

STATE OF NEW YORK

3066

2025-2026 Regular Sessions

IN SENATE

January 23, 2025

Introduced by Sen. SANDERS -- read twice and ordered printed, and when printed to be committed to the Committee on Banks

AN ACT to amend the general municipal law and the banking law, in relation to allowing credit unions, savings banks, savings and loan associations and federal savings associations to accept and secure deposits from municipal corporations; to direct the department of financial services to conduct a study and issue a report concerning the impact of allowing certain financial institutions to accept local government public deposits; and providing for the repeal of certain provisions upon the expiration thereof

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraph d of subdivision 1 of section 10 of the general
2 municipal law, as amended by chapter 623 of the laws of 1998, is amended
3 to read as follows:

4 d. "Bank" shall mean a bank as defined by the banking law or a
5 national banking association located and authorized to do business in
6 New York; a savings bank as defined by the banking law, a savings and
7 loan association as defined by the banking law or a federal savings
8 association located and authorized to do business in New York which has
9 its principal office in a location described in paragraph (a) of subdivi-
10 vision two of section two hundred thirty-seven of the banking law, or a
11 branch office in a location described in paragraph (b) of subdivision
12 two of section two hundred thirty-seven of the banking law.

13 § 2. Section 10 of the general municipal law is amended by adding a
14 new subdivision 5 to read as follows:

15 5. In addition to the financial institutions authorized to accept
16 public deposits in subdivision two of this section, credit unions, as
17 defined by the banking law or a federal credit union located and author-
18 ized to do business in New York which has its principal office in a
19 location described in paragraph (a) of subdivision thirty-eight of

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 section four hundred fifty-four of the banking law, or a branch office
2 in a location described in paragraph (b) of subdivision thirty-eight of
3 section four hundred fifty-four of the banking law, may accept public
4 deposits by a local government subject to the limitations set forth
5 herein. For the calendar year beginning January first, two thousand
6 twenty-six, the governing board of a local government may designate one
7 or more credit unions, for the deposit of public funds in an amount not
8 to exceed five hundred thousand dollars in each institution. For the
9 calendar year beginning January first, two thousand twenty-seven, the
10 governing board of a local government may designate one or more credit
11 unions for the deposit of public funds in an amount not to exceed one
12 million dollars in each institution. For the calendar year beginning
13 January first, two thousand twenty-eight, the governing board of a local
14 government may designate one or more credit unions for the deposit of
15 public funds in an amount not to exceed two million dollars in each
16 institution. For the calendar year beginning January first, two thou-
17 sand twenty-nine, the governing board of a local government may desig-
18 nate one or more credit unions for the deposit of public funds in an
19 amount not to exceed three million dollars in each institution. For the
20 calendar year beginning January first, two thousand thirty, the govern-
21 ing board of a local government may designate one or more credit unions
22 for the deposit of public funds in an amount not to exceed four million
23 dollars in each institution. For the calendar year beginning January
24 first, two thousand thirty-one, the governing board of a local govern-
25 ment may designate one or more credit unions for the deposit of public
26 funds in an amount not to exceed five million dollars in each institu-
27 tion. For the purposes of this section, a deposit limit shall mean the
28 maximum amount of all funds of a local government in an institution
29 based on a daily account balance excluding any accrued interest.

30 § 3. Section 454 of the banking law is amended by adding a new subdivi-
31 sion 38 to read as follows:

32 38. (a) To accept deposits for credit to a local government, as
33 defined in paragraph a of subdivision one of section ten of the general
34 municipal law, at its principal office where such credit union maintains
35 its principal office within the jurisdiction of such local government.

36 (b) To accept deposits for credit to a local government, as defined in
37 paragraph a of subdivision one of section ten of the general municipal
38 law, at its branch office where such credit union maintains a branch
39 office within the jurisdiction of such local government.

40 § 4. The banking law is amended by adding a new section 454-a to read
41 as follows:

42 § 454-a. Deposits of public money with credit unions; security. A
43 credit union may accept deposits of public money subject to the limita-
44 tions provided in subdivision thirty-eight of section four hundred
45 fifty-four of this article. Such credit union shall pledge assets or
46 furnish other security satisfactory in form and amount to the depositor,
47 for the repayment of monies held in the name of such depositor, when
48 required to be secured by applicable law, decree or regulation.

49 § 5. The banking law is amended by adding a new section 454-b to read
50 as follows:

51 § 454-b. Community investment by credit union; condition of accepting
52 municipal deposits. 1. If the average daily balance of the municipal
53 funds on deposit at the credit union for the preceding year is in excess
54 of three hundred thousand dollars, the chief financial officer, or the
55 senior official in the credit union with responsibility for performing
56 the functions of a chief financial officer of a credit union that choos-

1 es to accept municipal deposits pursuant to section ten of the general
2 municipal law, shall, consistent with safety and soundness, transmit to
3 the department by December thirty-first each year, a written certifi-
4 cation, in a form specified by the superintendent and posted on the
5 department's website, that the credit union has invested into the commu-
6 nity, pursuant to this section, a sum equal to the average daily
7 balance, multiplied by a factor of .0035, provided, however, in no
8 event, shall a credit union be required to contribute a sum in excess of
9 one hundred thousand dollars in any one year.

10 2. The community investment described in subdivision one of this
11 section shall be used to support any of the following purposes, as
12 determined by the credit union, in any community where such credit union
13 has authority to provide services, provided the credit union shall
14 prioritize low-income communities when choosing where to invest:

- 15 (a) minority and women-owned business enterprises in the community; or
16 (b) affordable housing (including multifamily rental housing) for low-
17 and moderate-income individuals in the community; or
18 (c) community services targeted to low- and moderate-income individ-
19 uals in the community; or
20 (d) activities that revitalize or stabilize the community including
21 low- or moderate-income geographies, or designated disaster areas; or
22 (e) financial literacy.

23 3. For purposes of the community investment pursuant to this section,
24 field of membership restrictions shall not apply.

25 § 6. Subdivision 2 of section 237 of the banking law, as amended by
26 chapter 360 of the laws of 1984, is amended to read as follows:

27 ~~2. [No savings bank shall accept any deposit for credit to any municip-~~
28 ~~pal corporation.]~~ (a) A savings bank which maintains its principal
29 office within the jurisdiction of a local government, as defined in
30 paragraph a of subdivision one of section ten of the general municipal
31 law, may accept deposits at such principal office for credit to such
32 local government.

33 (b) A savings bank which maintains a branch office within the juris-
34 isdiction of a local government, as defined in paragraph a of subdivision
35 one of section ten of the general municipal law, may accept deposits at
36 such branch office for credit to such local government.

37 § 7. Section 234 of the banking law is amended by adding a new subdi-
38 vision 27 to read as follows:

39 27. Pursuant to subdivision two of section two hundred thirty-seven of
40 this article, to pledge assets or furnish other security satisfactory in
41 form and amount to the depositor, for the repayment of monies held in
42 the name of such depositor, when required to be secured by applicable
43 law, decree or regulation and to exercise the powers contained in
44 section ninety-six-b of this chapter.

45 § 8. Section 383 of the banking law is amended by adding a new subdi-
46 vision 18 to read as follows:

47 18. Pursuant to subdivision two of section two hundred thirty-seven of
48 this chapter, to pledge assets or furnish other security satisfactory in
49 form and amount to the depositor, for the repayment of monies held in
50 the name of such depositor, when required to be secured by applicable
51 law, decree or regulation and to exercise the powers contained in
52 section ninety-six-b of this chapter.

53 § 9. 1. The department of financial services is hereby authorized and
54 directed to study and issue a public report with recommendations,
55 concerning the impact of allowing credit unions, savings banks, savings
56 and loan associations or federal savings associations to accept local

1 government public deposits. This report shall be prepared in consulta-
2 tion with stakeholders, including local governments, banks, credit
3 unions, savings banks, savings and loan associations and federal savings
4 associations.

5 2. On or before January 1, 2031, the superintendent of financial
6 services shall submit to the governor, the temporary president of the
7 senate, the speaker of the assembly, the chair of the senate standing
8 committee on banks, and the chair of the assembly standing committee on
9 banks, a written report detailing the findings and recommendations on
10 the department's study performed in accordance with subdivision one of
11 this section. The superintendent shall use reasonable efforts to identi-
12 fy any impacts by expanding the financial institutions eligible to
13 accept municipal deposits and shall include the following information in
14 the report:

15 (a) An analysis of deposits held in banks including the size of the
16 bank's assets, location of banks, type of bank charter, changes in the
17 amount of commercial bank held deposits from the effective date of this
18 act and overall impact on banking industry, in particular small communi-
19 ty banks.

20 (b) The growth of municipal deposits held in credit unions, savings
21 banks, savings and loan associations or federal savings associations
22 after the effective date of this act.

23 § 10. Section 86 of the banking law, as amended by chapter 274 of the
24 laws of 2007, is amended to read as follows:

25 § 86. Eligibility. 1. For the purposes of this article, the term
26 "community bank institution" shall mean any state or federally chartered
27 banking institution and shall include any bank, trust company, savings
28 bank or savings and loan association with less than ten billion dollars
29 in assets that is headquartered in this state and whose predominant
30 retail and commercial banking operations serve residents and businesses
31 of this state, as determined by the superintendent in such superinten-
32 dent's sole discretion and pursuant to such rules and regulations as the
33 superintendent deems necessary to implement and administer these
34 provisions.

35 2. To be eligible to receive deposits, or to renew existing deposits
36 under this program[~~, a bank, trust company, savings bank or savings and~~
37 ~~loan association: (a) must be chartered under the provisions of this~~
38 ~~chapter and (b)] a community bank institution:~~

39 (a) must have a current CRA rating of satisfactory or better. The
40 superintendent shall, if requested by the state comptroller or the
41 commissioner of taxation and finance, confirm whether a particular bank-
42 ing institution meets the criteria specified in this section; and

43 (b) meet any additional criteria established by the comptroller and
44 the commissioner of taxation and finance to determine eligibility for
45 participation in the program. Such criteria may include an institution's
46 loan to deposit ratio, its record of small business lending, and the
47 impact such deposits would have on an area's economic activity.

48 [~~2. A federal bank, trust company, savings bank or savings and loan~~
49 ~~association may also be eligible to receive deposits, or to renew exist-~~
50 ~~ing deposits, under this program if: (a) its principal office is located~~
51 ~~in this state; (b) it has a current CRA rating of satisfactory or~~
52 ~~better; and (c) it meets any additional criteria established by the~~
53 ~~comptroller and the commissioner of taxation and finance to determine~~
54 ~~eligibility for participation in the program. Such criteria may include~~
55 ~~an institution's loan to deposit ratio, its record of small business~~

1 ~~lending, and the impact such deposits would have on an area's economic~~
2 ~~activity.]~~

3 § 11. Section 87 of the banking law, as amended by chapter 274 of the
4 laws of 2007, subdivision 2 as amended by chapter 495 of the laws of
5 2013, is amended to read as follows:

6 § 87. Deposits. 1. Notwithstanding any provisions of law to the
7 contrary, the state comptroller and the commissioner of taxation and
8 finance shall, for the purposes of administering moneys in accordance
9 with the provisions of sections ninety-eight-a and one hundred five of
10 the state finance law, give consideration to depositing funds into those
11 community banking institutions which are deemed eligible to receive
12 deposits pursuant to section eighty-six of this article.

13 2. The maximum amount of funds which the state comptroller and the
14 commissioner of taxation and finance may deposit under this program
15 shall not exceed [~~two~~] three hundred [~~fifty~~] million dollars each. [~~The~~
16 ~~maximum amount of funds on deposit at a community banking institution~~
17 ~~shall not exceed twenty million dollars.~~]

18 3. Notwithstanding any provision of law to the contrary, any deposits
19 made pursuant to this article shall be made at rates, and for such peri-
20 ods of time, as may be agreed to by the state comptroller or the commis-
21 sioner of taxation and finance and the eligible community banking insti-
22 tution.

23 4. Any deposits made pursuant to this article may be secured by an
24 irrevocable letter of credit issued by a federal home loan bank.

25 5. The comptroller and the commissioner of taxation and finance shall
26 annually submit a joint report to the governor, the temporary president
27 of the senate, the speaker of the assembly, the chair of the senate
28 finance committee, the chair of the assembly ways and means committee,
29 the chair of the senate standing committee on banks, and the chair of
30 the assembly standing committee on banks on the efficacy of the communi-
31 ty bank deposit program, including information on the number of quali-
32 fied community banking institutions, the number of community banking
33 institutions which have received deposits, the size of each participat-
34 ing community bank, the number and amount of such deposits and the
35 percentage of total state funds deposited in such institutions under
36 this program.

37 § 12. No municipal deposits held in credit unions by local governments
38 on December 31, 2031 shall be required to be withdrawn upon the expira-
39 tion of this act.

40 § 13. This act shall take effect on the ninetieth day after it shall
41 have become a law; provided that sections two, three, four, five and
42 nine of this act shall expire and be deemed repealed December 31, 2031.