

Legislation Enacted

Among the legislation enacted during 1998, the Consumer Reporting Employment Clarification Act, the Credit Union Membership Access Act, the Examination Parity and Year 2000 Readiness for Financial Institutions Act, the Federal Employees Health Care Protection Act, the Homeowners Protection Act, the Money Laundering and Financial Crimes Strategy Act, and the U.S. Holocaust Assets Commission Act directly affect the Federal Reserve System or the institutions it regulates.

Consumer Reporting Employment Clarification Act

The Consumer Reporting Employment Clarification Act amends the Fair Credit Reporting Act by removing the seven-year limitation on the reporting of criminal convictions by consumer reporting agencies. This change should help insured depository institutions comply with the prohibition on employing individuals convicted of criminal offenses involving dishonesty or a breach of trust.

In addition, the act expands an exemption, created in the Intelligence Authorization Act for Fiscal Year 1998, from certain Fair Credit Reporting Act disclosure provisions when a U.S. government agency or department has obtained, or seeks to obtain, a consumer report for use in a national security investigation, such as a review of a consumer's security clearance. For the agency or department to qualify for the exemption, the head of the agency or department must make a written finding that the consumer report is relevant to its national security investigation; that

the investigation is within its jurisdiction; and that there is reason to believe that compliance with the disclosure requirements will (1) endanger the life or physical safety of any person, (2) result in flight from prosecution, (3) result in the destruction of, or tampering with, evidence relevant to the investigation, (4) result in the intimidation of a potential witness relevant to the investigation; (5) result in the compromise of classified information, or (6) otherwise seriously jeopardize or unduly delay the investigation or another official proceeding.

Credit Union Membership Access Act

The Credit Union Membership Access Act, among other things, reverses the Supreme Court's recent decision in *National Credit Union Administration v. First National Bank & Trust Co.*,¹ which held that the same common bond of occupation must unite all members of an occupationally defined federal credit union.² The act permits the formation of credit unions on the basis of more than one common bond, and thus increases the potential customer base of credit unions. The act also requires the Secretary of the Treasury to conduct a study of the difference between credit unions and other federally insured financial institutions. It requires the National Credit Union Administration Board (NCUA Board) to periodically assess the potential liquidity needs of credit unions and the options available to

1. 118 S.Ct. 927 (1998).

2. *Id.* at 939.

credit unions to meet those needs, and to make available to Federal Reserve Banks information relevant to making advances to such credit unions, including the NCUA Board's reports of examination. Finally, the act requires the federal banking agencies to submit a report, one year from the date of enactment of the act, detailing their progress in carrying out section 303(a) of the Riegle Community Development and Regulatory Improvement Act of 1994.

Examination Parity and Year 2000 Readiness for Financial Institutions Act

The Examination Parity and Year 2000 Readiness for Financial Institutions Act requires that each federal banking agency offer to the depository institutions it regulates seminars on the implications of the Year 2000 computer problem. It also requires that each federal banking agency make available to the depository institutions it regulates model approaches to common Year 2000 computer concerns, such as project management, vendor contracts, testing regimes, and business continuity planning.

The act also authorizes the Office of Thrift Supervision to examine service companies that provide services to, or are owned by, savings associations to the same extent savings associations are currently examined. The act allows such examinations to be conducted by any federal banking agency that supervises any other owner of part of the service company or subsidiary. It also authorizes the National Credit Union Administration to examine credit union organizations to the same extent insured credit unions are currently examined and allows such examinations to be conducted by any federal banking agency that supervises any other person who

maintains an ownership interest in a credit union organization.

Federal Employees Health Care Protection Act

Among other things, the Federal Employees Health Care Protection Act permits certain Board employees, who were previously ineligible, to participate in the Federal Employees Health Benefits Program (FEHBP). This change will enable certain employees who retired from the Board before becoming eligible to participate in FEHBP the opportunity to participate in FEHBP during their retirement.

Homeowners Protection Act

The Homeowners Protection Act limits a creditor's right to require private mortgage insurance once a consumer's equity in his or her home reaches a certain level. The act grants consumers the right to request cancellation of the private mortgage insurance on their residence once their loan balance reaches 80 percent of the property's original value. The accumulated equity in the home is calculated on the basis of either amortization schedules or actual payments. Before terminating private mortgage insurance a lender may ensure that the value of the home has not declined, that the individual has a good payment history, and that the equity in the home is unencumbered. The act also requires lenders to cancel private mortgage insurance automatically when the loan balance reaches 78 percent of the property's original value but also contains exceptions for high-risk loans. A consumer's right to cancel private mortgage insurance must be disclosed at loan consummation and annually thereafter. Once the insurance is canceled, the mortgage servicer must return any

unearned premiums to the consumer. Finally, the act imposes civil liability on servicers, lenders, and insurers who violate the act and requires federal banking agencies to enforce the act.

Money Laundering and Financial Crimes Strategy Act

The Money Laundering and Financial Crimes Strategy Act requires the Secretary of the Treasury and the Attorney General to develop a national strategy for combating money laundering and related financial crimes. In general, the aims of the national strategy are to develop research-based goals, objectives, and priorities for reducing and preventing money laundering and related financial crimes in the United States. The act requires that the Secretary of the Treasury, in developing the national strategy, consult with the Board of Governors,

among other parties. In addition, the act requires that the national strategy identify areas where money laundering and related financial crimes are extensive or present a substantial risk, so that a comprehensive approach to combating such crime in those areas can be developed.

U.S. Holocaust Assets Commission Act

The U.S. Holocaust Assets Commission Act establishes the Presidential Advisory Commission on Holocaust Assets in the United States to conduct a thorough study of, and develop a historical record of, the collection and disposition of certain types of assets that came into the possession or control of the federal government, including the Board of Governors or any Federal Reserve Bank, after January 30, 1933. ■