

106TH CONGRESS
2D SESSION

H. R. 4427

To amend the Federal Reserve Act to require the payment of interest on reserves maintained at Federal reserve banks by insured depository institutions that make affordable transaction accounts available to their customers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 2000

Mr. LAFALCE (for himself, Ms. WATERS, Mrs. MALONEY of New York, Mr. GUTIERREZ, Mr. MEEKS of New York, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To amend the Federal Reserve Act to require the payment of interest on reserves maintained at Federal reserve banks by insured depository institutions that make affordable transaction accounts available to their customers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Banking Equal Treat-
5 ment Act of 2000”.

1 **SEC. 2. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**
2 **RESERVE BANKS.**

3 (a) IN GENERAL.—Section 19(b) of the Federal Re-
4 serve Act (12 U.S.C. 461(b)) is amended by adding at
5 the end the following new paragraph:

6 “(12) EARNINGS ON RESERVES.—

7 “(A) IN GENERAL.—Balances maintained
8 at a Federal reserve bank by or on behalf of a
9 qualified depository institution may receive
10 earnings to be paid by the Federal reserve bank
11 at least once each calendar quarter at a rate or
12 rates not to exceed the general level of short-
13 term interest rates.

14 “(B) REGULATIONS RELATING TO PAY-
15 MENTS AND DISTRIBUTION.—The Board may
16 prescribe regulations concerning—

17 “(i) the payment of earnings in ac-
18 cordance with this paragraph;

19 “(ii) the distribution of such earnings
20 to the depository institutions which main-
21 tain balances at such banks or on whose
22 behalf such balances are maintained; and

23 “(iii) the responsibilities of depository
24 institutions, Federal home loan banks, and
25 the National Credit Union Administration
26 Central Liquidity Facility with respect to

1 the crediting and distribution of earnings
2 attributable to balances maintained, in ac-
3 cordance with subsection (c)(1)(B), in a
4 Federal reserve bank by any such entity on
5 behalf of depository institutions.

6 “(C) QUALIFIED DEPOSITORY INSTITUTION
7 DEFINED.—The term ‘qualified depository insti-
8 tution’ means—

9 “(i) any depository institution that—

10 “(I) is an insured depository in-
11 stitution (as defined in section 3(e) of
12 the Federal Deposit Insurance Act) or
13 an insured credit union (as defined in
14 section 101(7) of the Federal Credit
15 Union Act); and

16 “(II) meets the requirements for
17 affordable transaction accounts in sec-
18 tion 4 of the Banking Equal Treat-
19 ment Act of 2000; and

20 “(ii) any depository institution that is
21 neither an insured depository institution
22 (as so defined) or an insured credit union
23 (as so defined).”.

24 (b) AUTHORIZATION FOR PASS THROUGH RESERVES
25 FOR MEMBER BANKS.—Section 19(c)(1)(B) of the Fed-

1 eral Reserve Act (12 U.S.C. 461(c)(1)(B)) is amended by
2 striking “which is not a member bank”.

3 (c) TECHNICAL AND CONFORMING AMENDMENTS.—
4 Section 19 of the Federal Reserve Act (12 U.S.C. 461)
5 is amended—

6 (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)),
7 by striking subparagraph (C) and redesignating sub-
8 paragraphs (D) and (E) as subparagraphs (C) and
9 (D), respectively; and

10 (2) in subsection (c)(1)(A) (12 U.S.C.
11 461(c)(1)(A)), by striking “subsection (b)(4)(C)”
12 and inserting “subsection (b)”.

13 **SEC. 3. TRANSFER OF FEDERAL RESERVE SURPLUSES.**

14 Section 7(b) of the Federal Reserve Act (12 U.S.C.
15 290) is amended by adding at the end the following new
16 paragraph:

17 “(4) ADDITIONAL TRANSFERS FOR FISCAL
18 YEARS 2001 THROUGH 2005.—

19 “(A) IN GENERAL.—In addition to the
20 amounts required to be transferred from the
21 surplus funds of the Federal reserve banks pur-
22 suant to paragraph (1), the Federal reserve
23 banks shall transfer from such surplus funds to
24 the Board of Governors of the Federal Reserve
25 System for transfer to the Secretary of the

1 Treasury for deposit in the general fund of the
2 Treasury, such sums as are necessary to equal
3 the net cost of section 19(b)(12), as estimated
4 by the Office of Management and Budget in
5 each of the fiscal years 2001 through 2005.

6 “(B) ALLOCATION BY FEDERAL RESERVE
7 BOARD.—Of the total amount required to be
8 paid by the Federal reserve banks under sub-
9 paragraph (A) for fiscal years 2001 through
10 2005, the Board of Governors of the Federal
11 Reserve System shall determine the amount
12 each such bank shall pay in such fiscal year.

13 “(C) REPLENISHMENT OF SURPLUS FUND
14 PROHIBITED.—No Federal reserve bank may
15 replenish such bank’s surplus fund by the
16 amount of any transfer by such bank under
17 subparagraph (A) during the fiscal year for
18 which such transfer is made.”.

19 **SEC. 4. AFFORDABLE BANKING SERVICES.**

20 (a) IN GENERAL.—Except as otherwise provided in
21 this section, each insured depository institution shall make
22 available to consumers a consumer transaction account,
23 to be known as an “affordable transaction account”, with
24 the following features to be prescribed jointly by the Fed-
25 eral banking agencies, by regulation:

1 (1) INITIAL DEPOSIT.—The maximum amount
2 which an insured depository institution may require
3 as an initial deposit, if any.

4 (2) MINIMUM BALANCE.—The maximum
5 amount an insured depository institution may re-
6 quire as a minimum balance, if any, to maintain
7 such account.

8 (3) MINIMUM NUMBER OF FREE WITH-
9 DRAWALS.—A minimum of 8 withdrawal trans-
10 actions, including withdrawals by negotiable or
11 transferable instruments for the purpose of making
12 payments to third parties and electronic fund trans-
13 fers, during any periodic cycle at no additional
14 charge to the account holder.

15 (4) MAXIMUM MONTHLY SERVICE CHARGE.—
16 The maximum amount an insured depository institu-
17 tion may charge per periodic cycle for the use of
18 such account.

19 (b) FEES FOR WITHDRAWAL TRANSACTIONS IN EX-
20 CESS OF MINIMUM NUMBER OF FREE WITHDRAWALS.—

21 (1) IN GENERAL.—Subject to paragraph (2), in
22 the case of any affordable transaction account—

23 (A) an insured depository institution may
24 impose a reasonable per-transaction charge for
25 any withdrawal transaction described in sub-

1 section (a)(3) other than a transaction required
2 under such subsection to be provided free; or

3 (B) the depository institution may impose
4 the fees and charges normally applied to other
5 consumer transaction accounts available at that
6 depository institution.

7 (2) LIMITATIONS.—

8 (A) PERIODIC CYCLE FEE ADJUSTMENT.—

9 The amount of any charge per periodic cycle
10 imposed by an insured depository institution on
11 any affordable transaction account pursuant to
12 paragraph(1)(B) shall be reduced by the charge
13 imposed under subsection (a)(4).

14 (B) MAXIMUM AMOUNT.—At no time shall
15 the total amount of fees and charges imposed
16 by an insured depository institution on any af-
17 fordable transaction account exceed the total
18 amount of fees and charges that is normally ap-
19 plied to other consumer transaction accounts
20 available at the depository institution.

21 (c) CONDITIONS FOR OPENING ANY AFFORDABLE
22 TRANSACTION ACCOUNT.—An insured depository institu-
23 tion may require as a condition for opening or maintaining
24 any affordable transaction account that—

1 (1) the holder of the account be a resident of
2 the State in which the account is opened or main-
3 tained; and

4 (2) the deposits to the account of recurring
5 payments such as Social Security, wage, or pension
6 payments be made by direct deposit if that form of
7 deposit is available to both the consumer and the de-
8 pository institution.

9 (d) OTHER TERMS AND CONDITIONS.—

10 (1) IN GENERAL.—Except as provided in this
11 section and any regulations prescribed under this
12 section, any affordable transaction account may be
13 offered by an insured depository institution subject
14 to the same rules, conditions, and terms normally
15 applicable to other consumer transaction accounts
16 offered by the depository institution.

17 (2) PROHIBITION ON DISCRIMINATION AGAINST
18 AFFORDABLE TRANSACTION ACCOUNT HOLDERS IN
19 PROVIDING OTHER SERVICES.—The amount of any
20 fee or charge imposed on a holder of any affordable
21 transaction account by an insured depository institu-
22 tion for specific services provided to such account
23 holder which are not directly related to the mainte-
24 nance of such account may not exceed the fee or
25 charge imposed by the depository institution for pro-

1 viding the same services in connection with other
2 consumer transaction accounts offered by the deposi-
3 tory institution.

4 (e) AFFORDABLE TRANSACTION ACCOUNTS NOT RE-
5 QUIRED FOR INDIVIDUALS WHO MAINTAIN OTHER
6 TRANSACTION ACCOUNTS.—An insured depository institu-
7 tion shall not be required to permit any person to open
8 or maintain an affordable transaction account pursuant
9 to this section if such person maintains another consumer
10 transaction account either at that depository institution
11 or any other insured depository institution.

12 (f) ALTERNATIVE ARRANGEMENTS.—In lieu of the
13 affordable transaction account required by this section, an
14 insured depository institution may make available an al-
15 ternative form of account or other banking services if the
16 appropriate Federal banking agency determines that such
17 alternative form of account or services are at least as ad-
18 vantageous to consumers as the affordable transaction ac-
19 count.

20 (g) DISCLOSURE REQUIREMENTS.—

21 (1) POSTED NOTICES.—If an insured depository
22 institution posts in the public area of any office of
23 the institution a notice of the availability of other
24 consumer transaction accounts, the depository insti-
25 tution shall also post equally conspicuous notice in

1 such public area and in the same manner the avail-
2 ability of its affordable transaction accounts.

3 (2) PRINTED MATERIAL.—If an insured deposi-
4 tory institution makes available in the public area of
5 any office of the institution printed material describ-
6 ing the terms of its other consumer transaction ac-
7 counts, the depository institution shall also make
8 comparable descriptive printed material concerning
9 the affordable transaction accounts available in the
10 same such area and in the same manner.

11 (h) DEFINITIONS.—For purposes of this section, the
12 following definitions shall apply:

13 (1) CONSUMER TRANSACTION ACCOUNT.—For
14 purposes of this section, the term “consumer trans-
15 action account” means a demand deposit account,
16 negotiable order of withdrawal account, share draft
17 account, or any similar transaction account used pri-
18 marily for personal, family or household purposes.

19 (2) DEPOSITORY INSTITUTION.—The term “de-
20 pository institution” has the same meaning as in
21 section 19(b)(1)(A) of the Federal Reserve Act.

22 (3) FEDERAL BANKING AGENCY.—The term
23 “Federal banking agency”—

24 (A) has the same meaning as in section
25 3(z) of the Federal Deposit Insurance Act; and

1 (B) includes the National Credit Union
2 Administration Board.

3 (4) INSURED DEPOSITORY INSTITUTION.—The
4 term “insured depository institution”—

5 (A) has the same meaning as in section
6 3(c)(2) of the Federal Deposit Insurance Act;
7 and

8 (B) includes an insured credit union (as
9 defined in section 101(7) of the Federal Credit
10 Union Act.

11 (i) COMPLIANCE WITH MORE STRINGENT STATE
12 LAW.—If a depository institution operates in a State the
13 laws of which, including regulations, require a depository
14 institution operating in such State to meet requirements
15 for affordable transaction accounts which are more advan-
16 tageous to the consumer than the requirements of this sec-
17 tion or the regulations prescribed under this section, such
18 depository institution may not be treated as a qualified
19 depository institution for purposes of section 19(b)(12) of
20 the Federal Reserve Act, unless such depository institu-
21 tion meets the requirements of this section and the re-
22 quirements of such State law.

23 (j) RULE OF CONSTRUCTION.—No provision of this
24 section, title LXII of the Revised Statutes of the United
25 States, the Home Owners’ Loan Act, the Bank Enterprise

1 Act of 1991, or any other Federal law may be construed
2 as preempting, or providing any basis for the Comptroller
3 of the Currency or the Director of the Office of Thrift
4 Supervision to conclude that Federal law in any way pre-
5 empts, the law of any State which requires depository in-
6 stitution operating in that State to provide affordable
7 transaction accounts, including the Omnibus Consumer
8 Protection and Banking Deregulation Act of 1994 of the
9 State of New York and the New Jersey Consumer Check-
10 ing Account Act (as in effect on the the date of the enact-
11 ment of this Act).

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