

# Banking Development Districts

This bill authorizes the state commissioner of banking and insurance to create a program and promulgate rules to encourage banks to establish branches in geographic locations in the state where there is a demonstrated need for banking services. The criteria for such areas to be designated as banking development districts include the number of sites offering banking services that are already in the area, the need for banking services in such areas, and the potential impact that additional banking services would have on economic development in the areas.

The legislation authorizes banks in such areas to be designated depositories of public money and allows the state treasurer and municipal governments to deposit public money in such banks at a special, fixed interest rate of return.

Submitted as:

New Jersey

[Chapter 24, 2011 \(A1458\)](#)

Status: Enacted into law in 2011.

## Suggested State Legislation

(Title, enacting clause, etc.)

1 Section 1. [*Short Title.*] This Act shall be cited as the “Banking Development District  
2 Act.”

3  
4 Section 2. [*Definitions.*] As used in this Act:

5 1. “Bank” means a state or federally chartered bank, savings bank, savings and loan  
6 association, or credit union doing business in this state.

7 2. “Banking services” means deposit taking, check cashing, sale of money orders, and  
8 origination of residential or commercial mortgages, consumer loans, and commercial loans.

9 3. “Branch” means a full service branch office of a bank, providing banking services  
10 with tellers, customer service representatives, and loan officers available at least [40] hours per  
11 week.

12 4. “Commissioner” means the [commissioner of banking and insurance].

13 5. “Department” means the [department of banking and insurance].

14 6. “District” means a banking development district approved under this Act.

15 7. “Program” means the Banking Development District Program established pursuant to  
16 this Act.

17  
18 Section 3. [*Banking Development District Program.*]

19 (A) There is established in the [department], the Banking Development District Program.

20 (B) The [commissioner] shall administer and monitor the program to encourage the  
21 establishment of bank branches in geographic locations in this state where there is a  
22 demonstrated need for banking services by the establishment of banking development districts.

23 (C) The [department] shall promulgate rules and regulations which set forth the criteria  
24 for the establishment of banking development districts. The criteria shall include, but not be  
25 limited to, the following:

26 1. The location, number, and proximity of sites where banking services are  
27 currently available within the district;

- 28                   2. The identification of consumer needs for banking services within the district;  
29                   3. The economic viability and local credit needs of the community within the  
30 district;  
31                   4. The existing commercial development within the district;  
32                   5. The impact additional banking services would have on potential economic  
33 development in the district; and  
34                   6. Such other criteria that the commissioner shall identify as appropriate.  
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36                   Section 4. [*Application for Designation of Banking Development District.*]

37                   (A) A municipality, in conjunction with a bank, may submit an application to the  
38 [commissioner] for the designation of a banking development district within a specified  
39 geographic area.

40                   (B) The [commissioner] shall issue a determination as to an application for designation as  
41 a district within [60] days of receipt of the application. If an application is approved, the  
42 [commissioner] shall transmit notification of the approval to the municipality requesting the  
43 district, the [state treasurer], and any bank which has or will have a branch located in the district.

44                   (C) A bank may submit an application to open a branch in the requested banking  
45 development district, subject to all applicable federal and state laws regarding the establishment  
46 of branch offices, simultaneously with the submission of the application for the designation of a  
47 banking development district.  
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49                   Section 5. [*Selection of Bank as Depository for Public Moneys, Funds.*]

50                   (A) Notwithstanding the provisions of [insert citation] or any other law to the contrary,  
51 the [state treasurer] may select a bank in a district as a depository for public moneys or funds that  
52 are otherwise in the custody of the [state treasurer].

53                   (B) Subject to an agreement between the [state treasurer] and the bank, funds of the state  
54 deposited in the bank may earn a fixed rate of interest which is at or below the bank's posted rate  
55 for a mutually agreeable depository product, for a mutually agreeable term.  
56

57                   Section 6. [*Selection of Bank as Depository of Funds of Municipality.*]

58                   (A) The governing body of a municipality in which a banking development district has  
59 been designated by the [commissioner] may, by resolution, select a bank in the district as a  
60 depository for funds of the municipality, provided the bank shall be subject to the requirements  
61 for a public depository established pursuant to [insert citation]. The resolution shall state the  
62 maximum amount which may be on deposit at any time with the bank and such other terms and  
63 conditions as are determined to be necessary by the governing body of the municipality.

64                   (B) Subject to an agreement between the governing body of the municipality and the  
65 bank, funds of the municipality deposited in the bank may earn a fixed rate of interest which is at  
66 or below the bank's posted rate for a mutually agreeable depository product, for a mutually  
67 agreeable term.

68                   (C) The selection of a bank, deposit amount, and the terms and conditions of a deposit  
69 may be changed at any time by the governing body of the municipality by further resolution.  
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71                   Section 7. [*Rules, Regulations.*] The [department of banking and insurance] shall adopt  
72 rules and regulations to effectuate the purposes of this Act.  
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74                   Section 8. [*Severability.*] [Insert severability clause.]  
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76                   Section 9. [*Repealer.*] [Insert repealer clause.]

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Section 10. [*Effective Date.*] [Insert effective date.]