



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 8, 2015

H.R. 299

Capital Access for Small Community Financial Institutions Act of 2015

As ordered reported by the House Committee on Financial Services on March 26, 2015

H.R. 299 would allow privately insured credit unions to become members of the Federal Home Loan Bank (FHLB) system. The bill also would direct the Government Accountability Office (GAO) to report to the Congress on privately insured institutions and their insurers. CBO estimates that implementing this legislation would have no significant effect on the federal budget. Enacting H.R. 299 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

The FHLB system is a cooperative, government-sponsored enterprise made up of 12 regional banks that offer financing to almost 7,400 members (banks, thrift institutions, insurance companies, and credit unions). FHLBs make loans (known as “advances”) and provide other credit services that members use to fund mortgages and other loans. Consolidated assets of the FHLBs totaled \$913 billion at the end of calendar year 2014, including about \$570 billion in advances.

H.R. 299 would permit state-chartered, privately insured credit unions to become members of the FHLB system. Under current law, such credit unions may only gain membership if they are also community development financial institutions. Based on information provided by the National Credit Union Administration, there are about 130 privately insured credit unions holding about \$14 billion in assets that would become eligible for membership under the bill. CBO believes that it is unlikely that any advances made to these institutions would alter the financial condition of the FHLBs given the relative size of the credit unions to the FHLB system and the requirement that all advances be fully secured. Because these credit unions are privately insured, spending by the Federal Deposit Insurance Corporation would not be affected if an institution ultimately failed.

The bill also would direct GAO to report to the Congress on the adequacy of insurance reserves held by private deposit insurers and whether privately insured institutions comply with federal disclosure regulations. The cost of the study would be less than \$500,000, CBO estimates, and would be subject to the availability of appropriated funds.

H.R. 299 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt state laws that allow liquidators to void specific types of contracts. However, the preemption would impose no duty on state governments that would result in additional spending, and the threshold established by UMRA for costs of intergovernmental mandates (\$77 million in 2015, adjusted annually for inflation) would not be exceeded.

H.R. 299 would impose a private-sector mandate, as defined in UMRA, on private insurers of deposits at credit unions that are members of the FHLB system. It would require such insurers to submit a copy of their annual independent audit to the Federal Housing Finance Agency. Based on information from the National Credit Union Administration, CBO estimates that the cost of complying with the mandate would be small and would fall well below the annual threshold for private-sector mandates established in UMRA (\$154 million in 2015, adjusted annually for inflation).

The CBO staff contacts for this estimate are Martin von Gnechten (for federal costs), J'nell L. Blanco (for the intergovernmental mandate), and Paige Piper/Bach (for the private-sector mandate). The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.