

HOUSE BILL 524

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II
HB 952/99 - CGM

2000 Regular Session
0lr1407

By: **Delegates Bobo, Pitkin, R. Baker, Benson, Bronrott, Clagett, DeCarlo, Dypski, Grosfeld, A. Jones, V. Jones, Kagan, Kopp, Mandel, Marriott, Menes, Moe, Montague, Paige, Pendergrass, Riley, Rosso, Swain, and Valderrama**

Introduced and read first time: February 7, 2000
Assigned to: Commerce and Government Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Banking Institutions - Basic Banking Accounts and Basic Share Draft**
3 **Accounts**

4 FOR the purpose of requiring certain banking institutions to make low cost banking
5 services available to consumers by offering a basic banking account or a basic
6 share draft account; establishing the rules, terms, conditions, and fees of the
7 accounts; providing that an account holder who violates a certain condition is
8 subject to a certain fine; authorizing a banking institution to require certain
9 information from account holders; authorizing a banking institution to require
10 account holders to comply with certain rules; requiring a banking institution to
11 make certain disclosures to an account holder; requiring a banking institution to
12 obtain the signature of an account holder acknowledging receipt of certain
13 disclosures; authorizing a banking institution to request approval of the
14 Commissioner of Financial Regulation to offer an alternative account in lieu of
15 offering a basic banking account or basic share draft account under certain
16 conditions; requiring a banking institution requesting approval to offer an
17 alternative account to submit certain information to the Commissioner of
18 Financial Regulation; requiring the Commissioner of Financial Regulation to
19 consider certain issues when deciding to approve or deny an application to offer
20 an alternative account; defining certain terms; and generally relating to the
21 establishment and operation of basic banking accounts and basic share draft
22 accounts by certain banking institutions.

23 BY adding to
24 Article - Financial Institutions
25 Section 12-901 through 12-906, inclusive, to be under the new subtitle "Subtitle
26 9. Basic Banking Accounts"
27 Annotated Code of Maryland
28 (1998 Replacement Volume and 1999 Supplement)

29 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
30 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Financial Institutions**

2 SUBTITLE 9. BASIC BANKING ACCOUNTS.

3 12-901.

4 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
5 INDICATED.6 (B) "ACCOUNT HOLDER" MEANS AN INDIVIDUAL WHO HOLDS A BASIC
7 BANKING ACCOUNT OR BASIC SHARE DRAFT ACCOUNT.

8 (C) "BANKING INSTITUTION" MEANS:

9 (1) A FOREIGN BANK;

10 (2) AN OUT-OF-STATE BANK;

11 (3) A CREDIT UNION FORMED UNDER TITLE 6 OF THIS ARTICLE;

12 (4) A SAVINGS AND LOAN ASSOCIATION FORMED UNDER TITLE 9 OF THIS
13 ARTICLE;

14 (5) A COMMERCIAL BANK FORMED UNDER TITLE 3 OF THIS ARTICLE; OR

15 (6) A SAVINGS BANK FORMED UNDER TITLE 4 OF THIS ARTICLE.

16 (D) "CONSUMER TRANSACTION ACCOUNT" MEANS:

17 (1) A DEMAND DEPOSIT ACCOUNT;

18 (2) A NEGOTIABLE ORDER OF WITHDRAWAL ACCOUNT;

19 (3) A SHARE DRAFT ACCOUNT; OR

20 (4) AN ACCOUNT USED PRIMARILY FOR PERSONAL, FAMILY, OR
21 HOUSEHOLD PURPOSES.22 (E) "PERIODIC CYCLE" MEANS THE PERIOD COVERED BY THE BANKING
23 INSTITUTION'S REGULAR CONSUMER TRANSACTION ACCOUNT STATEMENT.24 (F) "WITHDRAWAL TRANSACTION" MEANS A WITHDRAWAL FROM A
25 CONSUMER TRANSACTION ACCOUNT BY MEANS OF:

26 (1) A WITHDRAWAL SLIP;

27 (2) A CHECK;

28 (3) A NEGOTIABLE ORDER OR DRAFT; OR

29 (4) AN AUTOMATED TELLER MACHINE.

1 12-902.

2 THIS SUBTITLE APPLIES ONLY TO A BANKING INSTITUTION THAT OFFERS A
3 CONSUMER TRANSACTION ACCOUNT TO THE GENERAL PUBLIC, OR IN THE CASE OF A
4 CREDIT UNION, TO ITS MEMBERS.

5 12-903.

6 (A) A BANKING INSTITUTION SHALL OFFER A BASIC BANKING ACCOUNT OR,
7 IN THE CASE OF A CREDIT UNION, A BASIC SHARE DRAFT ACCOUNT THAT IS SUBJECT
8 TO THE FOLLOWING RULES, CONDITIONS, AND TERMS:

9 (1) THE BANKING INSTITUTION MAY NOT REQUIRE AN INITIAL DEPOSIT
10 AMOUNT THAT EXCEEDS \$25 TO OPEN THE ACCOUNT;

11 (2) THE BANKING INSTITUTION MAY NOT REQUIRE A MINIMUM
12 AVERAGE BALANCE TO MAINTAIN THE ACCOUNT;

13 (3) THE PERIODIC CYCLE OF THE ACCOUNT IS FROM 28 TO 31 DAYS;

14 (4) THE BANKING INSTITUTION MAY NOT CHARGE MORE THAN \$3 PER
15 PERIODIC CYCLE TO MAINTAIN THE ACCOUNT;

16 (5) AN ACCOUNT HOLDER MAY PERFORM A MINIMUM OF EIGHT
17 WITHDRAWAL TRANSACTIONS DURING A PERIODIC CYCLE WITHOUT INCURRING AN
18 ADDITIONAL CHARGE FOR WITHDRAWAL TRANSACTIONS;

19 (6) EXCEPT AS PROVIDED IN ITEM (7) OF THIS SUBSECTION, AN
20 ACCOUNT HOLDER MAY MAKE UNLIMITED DEPOSITS TO THE ACCOUNT WITHOUT
21 INCURRING AN ADDITIONAL CHARGE;

22 (7) THE BANKING INSTITUTION MAY CHARGE AN ACCOUNT HOLDER
23 FOR TRANSACTIONS AT AUTOMATED TELLER MACHINES NOT OPERATED BY THE
24 BANKING INSTITUTION AND OTHER FEES AND CHARGES FOR BANKING SERVICES
25 NOT SPECIFICALLY PROVIDED FOR BY THIS SUBTITLE, PROVIDED THAT THE FEES
26 AND CHARGES IMPOSED BY THE BANKING INSTITUTION DO NOT EXCEED THE
27 AMOUNTS CHARGED BY THE BANKING INSTITUTION TO THE HOLDERS OF OTHER
28 CONSUMER TRANSACTION ACCOUNTS IN THE BANKING INSTITUTION FOR SIMILAR
29 TRANSACTIONS; AND

30 (8) EVERY STATEMENT ISSUED TO AN ACCOUNT HOLDER AT THE END
31 OF A PERIODIC CYCLE SHALL INCLUDE A CONSPICUOUS NOTICE STATING:

32 (I) THE MAXIMUM NUMBER OF WITHDRAWAL TRANSACTIONS AN
33 ACCOUNT HOLDER MAY PERFORM DURING A PERIODIC CYCLE WITHOUT INCURRING
34 AN ADDITIONAL CHARGE FOR WITHDRAWAL TRANSACTIONS;

35 (II) THE CONSEQUENCES OF AND ANY FEE CHARGED FOR
36 EXCEEDING THE MAXIMUM STATED UNDER ITEM (I) OF THIS PARAGRAPH;

1 (III) THAT A WITHDRAWAL TRANSACTION IS CONSIDERED
2 PERFORMED WHEN IT IS RECORDED ON THE BOOKS OF THE ACCOUNT HOLDER'S
3 BANKING INSTITUTION; AND

4 (IV) THE FEE CHARGED, IF ANY, FOR A TRANSACTION PERFORMED
5 BY AN ACCOUNT HOLDER AT AN AUTOMATED TELLER MACHINE NOT OPERATED BY
6 THE BANKING INSTITUTION.

7 (B) THE BASIC BANKING ACCOUNT OR BASIC SHARE DRAFT ACCOUNT IS
8 SUBJECT TO THE RULES, CONDITIONS, AND TERMS OF OTHER CONSUMER
9 TRANSACTION ACCOUNTS OFFERED BY THE BANKING INSTITUTION EXCEPT AS
10 PROVIDED IN THIS SUBTITLE.

11 (C) FOR THE PURPOSES OF SUBSECTION (A)(5) OF THIS SECTION, A
12 WITHDRAWAL TRANSACTION IS CONSIDERED PERFORMED WHEN IT IS RECORDED
13 ON THE BOOKS OF THE ACCOUNT HOLDER'S BANKING INSTITUTION.

14 12-904.

15 (A) AS A CONDITION FOR OPENING OR MAINTAINING A BASIC BANKING
16 ACCOUNT OR A BASIC SHARE DRAFT ACCOUNT, A BANKING INSTITUTION MAY
17 REQUIRE AN APPLICANT FOR AN ACCOUNT OR AN ACCOUNT HOLDER:

18 (1) TO BE A RESIDENT OF THE STATE;

19 (2) TO PROVIDE THE SAME INFORMATION REQUIRED OF APPLICANTS
20 FOR OR HOLDERS OF OTHER CONSUMER TRANSACTION ACCOUNTS AT THE BANKING
21 INSTITUTION; AND

22 (3) TO ARRANGE FOR DIRECT DEPOSIT TO THE BANKING INSTITUTION,
23 IF DIRECT DEPOSIT IS AVAILABLE TO THE APPLICANT OR ACCOUNT HOLDER, OF
24 RECURRING PAYMENTS, INCLUDING:

25 (I) SOCIAL SECURITY PAYMENTS;

26 (II) WAGES OR SALARY;

27 (III) PENSION PAYMENTS; OR

28 (IV) OTHER RECURRING PAYMENTS THE BANKING INSTITUTION
29 CONSIDERS APPROPRIATE.

30 (B) (1) AS A CONDITION FOR OPENING OR MAINTAINING A BASIC BANKING
31 ACCOUNT OR A BASIC SHARE DRAFT ACCOUNT, A BANKING INSTITUTION SHALL
32 REQUIRE AN APPLICANT FOR AN ACCOUNT OR AN ACCOUNT HOLDER TO AGREE TO
33 NOT MAINTAIN ANOTHER CONSUMER TRANSACTION ACCOUNT EXCEPT AS
34 PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION.

35 (2) AN ACCOUNT HOLDER MAY:

1 (I) MAINTAIN AN ACCOUNT IDENTIFIED AS A BURIAL FUND
2 ACCOUNT; AND

3 (II) HOLD ANOTHER CONSUMER TRANSACTION ACCOUNT FOR UP
4 TO 60 DAYS AFTER THE DATE A BASIC BANKING ACCOUNT OR BASIC SHARE DRAFT
5 ACCOUNT IS OPENED.

6 (3) THE AGREEMENT REQUIRED UNDER PARAGRAPH (1) OF THIS
7 SUBSECTION SHALL BE IN WRITING AND SIGNED BY THE APPLICANT OR ACCOUNT
8 HOLDER.

9 (4) AN ACCOUNT HOLDER WHO VIOLATES THE AGREEMENT REQUIRED
10 UNDER PARAGRAPH (1) OF THIS SUBSECTION IS SUBJECT TO A FINE NOT EXCEEDING
11 \$500.

12 12-905.

13 (A) BEFORE OPENING A BASIC BANKING ACCOUNT OR BASIC SHARE DRAFT
14 ACCOUNT, A BANKING INSTITUTION SHALL PROVIDE THE ACCOUNT HOLDER WITH:

15 (1) A WRITTEN DISCLOSURE THAT STATES:

16 (I) THE INITIAL DEPOSIT AMOUNT REQUIRED TO OPEN THE
17 ACCOUNT;

18 (II) THAT THERE IS NO MINIMUM BALANCE REQUIRED TO
19 MAINTAIN THE ACCOUNT;

20 (III) THE LENGTH OF THE PERIODIC CYCLE;

21 (IV) THE CHARGE PER PERIODIC CYCLE FOR MAINTAINING THE
22 ACCOUNT;

23 (V) THE MAXIMUM NUMBER OF WITHDRAWAL TRANSACTIONS AN
24 ACCOUNT HOLDER MAY PERFORM DURING A PERIODIC CYCLE WITHOUT INCURRING
25 AN ADDITIONAL CHARGE FOR WITHDRAWAL TRANSACTIONS;

26 (VI) THAT A WITHDRAWAL TRANSACTION IS CONSIDERED
27 PERFORMED WHEN IT IS RECORDED ON THE BOOKS OF THE ACCOUNT HOLDER'S
28 BANKING INSTITUTION, AND NOT NECESSARILY THE DATE THE ACCOUNT HOLDER
29 PERFORMED THE TRANSACTION;

30 (VII) THAT THE ACCOUNT HOLDER MAY MAKE AN UNLIMITED
31 NUMBER OF DEPOSITS WITHOUT INCURRING AN ADDITIONAL CHARGE;

32 (VIII) THE FEE CHARGED, IF ANY, FOR A TRANSACTION PERFORMED
33 BY AN ACCOUNT HOLDER AT AN AUTOMATED TELLER MACHINE NOT OPERATED BY
34 THE BANKING INSTITUTION;

1 (IX) OTHER FEES AND CHARGES THAT MAY BE IMPOSED ON THE
2 ACCOUNT HOLDER INCLUDING CHARGES FOR DISHONORED ITEMS, CERTIFICATION
3 OF CHECKS, AND PRINTING OF CHECKS; AND

4 (X) OTHER DISCLOSURES CUSTOMARILY MADE IN CONNECTION
5 WITH THE OPENING OF OTHER CONSUMER TRANSACTION ACCOUNTS BY THE
6 BANKING INSTITUTION; AND

7 (2) ON A SEPARATE SHEET OF PAPER, A COPY OF THE FOLLOWING
8 NOTICE AND ACKNOWLEDGMENT TO BE SIGNED BY THE ACCOUNT HOLDER:

9 "NOTICE AND ACKNOWLEDGMENT

10 I UNDERSTAND THAT I MAY MAKE ONLY ____ (NUMBER) WITHDRAWALS
11 DURING EACH PERIODIC CYCLE OF ____ (NUMBER) DAYS WITHOUT INCURRING
12 ADDITIONAL SERVICE CHARGES AND THAT OTHER FEES SUCH AS "BOUNCED CHECK"
13 FEES, "STOP PAYMENT" FEES, OR FEES FOR USING ELECTRONIC FACILITIES NOT
14 OPERATED BY MY BANKING INSTITUTION MAY ALSO BE CHARGED TO MY ACCOUNT,
15 AS APPLICABLE."

16 (B) A COPY OF THE SIGNED NOTICE AND ACKNOWLEDGMENT REQUIRED
17 UNDER SUBSECTION (A)(2) OF THIS SECTION SHALL BE:

18 (1) GIVEN TO THE ACCOUNT HOLDER; AND

19 (2) MAINTAINED BY THE BANKING INSTITUTION FOR A MINIMUM OF 3
20 YEARS.

21 12-906.

22 (A) IF A BANKING INSTITUTION DETERMINES THAT THE CHARGES IT IS
23 AUTHORIZED TO IMPOSE ON THE HOLDER OF A BASIC BANKING ACCOUNT OR A
24 BASIC SHARE DRAFT ACCOUNT ARE LESS THAN THE ACTUAL COST TO THE BANKING
25 INSTITUTION OF PROVIDING A BASIC BANKING ACCOUNT OR BASIC SHARE DRAFT
26 ACCOUNT, THE BANKING INSTITUTION MAY SUBMIT AN APPLICATION TO THE
27 COMMISSIONER FOR APPROVAL TO OFFER AN ALTERNATIVE ACCOUNT.

28 (B) AN APPLICATION FOR APPROVAL OF AN ALTERNATIVE ACCOUNT SHALL
29 INCLUDE A COMPLETE DESCRIPTION OF THE ALTERNATIVE ACCOUNT, INCLUDING,
30 AS APPLICABLE, AT LEAST THE FOLLOWING INFORMATION:

31 (1) THE INITIAL DEPOSIT AMOUNT NECESSARY TO OPEN THE ACCOUNT;

32 (2) THE MINIMUM BALANCE REQUIRED TO MAINTAIN THE ACCOUNT;

33 (3) THE AVERAGE DAILY BALANCE REQUIRED TO MAINTAIN THE
34 ACCOUNT;

35 (4) THE LENGTH OF THE PERIODIC CYCLE TO WHICH THE ACCOUNT IS
36 SUBJECT;

1 (5) THE CHARGE PER PERIODIC CYCLE TO MAINTAIN THE ACCOUNT;

2 (6) THE NUMBER OF WITHDRAWAL TRANSACTIONS THE HOLDER OF THE
3 ACCOUNT MAY MAKE DURING A PERIODIC CYCLE WITHOUT INCURRING AN
4 ADDITIONAL CHARGE;

5 (7) THE PER TRANSACTION CHARGE PER PERIODIC CYCLE FOR
6 WITHDRAWAL TRANSACTIONS IN EXCESS OF THE NUMBER SET IN ITEM (6) OF THIS
7 SUBSECTION;

8 (8) ANY OTHER FEES WHICH MAY BE CHARGED TO THE HOLDER OF THE
9 ACCOUNT;

10 (9) ANY OTHER INFORMATION AND DOCUMENTATION REQUIRED BY
11 THE COMMISSIONER;

12 (10) DATA ON THE ACTUAL COST TO THE BANKING INSTITUTION OF
13 PROVIDING THE BASIC BANKING ACCOUNT OR BASIC SHARE DRAFT ACCOUNT; AND

14 (11) A DESCRIPTION OF THE METHODOLOGY USED BY THE BANKING
15 INSTITUTION TO OBTAIN THE DATA REQUIRED UNDER ITEM (10) OF THIS
16 SUBSECTION.

17 (C) IN REVIEWING AN APPLICATION FOR APPROVAL OF AN ALTERNATIVE
18 ACCOUNT, THE COMMISSIONER SHALL CONSIDER:

19 (1) WHETHER THE ACTUAL COST TO THE BANKING INSTITUTION OF
20 PROVIDING A BASIC BANKING ACCOUNT OR BASIC SHARE DRAFT ACCOUNT IS
21 CUSTOMARY AND REASONABLE GIVEN THE SIZE AND LOCATION OF THE BANKING
22 INSTITUTION; AND

23 (2) WHETHER THE METHODOLOGY USED TO DETERMINE THE ACTUAL
24 COST TO THE BANKING INSTITUTION IS INDEPENDENTLY VERIFIABLE.

25 (D) IN DETERMINING WHETHER TO APPROVE AN ALTERNATIVE ACCOUNT,
26 THE COMMISSIONER SHALL CONSIDER:

27 (1) WHETHER THE RULES, CONDITIONS, AND TERMS OF THE ACCOUNT
28 PROVIDE LEVELS OF SERVICE AND REQUIRE CHARGES TO THE HOLDER THAT ARE AT
29 LEAST AS ADVANTAGEOUS AS THE RULES, CONDITIONS, AND TERMS OF A BASIC
30 BANKING ACCOUNT OR BASIC SHARE DRAFT ACCOUNT; AND

31 (2) WHETHER THE ACCOUNT WILL MAKE LOW COST BANKING SERVICES
32 AVAILABLE TO THE CONSUMER.

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
34 October 1, 2000.