

107TH CONGRESS
1ST SESSION

S. 229

To amend Federal banking law to permit the payment of interest on business checking accounts in certain circumstances, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 31, 2001

Mr. HAGEL introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend Federal banking law to permit the payment of interest on business checking accounts in certain circumstances, 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 “Interest on Business
5 Checking Act of 2001”.

6 **SEC. 2. AMENDMENTS RELATING TO DEMAND DEPOSIT AC-
7 COUNTS AT DEPOSITORY INSTITUTIONS.**

8 (a) INTEREST-BEARING TRANSACTION ACCOUNTS
9 AUTHORIZED.—

(1) FEDERAL RESERVE ACT.—Section 19(i) of the Federal Reserve Act (12 U.S.C. 371a) is amended by adding at the end the following: “Notwithstanding any other provision of this section, a member bank may permit the owner of any deposit, any account which is a deposit, or any account on which interest or dividends are paid, to make not more than 24 transfers per month (or such greater number as the Board may determine by rule or order), for any purpose, to a demand deposit account of the owner in the same institution. With respect to an escrow account maintained in connection with a loan, a lender or servicer shall pay interest on such account only if such payments are required by contract between the lender or servicer and the borrower, or a specific statutory provision of the law of the State in which the security property is located requires the lender or servicer to make such payments. Nothing in this subsection shall be construed to prevent an account offered pursuant to this subsection from being considered a transaction account for purposes of this Act.”.

23 (2) HOME OWNERS' LOAN ACT.—Section
24 5(b)(1) of the Home Owners' Loan Act (12 U.S.C.

1 1464 (b)(1)) is amended by adding at the end the
2 following:

3 “(G) TRANSFERS.—

4 “(i) IN GENERAL.—Notwithstanding
5 any other provision of this paragraph, a
6 Federal savings association may permit the
7 owner of any deposit or share, any account
8 which is a deposit or share, or any account
9 on which interest or dividends are paid, to
10 make not more than 24 transfers per
11 month (or such greater number as the
12 Board of Governors of the Federal Reserve
13 System may determine by rule or order
14 under section 19(i) of the Federal Reserve
15 Act to be permissible for member banks),
16 for any purpose, to a demand deposit ac-
17 count of the owner in the same institution.

18 “(ii) ESCROW ACCOUNTS.—With re-
19 spect to an escrow account maintained in
20 connection with a loan, a lender or servicer
21 shall pay interest on such account only
22 if—

23 “(I) such payments are required
24 by contract between the lender or
25 servicer and the borrower; or

1 “(II) a specific statutory provi-
2 sion of the law of the State in which
3 the security property is located re-
4 quires the lender or servicer to make
5 such payments.

6 “(iii) LIMITATION.—Nothing in this
7 subsection shall be construed to prevent an
8 account offered pursuant to this subsection
9 from being considered a transaction ac-
10 count (as defined in section 19(b) of the
11 Federal Reserve Act) for purposes of the
12 Federal Reserve Act.”.

13 (3) FEDERAL DEPOSIT INSURANCE ACT.—Sec-
14 tion 18(g) of the Federal Deposit Insurance Act (12
15 U.S.C. 1828(g)) is amended by adding at the end
16 the following:

17 “(3) TRANSFERS.—

18 “(A) IN GENERAL.—Notwithstanding any
19 other provision of this subsection, an insured
20 nonmember bank or insured State savings asso-
21 ciation may permit the owner of any deposit or
22 share, any account which is a deposit or share,
23 or any account on which interest or dividends
24 are paid to make not more than 24 transfers
25 per month (or such greater number as the

7 “(B) ESCROW ACCOUNTS.—With respect to
8 an escrow account maintained in connection
9 with a loan, a lender or servicer shall pay inter-
10 est on such account only if—

24 (b) REPEAL OF PROHIBITION ON PAYMENT OF IN-
25 TEREST ON DEMAND DEPOSITS.—

8 (A) in subparagraph (B), by striking “sav-
9 ings association may not—” and all that follows
10 through “(ii) permit any” and inserting “sav-
11 ings association may not permit any”; and

16 “(g) [Repealed].”

21 SEC. 3. PAYMENT OF INTEREST ON RESERVES AT FEDERAL
22 RESERVE BANKS.

23 (a) IN GENERAL.—Section 19(b) of the Federal Re-
24 serve Act (12 U.S.C. 461(b)) is amended by adding at
25 the end the following:

1 “(12) EARNINGS ON RESERVES.—

2 “(A) IN GENERAL.—Balances maintained
3 at a Federal reserve bank by or on behalf of a
4 depository institution to meet the reserve re-
5 quirements of this subsection applicable with re-
6 spect to such depository institution shall receive
7 earnings to be paid by the Federal reserve bank
8 at least once each calendar quarter at a rate or
9 rates not to exceed the general level of short
10 term interest rates.11 “(B) REGULATIONS RELATING TO PAY-
12 MENTS AND DISTRIBUTION.—The Board may
13 prescribe regulations concerning—14 “(i) the payment of earnings in ac-
15 cordance with this paragraph;16 “(ii) the distribution of such earnings
17 to the depository institutions which main-
18 tain balances at such banks or on whose
19 behalf such balances are maintained; and20 “(iii) the responsibilities of depository
21 institutions, Federal home loan banks, and
22 the National Credit Union Administration
23 Central Liquidity Facility with respect to
24 the crediting and distribution of earnings
25 attributable to balances maintained, in ac-

1 cordance with subsection (c)(1)(B), in a
2 Federal reserve bank by any such entity on
3 behalf of depository institutions which are
4 not member banks.”.

5 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

9 (A) by striking subparagraph (C); and

10 (B) by redesignating subparagraphs (D)
11 and (E) as subparagraphs (C) and (D), respec-
12 tively.

13 (2) SECTION 19(c) OF FEDERAL RESERVE
14 ACT.—Section 19(c)(1)(A) of the Federal Reserve
15 Act (12 U.S.C. 461(c)(1)(A)) is amended by striking
16 “subsection (b)(4)(C)” and inserting “subsection
17 (b)”.

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