

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1403 (Delegate Mosby)  
Economic Matters

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**Financial Institutions - State Banks - Investing in For-Profit Correctional  
Facilities - Prohibited**

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This bill prohibits Maryland-chartered banking institutions and credit unions from providing financing for or investing in the stocks, securities, or other obligations of an institution, a company, or a subsidiary that owns a correctional facility or contracts as a private contractor or vendor for the ownership, operation, or management of a State or local correctional facility.

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**Fiscal Summary**

**State Effect:** The bill does not materially affect State finance or operations.

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Current Law/Background:** State law does not regulate investments in for-profit correctional facilities by Maryland-chartered financial institutions. The State does not currently use any private contractors to operate correctional institutions, nor does State law authorize the use of such contractors.

*State Banking Institutions*

The Office of the Commissioner of Financial Regulation (OCFR) supervises three types of State banking charters: commercial banks, savings banks, and trust companies.

Commercial banks offer a full range of banking services and are organized as stock corporations with certain minimum capital requirements. Savings banks, originally chartered as mutual associations to encourage thrift among individuals and provide residential mortgages, are mutually owned by their depositors. Full-service trust companies offer a full range of banking and trust services while nondepository trust companies offer only trust services.

To charter a new bank or trust, minimum capital of at least \$20 million is required. Banking institutions that accept deposits or retain funds in deposit accounts are subject to a graduated annual assessment of \$8,000 plus \$0.12 for each \$1,000 of the assets of the institution over \$50 million but up to \$250 million; \$0.10 for each \$1,000 of assets over \$250 million but up to \$500 million; \$0.09 for each \$1,000 of assets over \$500 million but up to \$1 billion; \$0.08 for each \$1,000 of assets over \$1 billion but up to \$10 billion; and \$0.07 for each \$1,000 of assets over \$10 billion.

National banks, federal savings banks, and federal thrifts are now all chartered by the federal Office of the Comptroller of the Currency, the counterpart of the State regulator.

A federally chartered financial institution may convert its charter status to a State charter, merge with a State-chartered financial institution, or be acquired by a State-chartered institution by following the application process specified in State law.

### *Credit Unions*

In order to make financial services available to persons not served by banks or savings and loans, State-chartered credit unions were established in Maryland in 1929. Federal law enacted in 1934 provided for the creation of similar institutions to be regulated at the federal level. Credit unions are nonprofit, financial cooperatives composed of members who share a certain field of membership or common bond. Under both federal and State law, credit unions may serve members who all share one common bond; several groups of members in which the members in each individual group share a common bond (“multiple common bond”); or members who share a geographical “community common bond.” For the benefit of their members, credit unions offer checking and savings products and loans that are similar to banks, but at a cost that is generally lower due to their nonprofit and tax exempt status.

OCFR charters, supervises, and examines all State-chartered credit unions. For a new credit union charter, a \$500 application fee is required. Credit unions with assets of \$300,000 or greater are subject to an annual assessment of \$1,000, plus \$0.08 for each \$1,000 of the assets of the institution over \$1 million.

The National Credit Union Administration, an independent federal agency, charters, supervises, and examines all federally chartered credit unions.

**Appendix 1** shows Maryland-chartered banks and credit unions as of early 2020, including their locations and total assets. (There are many other federally chartered banks and credit unions doing business in the State. However, the bill's requirements do not apply to those financial institutions.)

**Small Business Effect:** Any Maryland-chartered banking institutions and credit unions that qualify as small businesses and provide financing or investing related to for-profit correctional facilities are affected by the bill. The number of financial institutions in the State that are engaged in these types of activities cannot be determined; however, the bill has a meaningful effect on any such entities. The bill's restrictions also do not apply to federally chartered banking institutions and credit unions. This may disadvantage any Maryland-chartered financial institutions that are subject to the bill's requirements.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Labor; Department of Public Safety and Correctional Services; Department of Legislative Services

**Fiscal Note History:** First Reader - March 5, 2020  
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Analysis by: Eric F. Pierce

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

**Appendix 1**  
**Maryland-chartered Banks and Credit Unions as of February 2020**  
**(\$ in Thousands)**

<b><u>Name of Bank</u></b>	<b><u>Location</u></b>	<b><u>Total Assets</u></b>
EagleBank	Bethesda	\$8,950,172
Sandy Spring Bank	Olney	8,616,347
Revere Bank (merging with Sandy Spring Bank)	Laurel	2,851,182
Howard Bank	Baltimore	2,374,512
Community Bank of the Chesapeake	Waldorf	1,795,950
Shore United Bank	Easton	1,558,945
First United Bank and Trust	Oakland	1,423,446
CFG Community Bank	Baltimore	1,228,137
Congressional Bank	Potomac	1,111,391
Hebron Savings Bank	Hebron	604,392
Calvin B. Taylor Banking Company	Berlin	545,953
Middletown Valley Bank	Middletown	513,360
Queenstown Bank of Maryland	Queenstown	473,095
Provident State Bank, Inc.	Preston	462,690
Farmers and Merchants Bank	Upperco	443,098
Farmers Bank of Willards	Willards	389,485
Bank of Glen Burnie	Glen Burnie	384,942
Harford Bank	Aberdeen	377,288
1880 Bank	Cambridge	374,480
Bank of Ocean City	Ocean City	362,301
Harbor Bank of Maryland	Baltimore	311,773
BayVanguard Bank	Baltimore	294,198
Woodsboro Bank	Woodsboro	262,655
The Peoples Bank	Chestertown	249,189
Carroll Community Bank	Sykesville	183,964
Cecil Bank	Elkton	179,326
Chesapeake Bank and Trust Co	Chestertown	106,937
Glen Burnie Mutual Savings Bank	Glen Burnie	99,209
North Arundel Savings Bank	Pasadena	43,868
<b><u>Name of Credit Union</u></b>		
State Employees Credit Union of Maryland, Inc. (SECU)	Linthicum	\$3,774,676
Municipal Employees Credit Union of Baltimore (MECU)	Baltimore	1,197,660
Point Breeze Credit Union	Hunt Valley	773,854
HAR-CO Credit Union	Bel Air	189,256
Destinations Credit Union	Parkville	58,724
Central Credit Union of Maryland	Towson	38,496
Post Office Credit Union of MD, Inc.	Baltimore	30,941

Source: Office of the Commissioner of Financial Regulation