

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT ON NUCLEAR PROLIFERATION—MESSAGE FROM THE PRESIDENT—PM 54

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Foreign Relations:

To the Congress of the United States:

As required under section 601(a) of the Nuclear Non-Proliferation Act of 1978 (Public Law 95-242; 22 U.S.C. 3281(a)), I am transmitting a report on the activities of United States Government departments and agencies relating to the prevention of nuclear proliferation. It covers activities between January 1, 1994, and December 31, 1994.

WILLIAM J. CLINTON.

THE WHITE HOUSE, June 6, 1995.

MESSAGES FROM THE HOUSE

ENROLLED BILL SIGNED

At 6:10 p.m., a message from the House of Representatives, delivered by Mr. Duncan, one of its clerks, announced that the Speaker has signed the following enrolled bill:

H.R. 1158. An act making emergency supplemental appropriations for additional disaster assistance, for anti-terrorism initiatives, for assistance in the recovery from the tragedy that occurred at Oklahoma City, and making rescissions for the fiscal year ending September 30, 1995, and for other purposes.

The enrolled bill was subsequently signed by the President pro tempore (Mr. THURMOND).

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-936. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmitting, pursuant to law, the cumulative report on rescissions and deferrals; referred jointly pursuant to the order of January 30, 1975, as modified by the order of April 11, 1986 to the Committee on Appropriations, the Committee on the Budget, the Committee on

Commerce, Science, and Transportation, the Committee on Environment and Public Works, the Committee on Labor and Human Resources, and the Committee on Small Business.

EC-937. A communication from the Secretary of Agriculture, transmitting, pursuant to law, the Department's annual report for 1994, relative to foreign investment in U.S. agricultural land; to the Committee on Agriculture, Nutrition, and Forestry.

EC-938. A communication from the Principal Deputy Under Secretary of Defense (Comptroller), transmitting, pursuant to law, a report of a violation of the Antideficiency Act, case number 94-09; to the Committee on Appropriations.

EC-939. A communication from the Secretary of Defense, transmitting, pursuant to law, a report relative to the detailing of DOD personnel to other Federal agencies with respect to counterdrug activities; to the Committee on Armed Services.

EC-940. A communication from the Secretary of Energy, transmitting, a draft of proposed legislation to authorize privatization of the Naval Petroleum Reserves, and for other purposes; to the Committee on Armed Services.

EC-941. A communication from the General Counsel of the Department of Defense, transmitting, a draft of proposed legislation to repeal various reporting requirements of the Department of Defense, and for other purposes; to the Committee on Armed Services.

EC-942. A communication from the Secretary of Labor, transmitting, pursuant to law, a report relative to the Transition Assistance Program; to the Committee on Armed Services.

EC-943. A communication from the General Counsel of the Department of Defense, transmitting, a draft of proposed legislation to amend chapters 47 and 49 of title 10, United States Code, and chapter 15 of title 37, United States Code, to improve the quality and efficiency of the military justice system; to the Committee on Armed Services.

EC-944. A communication from the Deputy Under Secretary of Defense (Environmental Security), transmitting, pursuant to law, the fiscal year 1994 Defense Environmental Quality Program report; to the Committee on Armed Services.

EC-945. A communication from the Director, Office of Small and Disadvantaged Business Utilization, Department of Defense, transmitting, pursuant to law, a report relative to the progress of the Department in awards of minority contracts; to the Committee on Armed Services.

EC-946. A communication from the Secretary of Defense, transmitting, pursuant to law, the fiscal year 1995 report on proposed obligations for facilitating weapons destruction and nonproliferation in the former Soviet Union; to the Committee on Armed Services.

EC-947. A communication from the Director, Legislative Liaison, Department of the Air Force, transmitting, a draft of proposed legislation to adjust the tenure of the Judge Advocate General of the Air Force, and for other purposes; to the Committee on Armed Services.

EC-948. A communication from the Deputy Secretary of Defense, transmitting, pursuant to law, a report relative to discrimination and sexual harassment; to the Committee on Armed Services.

EC-949. A communication from the Secretary of Defense, transmitting, pursuant to law, a report relative to cost estimates for C-17 aircraft; to the Committee on Armed Services.

EC-950. A communication from the Secretary of Defense, transmitting, pursuant to law, a report relative to emergency commu-

nications services of the American National Red Cross; to the Committee on Armed Services.

EC-951. A communication from the Assistant Secretary of State, Legislative Affairs, transmitting, pursuant to law, a report relative to the transfer of certain properties to the Republic of Panama; to the Committee on Armed Services.

EC-952. A communication from the General Counsel of the Navy, transmitting, a draft of proposed legislation to authorize the transfer of eight naval vessels to certain foreign countries; to the Committee on Armed Services.

EC-953. A communication from the President of the United States, transmitting, pursuant to law, a document relative to the continuation of a waiver of application of certain sections of the Trade Act of 1974 to the People's Republic of China; to the Committee on Finance.

EC-954. A communication from the President of the United States, transmitting, pursuant to law, a document relative to the continuation of a waiver of application of certain sections of the Trade Act of 1974 to Albania, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan; to the Committee on Finance.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mrs. KASSEBAUM, from the Committee on Labor and Human Resources, with an amendment in the nature of a substitute:

S. 555. A bill to amend the Public Health Service Act to consolidate and reauthorize health professions and minority and disadvantaged health education programs, and for other purposes (Rept. No. 104-93).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. D'AMATO (for himself and Mr. SARBANES):

S. 883. A bill to amend the Federal Credit Union Act to enhance the safety and soundness of federally insured credit unions, to protect the National Credit Union Share Insurance Fund, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. HATCH (for himself and Mr. BENNETT):

S. 884. A bill to designate certain public lands in the State of Utah as wilderness, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. MOYNIHAN (for himself, Mr. SIMPSON, Mr. INOUE, Mr. THOMAS, Mr. GRAHAM, Mr. COCHRAN, Mr. AKAKA, Mr. CHAFEE, and Mr. ROBB):

S. 885. A bill to establish United States commemorative coin programs, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. BAUCUS:

S. 886. A bill to provide for the conveyance of the Radar Bomb Scoring Site, Forsyth, MT; to the Committee on Armed Services.

By Mr. LEVIN (for himself, Mr. NUNN, and Mr. INOUE):

S. 887. A bill to prohibit false statements to Congress, to clarify congressional authority to obtain truthful testimony, and for

other purposes; to the Committee on the Judiciary.

STATEMENTS ON INTRODUCED
BILLS AND JOINT RESOLUTIONS

By Mr. D'AMATO (for himself
and Mr. SARBANES):

S. 883. A bill to amend the Federal Credit Union Act to enhance the safety and soundness of federally insured credit unions, to protect the National Credit Union Share Insurance Fund, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

THE CREDIT UNION REFORM AND ENHANCEMENT
ACT

Mr. D'AMATO. Mr. President, I have always strongly supported credit unions. But I am disturbed by the increasingly risky activities of some of our Nation's largest credit unions. Speculative investments by these large credit unions have already caused millions of dollars of losses—losses that have been passed on to smaller credit unions.

Congress, the National Credit Union Administration [NCUA] and credit unions must work together to preserve the safety and soundness of the credit union industry—an industry primarily consisting of small, healthy credit unions that avoid such speculative investments.

Therefore, with my distinguished ranking minority member—Senator SARBANES—I am introducing today the Credit Union Reform and Enhancement Act. This bill would strengthen the credit union movement by protecting smaller credit unions and the taxpayer-backed National Credit Union Share Insurance Fund ("Share Insurance Fund") from losses caused by high risk activities.

Mr. President, let me explain why I have been—and remain—one of the strongest supporters and defenders of the credit union movement.

Credit unions have a special character. Unlike banks and thrifts, credit unions are cooperative not-for-profit associations in which members, who are the owners, a common bond, deposit funds, and obtain credit.

Credit unions also have a unique mission. Credit unions were created in the early 20th century specifically to provide credit to people of smaller means and to promote thrift among their members and the early credit union philosophy was closely connected with moral and humanitarian goals.

Today, many credit unions remain committed to these lofty goals. For example, the Residents Community Development Credit Union in Binghamton, NY provides vital financial services to the residents of three low-income housing communities. In Manhattan, the Lower East Side People's Federal Credit Union offers savings accounts and safety deposit boxes to the homeless, in addition to providing more traditional financial services to more than 2,000 lower income residents.

Finally, credit unions generally have avoided high risk activities. As a result, the financial health of most credit unions is very good. Capital at the Nation's 12,000 federally insured credit unions is at a record high of 10.4 percent, and the Share Insurance Fund has reached a 1.30 equity level—the maximum possible under the Federal Credit Union Act.

Mr. President, because of my commitment to the credit union movement, I am very disturbed by the increasingly risky activities of a few large credit unions. High risk investments recently caused the largest failure by a credit union in American history—the \$1.5 billion failure of Capital Corporate Federal Credit Union [Cap Corp].

Cap Corp invested almost 70 percent of its total assets—over \$1 billion—in highly interest rate sensitive derivatives, called collateralized mortgage obligations [OMOs]. As interest rates rose during 1994, the market value of these CMO's dropped steeply. When Cap Corp was finally taken over by the NCUA, the market value of its investments had dropped by over \$100 million.

The failure of Cap Corp is particularly disturbing because it was a corporate credit union—a special type of credit union that serves other credit unions, not individuals. Federally insured credit unions invest a significant portion of their assets in large corporate credit unions—over \$24 billion as of December 31, 1994. The failure of a corporate credit union can result in the loss of these funds and the domino-like failure of many smaller credit unions. Due to Cap Corp's failure, for example, over 250 credit unions will lose almost \$25 million.

Mr. President, corporate credit unions were created to provide liquidity and sound investment advice to smaller credit unions. However, some corporate credit unions are increasingly investing taxpayer-backed credit union funds in high risk securities, and the potential losses are mounting. At the Senate Banking Committee's hearings on the Cap Corp failure, for example, we learned that:

Corporate credit unions reported unrealized investment losses in 1994 totaling about \$600 million.

While some of those unrealized losses were quite small, others amounted to between 30 and 40 percent of total capital. One corporate credit union had unrealized losses that were 77 percent of its total capital.

Like Cap Corp, some other corporate credit unions have invested heavily in CMO's that have declined in market value. As of December 31, 1994, 23 corporate credit unions reported aggregate CMO investments with a book value of over \$8 billion. That is equal to about 24 percent of total corporate assets and 333 percent of total corporate capital.

Some of these corporate credit unions have much higher than average

concentrations of CMO's. For example, three corporate credit unions held more than 40 percent of their assets in CMO's and four others held between 20 and 32 percent of their assets in CMO's.

It is also clear from testimony at the Banking Committee's hearings that the NCUA's supervision and regulation of corporate credit unions is seriously deficient. The NCUA should have recognized sooner that a problem existed at Cap Corp and should have taken prompt corrective action. However, the NCUA reviewed Cap Corp's records in September 1994—just 4 months prior to its failure—and did not discover any serious problems. Shockingly, after that review, Cap Corp's rating remained a "1"—the highest rating possible for credit unions.

Mr. President, these developments are very disturbing to Members of Congress, particularly given our recent experience with the savings and loan industry and Orange County. These developments endanger the health of the credit union industry and the taxpayer-backed Share Insurance Fund. These developments jeopardize the privileged status given to credit unions.

To address the concerns raised by these developments, Senator SARBANES and I are introducing the Credit Union Reform and Enhancement Act [CURE]. This bill would grant the NCUA limited powers to protect smaller credit unions, the Share Insurance Fund and, ultimately, our Nation's taxpayers from the increasingly risky investment practices of a few large credit unions.

First, CURE would limit the ability of federally insured, State-chartered credit unions to engage in certain high-risk activities that are not permitted under Federal law. One important lesson of the savings and loan debacle was that federally insured, State-chartered institutions can, with broad and risky powers granted by State legislatures and regulators, present enormous risks to a Federal insurance fund.

Forty-three States currently grant credit unions broader and potentially riskier powers than those granted to federally chartered credit unions. For example, California allows credit unions to invest in Mexican bonds, and Alabama has liberal requirements on credit union investments in real estate, with no set limits on such investments or purchases of real estate for rental income.

CURE would grant the NCUA the authority to limit such powers unless it believes they pose no significant risk to the Share Insurance Fund or unless the power was authorized pursuant to the laws of the chartering State and being utilized by at least one credit union on May 1, 1995. CURE would put in place a tripwire against future high-risk activities. It would allow the NCUA to prevent losses from such activities—instead of reacting to those losses.