

# HOUSE BILL 1489

L6, I1, P1

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CF SB 975

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By: **Delegates Hornberger, Buckel, Feldmark, Kittleman, Palakovich Carr, Qi, and Shoemaker**

Introduced and read first time: February 7, 2020

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Governmental Entities – Authorization to Bank With Credit Unions**

3 FOR the purpose of authorizing certain governmental entities or their authorized agents  
4 to deposit certain money in a credit union under certain circumstances; authorizing  
5 a credit union to act as a fiscal agent for and receive deposits from certain  
6 governmental entities; authorizing a financial institution to use as a certain  
7 custodian certain credit unions; requiring a credit union that is a depository for State  
8 money to submit to a certain regulator a certain report; making conforming changes;  
9 altering certain definitions; and generally relating to governmental entities and  
10 credit unions.

11 BY repealing and reenacting, with amendments,  
12 Article – Financial Institutions  
13 Section 6–312  
14 Annotated Code of Maryland  
15 (2011 Replacement Volume and 2019 Supplement)

16 BY repealing and reenacting, with amendments,  
17 Article – Local Government  
18 Section 17–101  
19 Annotated Code of Maryland  
20 (2013 Volume and 2019 Supplement)

21 BY repealing and reenacting, with amendments,  
22 Article – State Finance and Procurement  
23 Section 6–201, 6–209, and 6–210  
24 Annotated Code of Maryland  
25 (2015 Replacement Volume and 2019 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 That the Laws of Maryland read as follows:

2 **Article – Financial Institutions**

3 6–312.

4 In addition to the powers set forth elsewhere in this title, a credit union may:

5 (1) Receive the shares and deposits of its members;

6 (2) **ACT AS A FISCAL AGENT FOR AND RECEIVE DEPOSITS FROM THE**  
7 **FEDERAL GOVERNMENT, THE STATE, OR ANY AGENCY OR POLITICAL SUBDIVISION**  
8 **OF THE FEDERAL GOVERNMENT OR THE STATE;**

9 (3) Lend money to its members;

10 ~~[(3)]~~ (4) Invest funds as provided in this title; and

11 ~~[(4)]~~ (5) Undertake other activities that:

12 (i) Are consistent with this title;

13 (ii) Relate to its purposes; and

14 (iii) Are authorized by its bylaws.

15 **Article – Local Government**

16 17–101.

17 (a) In this section, “State financial institution” means an institution that:

18 (1) has a branch in the State that takes deposits; and

19 (2) is:

20 (i) a bank incorporated under the laws of any state or the United  
21 States;

22 (ii) a trust company or savings bank incorporated under the laws of  
23 the State; **[or]**

24 (iii) a savings and loan association incorporated under the laws of the  
25 State or the United States; **OR**

26 **(IV) A CREDIT UNION INCORPORATED UNDER THE LAWS OF ANY**

1 **STATE OR THE UNITED STATES.**

2 (b) This section applies to the following governmental entities:

3 (1) the governing body of each county;

4 (2) the governing body of each municipality;

5 (3) each county board of education, including the Baltimore City Board of  
6 School Commissioners;

7 (4) each road, drainage, improvement, construction, or soil conservation  
8 district or commission;

9 (5) the Upper Potomac River Commission; and

10 (6) any other political subdivision or body politic and corporate of the State.

11 (c) Subject to Subtitle 2 of this title and notwithstanding any provision of local  
12 law or ordinance, a governmental entity or its authorized agent:

13 (1) in accordance with § 6–222 of the State Finance and Procurement  
14 Article may:

15 (i) invest and reinvest in obligations or repurchase agreements all  
16 unexpended money in any fund or account of which the governmental entity or its  
17 authorized agent has custody or control; and

18 (ii) sell, redeem, or exchange an investment or reinvestment made  
19 under this item; or

20 (2) may deposit unexpended money in:

21 (i) an interest-bearing time deposit account or savings account at a  
22 federally insured bank, **FEDERALLY INSURED CREDIT UNION**, or federally insured  
23 savings and loan association in the State; or

24 (ii) the Local Government Investment Pool established under §  
25 17–302 of this title.

26 (d) Except as provided in subsections (e) and (f) of this section, a governmental  
27 entity or its authorized agent may deposit unexpended money in a federally insured bank,  
28 **FEDERALLY INSURED CREDIT UNION**, or federally insured savings and loan association  
29 under subsection (b)(2)(i) of this section only if the bank or savings and loan association  
30 gives as security for the deposit collateral of a type specified in § 6–202 of the State Finance  
31 and Procurement Article.

1 (e) A governmental entity or its authorized agent may deposit unexpended money  
2 in a federally insured bank, **FEDERALLY INSURED CREDIT UNION**, or federally insured  
3 savings and loan association without the security required under subsection (d) of this  
4 section if:

5 (1) the money is initially deposited in a State financial institution chosen  
6 by the depositor;

7 (2) the State financial institution arranges for the further deposit of the  
8 money into one or more certificates of deposit in an amount not exceeding the applicable  
9 Federal Deposit Insurance Corporation **OR NATIONAL CREDIT UNION SHARE**  
10 **INSURANCE FUND** maximum insurance coverage limit, issued by one or more federally  
11 insured banks, **FEDERALLY INSURED CREDIT UNIONS**, or federally insured savings and  
12 loan associations for the account of the depositor;

13 (3) when the money is deposited and the certificates of deposit are issued,  
14 the State financial institution receives deposits from customers **OR MEMBERS** of other  
15 banks, **CREDIT UNIONS**, or savings and loan associations in an amount at least equal to  
16 the amount of money initially deposited by the depositor;

17 (4) each certificate of deposit issued for the depositor's account is insured  
18 by the Federal Deposit Insurance Corporation **OR NATIONAL CREDIT UNION SHARE**  
19 **INSURANCE FUND** for 100% of the principal of and accrued interest on the certificate of  
20 deposit; and

21 (5) the State financial institution acts as custodian for the depositor with  
22 respect to the certificates of deposit issued for the depositor's account.

23 (f) A governmental entity or its authorized agent may deposit unexpended money  
24 in a federally insured bank, **FEDERALLY INSURED CREDIT UNION**, or federally insured  
25 savings and loan association without the security required under subsection (d) of this  
26 section if:

27 (1) the money is initially placed for deposit with a State financial  
28 institution chosen by the depositor to arrange for the redeposit of the money through a  
29 deposit placement program that meets the requirements under this subsection;

30 (2) on or after the date that the money of the governmental entity is  
31 received, the State financial institution:

32 (i) arranges for the redeposit of the money into one or more deposit  
33 accounts, each in an amount of not more than the applicable Federal Deposit Insurance  
34 Corporation **OR NATIONAL CREDIT UNION SHARE INSURANCE FUND** maximum  
35 insurance coverage limit, in one or more federally insured banks or federally insured  
36 savings and loan associations for the account of the depositor; and

1 (ii) acts as custodian for the depositor with respect to the money  
2 deposited into the accounts;

3 (3) any money of a governmental entity deposited into a State financial  
4 institution in accordance with this subsection and held by that State financial institution  
5 at the close of a business day that is in excess of the amount insured by the Federal Deposit  
6 Insurance Corporation is secured in accordance with this title;

7 (4) the full amount of the money of the governmental entity redeposited by  
8 the State financial institution into deposit accounts in federally insured banks,  
9 **FEDERALLY INSURED CREDIT UNIONS**, or federally insured savings and loan  
10 associations under this subsection is insured by the Federal Deposit Insurance Corporation  
11 **OR NATIONAL CREDIT UNION SHARE INSURANCE FUND**; and

12 (5) on the same date that the money of the governmental entity is  
13 redeposited under this subsection, the State financial institution receives an amount of  
14 deposits from customers **OR MEMBERS** of other banks, **CREDIT UNIONS**, or savings and  
15 loans in accordance with the deposit placement program that is at least equal to the amount  
16 of the money of the governmental entity redeposited by the State financial institution.

17 (g) (1) The interest or income from an investment or deposit made under this  
18 section:

19 (i) shall be credited to the fund from which the investment or  
20 deposit was made; and

21 (ii) may be invested or deposited as provided in this section.

22 (2) Notwithstanding paragraph (1) of this subsection, if the money invested  
23 or deposited under this section is from a fund that contains the proceeds of the issuance of  
24 bonds or other obligations, the issuer may use the interest or income from the investment  
25 or deposit to repay the principal of or interest on the bonds or other obligations.

26 (h) A governmental entity or its authorized agent may withdraw or alter an  
27 investment or deposit made under this section:

28 (1) to meet the requirements for which the money is held; or

29 (2) for reinvestment in accordance with this section.

### 30 **Article – State Finance and Procurement**

31 6–201.

32 (a) In this subtitle the following words have the meanings indicated.

33 (b) “Banking institution” means an institution that is incorporated under the

1 laws of the State as a State bank, **CREDIT UNION**, trust company, or savings bank.

2 (c) “Collateral” means collateral that is listed under § 6–202 of this subtitle.

3 (d) “Deposit insurance” means insurance by:

4 (1) the Federal Deposit Insurance Corporation; [or]

5 (2) **THE NATIONAL CREDIT UNION SHARE INSURANCE FUND; OR**

6 **(3)** the Resolution Trust Corporation created under § 21A of the Federal  
7 Home Loan Bank Act (12 U.S.C. § 1441a.).

8 (e) “Financial institution” means:

9 (1) any [banking] institution **THAT IS INCORPORATED UNDER THE**  
10 **LAWS OF THIS STATE AS A BANK OR CREDIT UNION;**

11 (2) any national banking association;

12 (3) an institution that is incorporated under the laws of any other state as  
13 a bank **OR CREDIT UNION;** and

14 (4) an institution that is incorporated under the laws of this State or of the  
15 United States as a savings and loan association.

16 (f) “National banking association” means an institution that is incorporated  
17 under federal law as a bank.

18 (g) “State money” for purposes of §§ 6–209 and 6–210 of this subtitle includes  
19 money in a bank account maintained under the control of an employee or official of the clerk  
20 of the court or register of wills.

21 6–209.

22 (a) State money on deposit with a financial institution shall be secured by:

23 (1) deposit insurance; or

24 (2) collateral as required by this section.

25 (b) (1) The collateral for State money on deposit with a financial institution:

26 (i) must have, at all times, a market value that equals or exceeds  
27 the State money that is on deposit with the financial institution and is not covered by  
28 deposit insurance; and

1 (ii) must be approved by the Treasurer.

2 (2) If the collateral is a surety bond under § 6–202 of this subtitle:

3 (i) the surety bond shall be in a form and amount acceptable to the  
4 Treasurer as determined by the Treasurer from time to time; and

5 (ii) the financial institution that provides the surety bond as  
6 collateral shall immediately notify the Treasurer if the rating assigned to the issuing  
7 insurance company by any rating agency, found acceptable to the Treasurer under § 6–202  
8 of this subtitle, is withdrawn or downgraded, in which event the financial institution shall  
9 immediately provide the Treasurer with substitute collateral permitted under § 6–202 of  
10 this subtitle.

11 (3) Subject to the requirements of this subsection, a financial institution  
12 may change its collateral from time to time.

13 (c) (1) A custodian shall hold the collateral under this section for the benefit  
14 of the State.

15 (2) A financial institution may use as a custodian:

16 (i) any banking institution that is approved by the Commissioner of  
17 Financial Regulation to conduct commercial banking business in the State;

18 (ii) a federal reserve bank; [or]

19 (iii) any national banking association that is approved by the  
20 Comptroller of the Currency to conduct banking business in the State; **OR**

21 **(IV) ANY CREDIT UNION THAT IS APPROVED TO CONDUCT**  
22 **BUSINESS IN THE STATE.**

23 (3) A financial institution may not be approved as custodian for the  
24 collateral of a depository unless the assets of the financial institution equal or exceed 200%  
25 of the value of the collateral to be held for the depository.

26 6–210.

27 (a) (1) On request of the Treasurer, a depository for State money shall submit  
28 to the Treasurer or a designee of the Treasurer a report that states:

29 (i) the total amount of State money on deposit with the depository;

30 (ii) the total amount of collateral and deposit insurance for the  
31 money; and

1 (iii) the market value of the collateral for the money.

2 (2) Each national banking association that is a depository for State money  
3 shall submit to the Comptroller of the Currency each report for which the Comptroller asks.

4 (3) Each banking institution that is a depository for State money shall  
5 submit to the Commissioner of Financial Regulation each report for which the  
6 Commissioner asks.

7 (4) Each other bank **OR CREDIT UNION** that is a depository for State  
8 money shall submit to the [banking authority] **PRIMARY REGULATOR** for the state where  
9 the bank **OR CREDIT UNION** has its principal office each report for which the [banking  
10 authority] **PRIMARY REGULATOR** of that state asks.

11 (b) On request of the Treasurer a custodian shall submit to the Treasurer or a  
12 designee of the Treasurer a report that states the total amount of collateral that a  
13 depository has with the custodian.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
15 October 1, 2020.