization shall be equal to its net obligation arising under that netting contract, and no such obligation shall exist if there is no net obligation.

(c) Limitation on Right To Receive Payment.—The only right, if any, of a member of a clearing organization to receive payment with respect to a covered contractual payment entitlement arising under a single netting contract from other members of a clearing organization shall be equal to its net entitlement arising under that netting contract, and no such right shall exist if there is no net entitlement.

(d) Entitlement of Failed Members.—The net entitlement, if any, of any failed member of a clearing organization shall be paid to the failed member in accordance with, and subject to the conditions of, the applicable netting contract.

(e) Obligations of Failed Members.—The net obligation, if any, of any failed member of a clearing organization shall be determined
in accordance with, and subject to the conditions of, the applicable
netting contract.

(f) LIMITATION ON CLAIMS FOR ENTITLEMENT.—A failed member of
a clearing organization shall have no recognizable claim against any
member of a clearing organization for any amount based on such
covered contractual payment entitlements other than its net
entitlement.

(g) EFFECTIVENESS NOTWITHSTANDING STATUS AS MEMBER.—This
section shall be given effect notwithstanding that a member is a
failed member.

SEC. 405. PREEMPTION.

No stay, injunction, avoidance, moratorium, or similar proceeding
or order, whether issued or granted by a court, administrative
agency, or otherwise, shall limit or delay application of otherwise
enforceable netting contracts in accordance with sections 403 and
404.

SEC. 406. RELATIONSHIP TO OTHER PAYMENTS SYSTEMS.

This subtitle shall have no effect by implication or otherwise on
the validity or legal enforceability of a netting arrangement of any
payment system which is not subject to this subtitle.

SEC. 407. NATIONAL EMERGENCIES.

The provisions of this subtitle may not be construed to limit the
authority of the President under the Trading With the Enemy Act
(50 U.S.C. App. 1 et seq.) or the International Emergency Economic
Powers Act (50 U.S.C. 1701 et seq.).

Subtitle B—Right to Financial Privacy Act of
1978

SEC. 411. AMENDMENTS TO THE RIGHT TO FINANCIAL PRIVACY ACT OF
1978.

The Right to Financial Privacy Act of 1978 is amended—
(1) in section 1112(f)(2) (12 U.S.C. 3412(f)(2))—
(A) by inserting “for civil actions under section 951 of the
Financial Institutions Reform, Recovery, and Enforcement
Act of 1989, or for forfeiture under sections 981 or 982 of
title 18, United States Code” after “purposes”; and
(B) by adding at the end the following new sentence: “No
agency or department so transferring such records shall be
deemed to have waived any privilege applicable to those
records under law.”;
(2) in section 1113(h)(1)(A) (12 U.S.C. 3413(h)(1)(A)), by striking
“the financial institution in possession of such records” and
inserting “a financial institution (whether or not such proceed­
ing, investigation, examination, or inspection is also directed at
a customer)”;
(3) in section 1113(h)(4) (12 U.S.C. 3413(h)(4)) by striking “the
financial institution in possession of such records” and inserting
“a financial institution (whether or not such proceeding, inves­
tigation, examination, or inspection is also directed at a cus­
tomer)”;
and
(4) in section 1113(l) (12 U.S.C. 3413(l)), by adding after para­
graph (2) the following new sentence:
Subtitle C—Final Settlement Payment Procedure

SEC. 416. FINAL SETTLEMENT PAYMENT PROCEDURE.

Section 11(d)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)) is amended to read as follows:

"(4) Rulemaking authority relating to determination of claims.—

"(A) In general.—The Corporation may prescribe regulations regarding the allowance or disallowance of claims by the receiver and providing for administrative determinations of claims and review of such determination.

"(B) Final settlement payment procedure.—

"(i) In general.—In the handling of receiverships of insured depository institutions, to maintain essential liquidity and to prevent financial disruption, the Corporation may, after the declaration of an institution's insolvency, settle all uninsured and unsecured claims on the receivership with a final settlement payment which shall constitute full payment and disposition of the Corporation's obligations to such claimants.

"(ii) Final settlement payment.—For purposes of clause (i), a final settlement payment shall be payment of an amount equal to the product of the final settlement payment rate and the amount of the uninsured and unsecured claim on the receivership; and

"(iii) Final settlement payment rate.—For purposes of clause (ii), the final settlement payment rate shall be a percentage rate reflecting an average of the Corporation's receivership recovery experience, determined by the Corporation in such a way that over such time period as the Corporation may deem appropriate, the Corporation in total will receive no more or less than it would have received in total as a general creditor standing in the place of insured depositors in each specific receivership.

"(iv) Corporation authority.—The Corporation may undertake such supervisory actions and promulgate such regulations as may be necessary to assure that the requirements of this section can be implemented with respect to each insured depository institution in the event of its insolvency.".
Subtitle D—Miscellaneous Committees, Studies, and Reports

SEC. 421. AMENDMENTS RELATING TO FEDERAL RESERVE BOARD RE¬
SERVE REQUIREMENTS.

(a) Study on Payment of Imputed Earnings on Sterile Re¬
serves to Insurance Funds.—The Board of Governors of the Fed¬
eral Reserve System, the Federal Deposit Insurance Corporation,
the Comptroller of the Currency, the Director of the Office of Thrift
Supervision, and the National Credit Union Administration shall
jointly—

(1) conduct a study on the feasibility of assessing Federal
Reserve banks an amount equal to the imputed earnings on
reserves held at such banks by insured depository institutions
under section 19(b) of the Federal Reserve Act; and

(2) assess the likely beneficial and adverse effects such an
assessment would have on the Federal reserve banks, the de-
posit insurance funds, the insured depository institutions, and
the Federal payment system, including a comparison of the
effects on each such subject of the study.

(b) Report to Congress.—Before the end of the 6-month period
beginning on the date of the enactment of this Act, the Board of
Governors of the Federal Reserve System, the Federal Deposit
Insurance Corporation, the Comptroller of the Currency, the Direc-
tor of the Office of Thrift Supervision, and the National Credit
Union Administration shall jointly submit a report to the Congress
on the findings and conclusions made with respect to the study
under subsection (a), together with any recommendation for any
legislative or administrative action which such agencies may deter-
mine to be appropriate.

(c) Report of Dissenting Views.—Any agency described in
subsections (a) and (b) which does not concur in the findings, conclu-
sions, or recommendations referred to in subsection (b) or has
additional findings, conclusions, or recommendations which were
not included in the report may submit a report to the Congress
describing—

(1) the reasons why the agency does not concur in the find-
ings, conclusions, or recommendations referred to in subsection
(b); and

(2) such additional findings, conclusions, or recommendations.

SEC. 422. PERMANENT AUTHORIZATION OF CREDIT STANDARDS BOARD.

(a) In General.—Section 1205 of the Financial Institutions
note) is amended by adding at the end the following new subsec-
tion:

“(f) Federal Advisory Committee Act Does Not Apply.—The
Federal Advisory Committee Act shall not apply with respect to the
Committee.”

(b) Chairperson.—Section 1205(b)(3) of the Financial Institutions
note) is amended to read as follows:

“(3) Chairperson.—The Chairperson of the Committee shall
be designated by the President from among the members ap-
pointed under paragraph (1)(F).”.

President.
Subtitle E—Utilization of Private Sector

SEC. 426. UTILIZATION OF PRIVATE SECTOR.

Section 11(d)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(2)) is amended by adding at the end the following new subparagraph:

"(K) Utilization of private sector.—In carrying out its responsibilities in the management and disposition of assets from insured depository institutions, as conservator, receiver, or in its corporate capacity, the Corporation shall utilize the services of private persons, including real estate and loan portfolio asset management, property management, auction marketing, and brokerage services, if such services are available in the private sector and the Corporation determines utilization of such services is practicable, efficient, and cost effective."

SEC. 427. REPORTING.

Section 17 of the Federal Deposit Insurance Act (12 U.S.C. 1827) is amended by adding at the end the following new subsection:

"(h) Additional Reports.—

"(1) In general.—In addition to the reports required under subsections (a), (b), and (c), the Corporation shall submit to Congress not later than April 30 and October 31 of each year, a semiannual report on the activities and efforts of the Corporation for the 6-month period ending on the last day of the month prior to the month in which such report is required to be submitted.

"(2) Contents of report.—Each semiannual report required under this subsection shall include the following information with respect to the Corporation’s assets and liabilities and the assets and liabilities of institutions for which the Corporation serves as a conservator or receiver:

"(A) A statement of the total book value of all assets held or managed by the Corporation at the beginning and end of the reporting period.

"(B) A statement of the total book value of such assets which are under contract to be managed by private persons and entities at the beginning and end of the reporting period.

"(C) The number of employees of the Corporation at the beginning and end of the reporting period.

"(D) A statement of the total amount expended on private contractors for the management of such assets.

"(E) A statement of the efforts of the Corporation to maximize the efficient utilization of the resources of the private sector during the reporting period and in future reporting periods and a description of the policies and procedures adopted to ensure adequate competition and fair and consistent treatment of qualified third parties seeking to provide services to the Corporation."
Subtitle F—Emergency Assistance for Rhode Island

SEC. 431. EMERGENCY LOAN GUARANTEE.

(a) IN GENERAL.—

(1) Provision for guarantee.—Subject to the terms and conditions established by or under this subsection, the Secretary of the Treasury shall guarantee the repayment of any amount not to exceed $180,000,000 borrowed by the State of Rhode Island and Providence Plantations (hereafter in this section referred to as the “State of Rhode Island”), or the Depositors Economic Protection Corporation established by such State, to expedite the repayment of depositors at State-chartered banks and credit unions in receivership in such State and to facilitate the resolution of such receiverships.

(2) Loan collateral required as condition for guarantee.—The Secretary of the Treasury may not guarantee the repayment of any amount under paragraph (1) unless the amount of any loan for which the guarantee is sought is fully secured as follows:

(A) A first lien on assets held or controlled by the Depositors Economic Protection Corporation and the proceeds from the sale of such assets, are irrevocably pledged to the extent necessary to provide collateral for the guarantee.

(B) If the liens and assets described in subparagraph (A) are insufficient to fully secure the guarantee, then a first lien on any assets held or controlled by the State of Rhode Island or any instrumentality of the State of Rhode Island and the proceeds from the sale of such assets, are irrevocably pledged to the extent necessary to provide collateral for the guarantee.

(C) If the liens and assets described in subparagraphs (A) and (B) are insufficient to fully secure the guarantee, then any revenue from the State sales tax which is dedicated to the Depositors Economic Protection Corporation under the law of the State of Rhode Island in excess of the amount necessary to pay principal and interest on any obligation of the State or the Corporation issued before the date of the loan is irrevocably dedicated to the extent necessary to provide collateral for the guarantee.

(3) Guarantee fees.—The Secretary may assess and collect with respect to loans guaranteed under this subsection an annual guarantee fee computed daily at a rate which may not exceed one-half of 1 percent of the outstanding principal amount of the guaranteed loan.

(4) Pledge of certain income for repayment.—The Secretary may not guarantee under this section the repayment of any loan proposed to be made to the Depositors Economic Protection Corporation unless, for each fiscal year of the Depositors Economic Protection Corporation, all rents, issues, profits, products, proceeds, revenues, and other income (including insurance proceeds and condemnation awards) received by the Corporation from, or attributable to, the assets pledged to the United States in accordance with this subsection, in excess of the amount necessary to pay the interest, or principal and
interest on any loan to the Corporation guaranteed under para-
graph (1) that is payable in such fiscal year are irrevocably
pledged to be deposited into a sinking fund or defeasance fund
maintained by the Corporation and are irrevocably pledged and
dedicated to the repayment of the principal of such guaranteed
loan in the inverse order of the maturity of such principal
installments.

(5) **INVESTMENT GRADE RATING.**—The Secretary may not
guarantee under this section the repayment of any loan pro-
posed to be made to the State of Rhode Island or the Depositors
Economic Protection Corporation unless each such proposed
loan has received a rating (for purposes of which the collateral
securing the guarantee is considered to be securing the loan) of—

(A) the highest investment grade from a nationally recog-
nized statistical rating organization;

(B) not less than 1 less than the investment grade rating
from 2 nationally recognized statistical rating organiza-
tions; or

(C) not less than 2 less than the highest investment grade
from 2 nationally recognized statistical rating organizations
to the extent that—

(i) a rating of not less than 1 less than the highest
investment grade rating from 2 nationally recognized
statistical rating organization has not been achieved
through the use of all of the collateral listed in subsec-
tion (a)(2)(A) and the available collateral under
subparagraph (B) or (C) of subsection (a)(2) at the time
of the State of Rhode Island's request for the loan
guarantee; and

(ii) representatives of the State of Rhode Island and
the Secretary are able to agree upon the lesser grade
rating based on changes negotiated to other terms of
this subtitle, including the purchase of bond insurance.

(6) **TERMS.**—

(A) **IN GENERAL.**—The guarantee provided for in this
subsection shall be with respect to a loan which—

(i) is made not more than 1 year after the date of
enactment of this Act;

(ii) will mature not later than 8 years after the date
of such loan; and

(iii) is scheduled to be repaid in equal installments of
principal during the last 4 years of the repayment term
of such loan.

(B) **AUTHORITY TO VARY TIME PERIODS.**—The Secretary and
the duly authorized representative of the State of Rhode
Island may, by mutual agreement, modify any durational
requirement specified in subparagraph (A).

(7) **ADDITIONAL TERMS AND CONDITIONS.**—Except as otherwise
provided in this subsection, the terms and conditions of any loan
guarantee under this section shall be established by mutual
agreement of the Secretary of the Treasury and the duly au-
thorized representative of the State of Rhode Island.

(b) **APPROPRIATION OF AMOUNTS.**—There are hereby appropriated
to the Secretary of the Treasury such sums as may be necessary for
any fiscal year to meet the obligation of the United States under
subsection (a)(1).
Subtitle G—Qualified Thrift Lender Test Improvements

SEC. 436. SHORT TITLE.
This subtitle may be cited as the "Qualified Thrift Lender Reform Act of 1991".

SEC. 437. ADJUSTMENT OF COMPLIANCE PERIODS FOR PURPOSES OF QUALIFIED THRIFT LENDER TEST.
Section 10(m)(1)(B) of the Home Owners’ Loan Act (12 U.S.C. 1467a(m)(1)(B)) (as in effect on July 1, 1991) is amended to read as follows:

"(B) the savings association’s qualified thrift investments continue to equal or exceed 65 percent of the savings association’s portfolio assets on a monthly average basis in 9 out of every 12 months.".

SEC. 438. INCREASE IN AMOUNT OF LIQUID ASSETS EXCLUDABLE FROM PORTFOLIO ASSETS.
Section 10(m)(4)(B)(iii) of the Home Owners’ Loan Act (12 U.S.C. 1467a(m)(4)(B)(iii)) (as in effect on July 1, 1991) is amended by striking "10 percent" and inserting "20 percent".

SEC. 439. ADDITIONAL INVESTMENTS INCLUDED IN DEFINITION OF QUALIFIED THRIFT ASSETS.
Section 10(m)(4)(C) of the Home Owners’ Loan Act (12 U.S.C. 1467a(m)(4)(C)) (as in effect on July 1, 1991) is amended—
(1) by adding at the end of clause (ii) the following new subclause:

"(VI) Shares of stock issued by any Federal home loan bank."; and
(2) by adding at the end of clause (iii) the following new subclause:

"(VII) Shares of stock issued by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.".

SEC. 440. PRUDENT DIVERSIFICATION OF ASSETS.
(a) In General.—Section 10(m)(4)(C)(iii)(VI) of the Home Owners’ Loan Act (12 U.S.C. 1467a(m)(4)(C)(iii)(VI)) (as in effect on July 1, 1991) is amended by striking "5 percent" and inserting "10 percent".
(b) Technical and Conforming Amendment.—Section 10(m)(4)(C)(iv) of the Home Owners’ Loan Act (12 U.S.C. 1467a(m)(4)(C)(iv)) (as in effect on July 1, 1991) is amended by striking "15 percent" and inserting "20 percent".

SEC. 441. CONSUMER LENDING BY FEDERAL SAVINGS ASSOCIATIONS.
(a) Percentage Adjustment.—Section 5(c)(2)(D) of the Home Owners’ Loan Act (12 U.S.C. 1464(c)(2)(D)) is amended in the second sentence by striking "30 percent" and inserting "35 percent".
(b) Loans to Original Obligor.—Section 5(c)(2)(B) of the Home Owners’ Loan Act (12 U.S.C. 1464(c)(2)(B)) is amended by inserting before the period at the end the following: ", provided however, that no amount in excess of 30 percent of the assets may be invested in loans made directly by the association to the original obligor, and
the association does not pay finder, referral, or other fees, directly or
indirectly, to a third party.”.

Subtitle H—Prohibition on Entering Secrecy
Agreements and Protective Orders

SEC. 446. PROHIBITION ON ENTERING INTO SECRECY AGREEMENTS AND
PROTECTIVE ORDERS.

Section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821) is
amended by adding at the end the following new subsection:
“(s) PROHIBITION ON ENTERING SECRECY AGREEMENTS AND PROTECTIVE
ORDERS.—The Corporation may not enter into any agreement or
approve any protective order which prohibits the Corporation from
disclosing the terms of any settlement of an administrative or
other action for damages or restitution brought by the Corporation
in its capacity as conservator or receiver for an insured depository
institution.”.

Subtitle I—Bank and Thrift Employee
Provisions

SEC. 451. CONTINUATION OF HEALTH PLAN COVERAGE IN CASES OF
FAILED FINANCIAL INSTITUTIONS.

(a) Continuation Coverage.—The Federal Deposit Insurance
Corporation—

(1) shall, in its capacity as a successor of a failed depository
institution (whether acting directly or through any bridge
bank), have the same obligation to provide a group health plan
meeting the requirements of section 602 of the Employee Retire­
ment Income Security Act of 1974 (relating to continuation
coverage requirements of group health plans) with respect to
former employees of such institution as such institution would
have had but for its failure, and

(2) shall require that any successor described in subsection
(b)(1)(B)(iii) provide a group health plan with respect to former
employees of such institution in the same manner as the failed
depository institution would have been required to provide but
for its failure.

(b) Definitions.—For purposes of this section—

(1) Successor.—An entity is a successor of a failed depository
institution during any period if—

(A) such entity holds substantially all of the assets or
liabilities of such institution, and

(B) such entity is—

(i) the Federal Deposit Insurance Corporation,

(ii) any bridge bank, or

(iii) an entity that acquires such assets or liabilities
from the Federal Deposit Insurance Corporation or a
bridge bank.

(2) Failed Depository Institution.—The term “failed deposi­
tory institution” means any depository institution (as defined in
section 3(c) of the Federal Deposit Insurance Act) for which a
receiver has been appointed.
(3) Bridge bank.—The term “bridge bank” has the meaning given such term by section 11(i) of the Federal Deposit Insurance Act.

(c) No premium costs imposed on FDIC.—Subsection (a) shall not be construed as requiring the Federal Deposit Insurance Corporation to incur, by reason of this section, any obligation for any premium under any group health plan referred to in such subsection.

(d) Effective date.—This section shall apply to plan years beginning on or after the date of the enactment of this Act, regardless of whether the qualifying event under section 603 of the Employee Retirement Income Security Act of 1974 occurred before, on, or after such date.

Subtitle J—Sense of the Congress Regarding the Credit Crisis

SEC. 456. CREDIT CRUNCH.

(a) Findings.—The Congress finds that—

(1) during the past year and a half a credit crunch of crisis proportions has taken hold of the economy and grown increasingly severe, particularly for real estate;

(2) to date the credit crisis has shown no sign of improvement with its effects being felt broadly throughout the Nation as business failures soar, financial institutions weaken, real estate values decline, and State and local property tax bases further erode;

(3) approximately $200,000,000,000 of the nearly $400,000,000,000 in commercial real estate loans now held by commercial banks are coming due within the next 2 years;

(4) banks for a variety of reasons, are reluctant to renew these maturing real estate loans;

(5) both pension funds in the United States, with assets of nearly $2,000,000,000,000, and a stronger and more active secondary market for commercial real estate debt and equity could play a more significant role in providing liquidity and credit to the real estate and banking sectors of the economy;

(6) many regulatory practices encourage banks to reduce their real estate lending without regard to long-term historical risk; and

(7) the stability of real estate has suffered during the past decade first from tax rules that in 1981 stimulated excessive investment in real estate, and then in 1986 when rules were adopted that discourage capital investment in real estate, artificially eroding real estate values.

(b) Sense of the Congress.—It is the sense of the Congress that—

(1) immediate and carefully-coordinated action should be taken by the Congress and the President to arrest the credit crisis referred to in subsection (a) and provide a healthy and efficient marketplace that works for owners, lenders, and investors; and

(2) that efforts should be undertaken to explore measures that—
A modernize and simplify the rules that apply to pension investment in real estate to remove unnecessary barriers to pension funds seeking to invest in real estate;

(B) strengthen the secondary market for commercial real estate debt and equity by removing arbitrary obstacles to private forms of credit enhancement;

(C) restore balance to the regulatory environment by considering the impact of risk-based capital standards on commercial, multifamily and single-family real estate; ending mark-to-market, liquidation-based, appraisals; encouraging loan renewals; and, fully communicating the supervisory policy to bank examiners in the field; and

(D) rationalize the tax system for real estate owners and operators by modifying the passive loss rules and encouraging loan restructures.

Subtitle K—Aquisition of Insolvent Savings Associations

SEC. 461. ACQUISITION OF INSOLVENT SAVINGS ASSOCIATIONS.

Section 4(i) of the Bank Holding Company Act (12 U.S.C. 1843(i)) is amended by adding at the end the following new paragraph:

"(3) Acquisition of insolvent savings associations.—

"(A) In general.—Notwithstanding any other provision of this Act, any qualified savings association which became a federally chartered stock company in December of 1986 and which is acquired by any bank holding company without Federal financial assistance after June 1, 1991, and before March 1, 1992, and any subsidiary of any such association, may after such acquisition continue to engage within the home State of the qualified savings association in insurance agency activities in which any Federal savings association (or any subsidiary thereof) may engage in accordance with the Home Owners' Loan Act and regulations pursuant to such Act if the qualified savings association or subsidiary thereof was continuously engaged in such activity from June 1, 1991, to the date of the acquisition.

"(B) Definition of qualified savings association.—For purposes of this paragraph, the term 'qualified savings association' means any savings association that—

"(i) was chartered or organized as a savings association before June 1, 1991;

"(ii) had, immediately before the acquisition of such association by the bank holding company referred to in subparagraph (A), negative tangible capital and total insured deposits in excess of $3,000,000,000; and

"(iii) will meet all applicable regulatory capital requirements as a result of such acquisition.".

Subtitle L—Creditability of Service

SEC. 466. CREDITABILITY OF SERVICE.

(a) Chapter 83.—Section 8332 of title 5, United States Code, is amended by adding at the end the following new subsection:
“(n) Any employee who—
“(1) served in a position in which the employee was excluded from coverage under this subchapter because the employee was covered under a retirement system established under section 10 of the Federal Reserve Act; and
“(2) transferred without a break in service to a position to which the employee was appointed by the President, with the advice and consent of the Senate, and in which position the employee is subject to this subchapter,
shall be treated for all purposes of this subchapter as if any service that would have been creditable under the retirement system established under section 10 of the Federal Reserve Act was service performed while subject to this subchapter if any employee and employer deductions, contributions or rights with respect to the employee’s service are transferred from such retirement system to the Fund.”.

(b) CHAPTER 84.—Section 8411 of title 5, United States Code, is amended by adding at the end the following new subsection:
““(g) Any employee who—
“(1) served in a position in which the employee was excluded from coverage under this subchapter because the employee was covered under a retirement system established under section 10 of the Federal Reserve Act; and
“(2) transferred without a break in service to a position to which the employee was appointed by the President, with the advice and consent of the Senate, and in which position the employee is subject to this subchapter,
shall be treated for all purposes of this subchapter as if any service that would have been creditable under the retirement system established under section 10 of the Federal Reserve Act was service performed while subject to this subchapter if any employee and employer deductions, contributions or rights with respect to the employee’s service are transferred from such retirement system to the Fund.”.

(c) APPLICABILITY.—The amendment made by this section shall apply with respect to any individual who transfers to a position in which he or she is subject to subchapter III of chapter 83 or chapter 84 of title 5, United States Code, on or after October 1, 1991.

Subtitle M—Other Miscellaneous Provisions

SEC. 471. PROVIDING SERVICES TO INSURED DEPOSITORY INSTITUTIONS.

Section 21A of the Home Owners’ Loan Act (12 U.S.C. 1441a) is amended by adding at the end the following:
““(q) CONTINUATION OF OBLIGATION TO PROVIDE SERVICES.—No person obligated to provide services to an insured depository institution at the time the Resolution Trust Corporation is appointed conservator or receiver for the institution shall fail to provide those services to any person to whom the right to receive those services was transferred by the Resolution Trust Corporation after August 9, 1989, unless the refusal is based on the transferee’s failure to comply with any material term or condition of the original obligation. This subsection does not limit any authority of the Resolution Trust Corporation as conservator or receiver under section 11(e) of the Federal Deposit Insurance Act.”.
SEC. 472. REAL ESTATE APPRAISALS.

(a) Certification and Licensing Requirements.—Section 1116 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3345) is amended by adding at the end the following new subsection:

"(e) Authority of the Appraisal Subcommittee.—The Appraisal Subcommittee shall not set qualifications or experience requirements for the States in licensing real estate appraisers, including a de minimus standard. Recommendations of the Subcommittee shall be nonbinding on the States."

(b) Use of State Certified and State Licensed Appraisers.—

(1) Effective Date for Use.—Section 1119(a)(1) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3348(a)(1)) is amended by striking "July 1, 1991" and inserting "December 31, 1992."

(2) Extension of Effective Date.—Section 1119(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3348(b)) is amended—

(A) in the first sentence, by striking "leading to inordinate delays" and inserting "or in any geographical political subdivision of a State, leading to significant delays"; and

(B) in the second sentence, by striking "inordinate" and inserting "significant".

(c) OMB Study of De Minimus Standards.—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Director of the Office of Management and Budget shall conduct a study of whether there is a need to establish de minimus levels for commercial real estate.

SEC. 473. EMERGENCY LIQUIDITY.

Section 13 of the Federal Reserve Act (12 U.S.C. 343) is amended in the third paragraph by striking "of the kinds and maturities made eligible for discount for member banks under other provisions of this Act".

SEC. 474. DISCRIMINATION AGAINST REORGANIZED DEBTORS.

Section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)) is amended by adding at the end the following new paragraph:

"(9) A Federal banking agency may not, by regulation or otherwise, designate, or require an insured institution or an affiliate to designate, a corporation as highly leveraged or a transaction with a corporation as a highly leveraged transaction solely because such corporation is or has been a debtor or bankrupt under title 11, United States Code, if, after confirmation of a plan of reorganization, such corporation would not otherwise be highly leveraged."

SEC. 475. PURCHASED MORTGAGE SERVICING RIGHTS.

(a) In General.—Notwithstanding section 5(t)(4) of the Home Owners’ Loan Act, each appropriate Federal banking agency shall determine, with respect to insured depository institutions for which it is the appropriate Federal regulator, the amount of readily marketable purchased mortgage servicing rights that may be included in calculating such institution’s tangible capital, risk-based capital, or leverage limit, if—
(1) such servicing rights are valued at not more than 90 percent of their fair market value; and
(2) the fair market value of such servicing rights is determined not less often than quarterly.

(b) Definition.—For purposes of this section, the terms “appropriate Federal banking agency” and “insured depository institution” have the same meanings as in section 3 of the Federal Deposit Insurance Act.

(c) Effective Date.—The amendments made by this Act shall take effect at the end of the 60-day period beginning on the date of the enactment of this Act.

SEC. 476. LIMITATION ON SECURITIES PRIVATE RIGHTS OF ACTION.

The Securities Exchange Act of 1934 is amended by inserting after section 27 (15 U.S.C. 78aa) the following new section:

"Section 27A. (a) Effect on Pending Causes of Action.—The limitation period for any private civil action implied under section 10(b) of this Act that was commenced on or before June 19, 1991, shall be the limitation period provided by the laws applicable in the jurisdiction, including principles of retroactivity, as such laws existed on June 19, 1991.

(b) Effect on Dismissed Causes of Action.—Any private civil action implied under section 10(b) of this Act that was commenced on or before June 19, 1991—

"(1) which was dismissed as time barred subsequent to June 19, 1991, and

"(2) which would have been timely filed under the limitation period provided by the laws applicable in the jurisdiction, including principles of retroactivity, as such laws existed on June 19, 1991,

shall be reinstated on motion by the plaintiff not later than 60 days after the date of enactment of this section."

SEC. 477. MODIFIED SMALL BUSINESS LENDING DISCLOSURE.

The Federal Reserve Board shall collect and publish, on an annual basis, information on the availability of credit to small businesses. The information shall, to the extent practicable—

(1) include information on commercial loans to small businesses, agricultural loans to small farms, and loans to minority-owned small businesses;

(2) be given for categories of small businesses determined by annual sales and for small businesses in existence for less than 1 year; and

(3) be given for each geographic region of the United States.

In collecting the information, the Federal Reserve Board shall take into consideration the need to minimize reporting costs, if any, on financial institutions.
SEC. 478. SPECIAL INSURED DEPOSITS.


(1) were deposited by a charitable organization as such term is defined by New York State law, or by a religious organization; and

(2) were deposits of such bank on the date of its closure by the Office of the Comptroller of the Currency,

shall be fully insured notwithstanding any other provisions of the Federal Deposit Insurance Act.

Subtitle N—Severability

SEC. 481. SEVERABILITY.

If any provision of this Act, or any application of any provision of this Act to any person or circumstance, is held invalid, the remainder of the Act, and the application of any remaining provision of the Act to any other person or circumstance, shall not be affected by such holding.

TITLE V—DEPOSITORY INSTITUTION CONVERSIONS

SEC. 501. MERGERS AND ACQUISITIONS OF INSURED DEPOSITORY INSTITUTIONS DURING CONVERSION MORATORIUM.

(a) In General.—Section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1815(d)(3)) is amended to read as follows:

"""(3) Optional conversions subject to special rules on deposit insurance payments.—

""\(\text{\textasciitilde}(A)\) Conversions allowed.—

\(\text{\textasciitilde}(i)\) In general.—Notwithstanding paragraph (2)(A) and subject to the requirements of this paragraph, any insured depository institution may participate in a transaction described in clause (ii), (iii), or (iv) of paragraph (2)(B) with the prior written approval of the responsible agency under section 18(c)(2).

\(\text{\textasciitilde}(ii)\) Holding company subsidiaries.—If, in connection with any transaction referred to in clause (i), the acquiring, assuming, or resulting depository institution is a Bank Insurance Fund member which is a subsidiary of a bank holding company, the prior written approval of the Board shall be required for such transaction in addition to the approval of any agency referred to in clause (i).

\(\text{\textasciitilde}(B)\) Assessments on deposits attributable to former depository institution.—

\(\text{\textasciitilde}(i)\) Assessments by Saif.—In the case of any acquiring, assuming, or resulting depository institution which is a Bank Insurance Fund member, that portion of the average assessment base of such member for any semiannual period which is equal to the adjusted attributable deposit amount (determined under sub-paragraph (C) with respect to the transaction) shall—
"(I) be subject to assessment at the assessment rate applicable under section 7 for Savings Association Insurance Fund members;

"(II) not be taken into account for purposes of any assessment under section 7 for Bank Insurance Fund members; and

"(III) be treated as deposits which are insured by the Savings Association Insurance Fund.

"(ii) Assessments by BIF.—In the case of any acquiring, assuming, or resulting depository institution which is a Savings Association Insurance Fund member, that portion of the average assessment base of such member for any semiannual period which is equal to the adjusted attributable deposit amount (determined under subparagraph (C) with respect to the transaction) shall—

"(I) be subject to assessment at the assessment rate applicable under section 7 for Bank Insurance Fund members;

"(II) not be taken into account for purposes of any assessment under section 7 for Savings Association Insurance Fund members; and

"(III) be treated as deposits which are insured by the Bank Insurance Fund.

"(C) Determination of adjusted attributable deposit amount.—The adjusted attributable deposit amount which shall be taken into account for purposes of determining the amount of the assessment under subparagraph (B) for any semiannual period by any acquiring, assuming, or resulting depository institution in connection with a transaction under subparagraph (A) is the amount which is equal to the sum of—

"(i) the amount of any deposits acquired by the institution in connection with the transaction (as determined at the time of such transaction);

"(ii) the total of the amounts determined under clause (iii) for semiannual periods preceding the semiannual period for which the determination is being made under this subparagraph; and

"(iii) the amount by which the sum of the amounts described in clauses (i) and (ii) would have increased during the preceding semiannual period (other than any semiannual period beginning before the date of such transaction) if such increase occurred at a rate equal to the annual rate of growth of deposits of the acquiring, assuming, or resulting depository institution minus the amount of any deposits acquired through the acquisition, in whole or in part, of another insured depository institution.

"(D) Deposit of assessment.—That portion of any assessment under section 7 which—

"(i) is determined in accordance with subparagraph (B)(i) shall be deposited in the Savings Association Insurance Fund; and

"(ii) is determined in accordance with subparagraph (B)(ii) shall be deposited in the Bank Insurance Fund.

"(E) Conditions for approval, generally.—
“(i) Factors to be considered; approval process.—In reviewing any application for a proposed transaction under subparagraph (A), the responsible agency (and, in the event the acquiring, assuming, or resulting depository institution is a Bank Insurance Fund member which is a subsidiary of a bank holding company, the Board) shall follow the procedures and consider the factors set forth in section 18(c).

“(ii) Information required.—An application to engage in any transaction under this paragraph shall contain such information relating to the factors to be considered for approval as the responsible agency or Board may require, by regulation or by specific request, in connection with any particular application.

“(iii) No transfer of deposit insurance permitted.—This paragraph shall not be construed as authorizing transactions which result in the transfer of any insured depository institution's Federal deposit insurance from 1 Federal deposit insurance fund to the other Federal deposit insurance fund.

“(iv) Minimum capital.—The responsible agency, and the appropriate Federal banking agency for any depository institution holding company, shall disapprove any application for any transaction under this paragraph unless each such agency determines that the acquiring, assuming, or resulting depository institution, and any depository institution holding company which controls such institution, will meet all applicable capital requirements upon consummation of the transaction.

“(F) Certain interstate transactions.—The Board may not approve any transaction under subparagraph (A) in which the acquiring, assuming, or resulting depository institution is a Bank Insurance Fund member which is a subsidiary of a bank holding company unless the Board determines that the transaction would comply with the requirements of section 3(d) of the Bank Holding Company Act of 1956 if, at the time of such transaction, the Savings Association Insurance Fund member involved in such transaction was a State bank that the bank holding company was applying to acquire.

“(G) Expedited approval of acquisitions.—

“(i) In general.—Any application by a State nonmember insured bank to acquire another insured depository institution that is required to be filed with the Corporation by subparagraph (A) or any other applicable law or regulation shall be approved or disapproved in writing by the Corporation before the end of the 60-day period beginning on the date such application is filed with the Corporation.

“(ii) Extensions of period.—The period for approval or disapproval referred to in clause (i) may be extended for an additional 30-day period if the Corporation determines that—

“(I) an applicant has not furnished all of the information required to be submitted; or
“(II) in the Corporation's judgment, any material information submitted is substantially inaccurate or incomplete.

“(H) ALLOCATION OF COSTS IN EVENT OF DEFAULT.—If any acquiring, assuming, or resulting depository institution is in default or danger of default at any time before this paragraph ceases to apply, any loss incurred by the Corporation shall be allocated between the Bank Insurance Fund and the Savings Association Insurance Fund, in amounts reflecting the amount of insured deposits of such acquiring, assuming, or resulting depository institution assessed by the Bank Insurance Fund and the Savings Association Insurance Fund, respectively, under subparagraph (B).

“(I) SUBSEQUENT APPROVAL OF CONVERSION TRANSACTION.—This paragraph shall cease to apply if—

“(i) after the end of the 5-year period referred to in paragraph (2)(A), the Corporation approves an application by any acquiring, assuming, or resulting depository institution to treat the transaction described in subparagraph (A) as a conversion transaction; and

“(ii) the acquiring, assuming, or resulting depository institution pays the amount of any exit and entrance fee assessed by the Corporation under subparagraph (E) of paragraph (2) with respect to such transaction.

“(J) ACQUIRING, ASSUMING, OR RESULTING DEPOSITORY INSTITUTION DEFINED.—For purposes of this paragraph, the term 'acquiring, assuming, or resulting depository institution' means any insured depository institution which—

“(i) results from any transaction described in paragraph (2)(B)(ii) and approved under this paragraph;

“(ii) in connection with a transaction described in paragraph (2)(B)(iii) and approved under this paragraph, assumes any liability to pay deposits of another insured depository institution; or

“(iii) in connection with a transaction described in paragraph (2)(B)(iv) and approved under this paragraph, acquires assets from any insured depository institution in consideration of the assumption of liability for any deposits of such institution.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) to section 5(d)(3)(C) of the Federal Deposit Insurance Act shall apply with respect to semiannual periods beginning after the date of the enactment of this Act.

(c) TRANSITION RULE FOR SAVINGS ASSOCIATIONS ACQUIRING BANKS.—Section 5(c) of the Home Owners' Loan Act (12 U.S.C. 1464(c)) is amended—

(1) by redesignating paragraph (5) as paragraph (6); and

(2) by inserting after paragraph (4) the following new paragraph:

“(5) TRANSITION RULE FOR SAVINGS ASSOCIATIONS ACQUIRING BANKS.—

“(A) IN GENERAL.—If, under section 5(d)(3) of the Federal Deposit Insurance Act, a savings association acquires all or substantially all of the assets of a bank that is a member of the Bank Insurance Fund, the Director may permit the
savings association to retain any such asset during the 2-year period beginning on the date of the acquisition.

"(B) EXTENSION.—The Director may extend the 2-year period described in subparagraph (A) for not more than 1 year at a time and not more than 2 years in the aggregate, if the Director determines that the extension is consistent with the purposes of this Act.”

SEC. 502. MERGERS, CONSOLIDATIONS, AND OTHER ACQUISITIONS AUTHORIZED.

(a) FEDERAL SAVINGS ASSOCIATIONS.—Section 10 of the Home Owners' Loan Act (12 U.S.C. 1467a) is amended by adding at the end the following new subsection:

"(t) MERGERS, CONSOLIDATIONS, AND OTHER ACQUISITIONS AUTHORIZED.—

"(1) IN GENERAL.—Subject to sections 5(d)(3) and 18(c) of the Federal Deposit Insurance Act and all other applicable laws, any Federal savings association may acquire or be acquired by any insured depository institution.

"(2) EXPEDITED APPROVAL OF ACQUISITIONS.—

"(A) IN GENERAL.—Any application by a savings association to acquire or be acquired by another insured depository institution which is required to be filed with the Director under section 5(d)(3) of the Federal Deposit Insurance Act or any other applicable law or regulation shall be approved or disapproved in writing by the Director before the end of the 60-day period beginning on the date such application is filed with the agency.

"(B) EXTENSION OF PERIOD.—The period for approval or disapproval referred to in subparagraph (A) may be extended for an additional 30-day period if the Director determines that—

"(i) an applicant has not furnished all of the information required to be submitted; or

"(ii) in the Director's judgment, any material information submitted is substantially inaccurate or incomplete.

"(3) ACQUIRE DEFINED.—For purposes of this subsection, the term 'acquire' means to acquire, directly or indirectly, ownership or control through a merger or consolidation, or an acquisition of assets or assumption of liabilities, provided that following such merger, consolidation, or acquisition, an acquiring insured depository institution may not own the shares of the acquired insured depository institution.

"(4) REGULATIONS.—

"(A) REQUIRED.—The Director shall prescribe such regulations as may be necessary to carry out paragraph (1).

"(B) EFFECTIVE DATE.—The regulations required under subparagraph (A) shall—

"(i) be prescribed in final form before the end of the 90-day period beginning on the date of the enactment of this subsection; and

"(ii) take effect before the end of the 120-day period beginning on such date.

"(5) LIMITATION.—No provision of this section shall be construed to authorize a national bank or any subsidiary thereof to engage in any activity not otherwise authorized under the
National Bank Act or any other law governing the powers of a national bank.”.

(b) NATIONAL BANKS.—Chapter 1 of title LXII of the Revised Statutes of the United States (12 U.S.C. 5133 et seq.) is amended by adding at the end the following new section:

"SEC. 5156A. MERGERS, CONSOLIDATIONS, AND OTHER ACQUISITIONS AUTHORIZED.

"(a) IN GENERAL.—Subject to sections 5(d)(3) and 18(c) of the Federal Deposit Insurance Act and all other applicable laws, any national bank may acquire or be acquired by any insured depository institution.

"(b) EXPEDITED APPROVAL OF ACQUISITIONS.—

"(1) IN GENERAL.—Any application by a national bank to acquire or be acquired by another insured depository institution which is required to be filed with the Comptroller of the Currency by section 5(d)(3) of the Federal Deposit Insurance Act or any other applicable law or regulation shall be approved or disapproved in writing by the agency before the end of the 60-day period beginning on the date such application is filed with the agency.

"(2) EXTENSIONS OF PERIOD.—The period for approval or disapproval referred to in paragraph (1) may be extended for an additional 30-day period if the Comptroller of the Currency determines that—

"(A) an applicant has not furnished all of the information required to be submitted; or

"(B) in the Comptroller’s judgment, any material information submitted is substantially inaccurate or incomplete.

"(c) RULE OF CONSTRUCTION.—No provision of this section shall be construed as authorizing a national bank or a subsidiary of a national bank to engage in any activity not otherwise authorized under this Act or any other law governing the powers of national banks.

"(d) ACQUIRE DEFINED.—For purposes of this section, the term ‘acquire’ means to acquire, directly or indirectly, ownership or control through a merger or consolidation or an acquisition of assets or assumption of liabilities, provided that following such merger, consolidation, or acquisition, an acquiring insured depository institution may not own the shares of the acquired insured depository institution.”.

Approved December 19, 1991.

LEGISLATIVE HISTORY—S. 543 (H.R. 3768):

HOUSE REPORTS: Nos. 102-330 accompanying H.R. 3768 (Comm. on Banking, Finance and Urban Affairs), and 102-407 (Comm. of Conference).

SENATE REPORTS: No. 102-167 (Comm. on Banking, Housing, and Urban Affairs).


Nov. 13, 14, 18, 19, 21, considered and passed Senate.

Nov. 21, H.R. 3768 considered and passed House.

Nov. 22, S. 543 considered and passed House, amended, in lieu of H.R. 3768.

Nov. 26, House agreed to conference report.

Nov. 27, Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 27 (1991):

Dec. 19, Presidential statement.