

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda-underwritten by global corporations--includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

ALEC's Corporate Board
--in recent past or present

- AT&T Services, Inc.
 - centerpoint360
 - UPS
 - Bayer Corporation
 - GlaxoSmithKline
 - Energy Future Holdings
 - Johnson & Johnson
 - Coca-Cola Company
 - PhRMA
 - Kraft Foods, Inc.
 - Coca-Cola Co.
 - Pfizer Inc.
 - Reed Elsevier, Inc.
 - DIAGEO
 - Peabody Energy
 - Intuit, Inc.
 - Koch Industries, Inc.
 - ExxonMobil
 - Verizon
 - Reynolds American Inc.
 - Wal-Mart Stores, Inc.
 - Salt River Project
 - Altria Client Services, Inc.
 - American Bail Coalition
 - State Farm Insurance
- For more on these corporations, search at www.SourceWatch.org.

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Consumer Banking Act

Summary

The Consumer Banking Act defines a consumer bank and authorizes financially sound, diversified companies to invest in the banking industry through separate subsidiaries established to provide consumer financial services. These consumer banks are fully regulated and insured, are restricted in the types of loans and financial services they may offer, and are subject to strict provisions regarding associations with other subsidiaries of the same holding company.

Under this Act, a consumer bank must comply with FDIC insurance requirements, must maintain capital in an amount equal to nine percent of total assets, and must adhere to state banking laws. Furthermore, a consumer bank is required to offer no interest-bearing checking accounts with reasonable fees and to make available consumer loans representing at least 60% of the bank's local consumer deposit portfolio.

Model Legislation

{Title, enacting clause, etc.}

Section 1. This Act may be cited as the Consumer Banking Act.

Section 2. As used in this Act:

(A) "Consumer bank" means any banking association or organization, organized under the laws of this state or the laws of any other state, that does not engage in the business of making commercial loans as defined in subsection (E) of this Section, and:

- (1) is an "insured bank" within the meaning of the Federal Deposit Insurance Act;
- (2) has not failed to maintain, for at least two out of every three consecutive calendar years (beginning with the first calendar year commencing at least six months after the latter of: the effective date of this Act; or the earliest date as of which any such institution would be chartered as a consumer bank), capital in an amount at least equal to nine percent of its total assets. Not more than one-third of this minimum capital may include debt subordinated to the claims of its depositors. Such debt constitutes capital pursuant to regulations or guidelines (as in effect on the effective date of this Act) regarding the qualification of subordinated debt as bank capital promulgated by:
 - a. the Board of Governors of the Federal Reserve System, in the case of a consumer bank organized under this Act, if such consumer bank is a member of the Federal Reserve System;
 - b. the Federal Deposit Insurance Corporation, in the case of a consumer bank organized under this Act, if such consumer bank is not a member of the Federal Reserve System; or
 - c. the Comptroller of the Currency of the United States, in the case of a consumer bank that is a national banking association.
- (3) offers to the public (in addition to any other deposit services, arrangements, accounts or instruments which it may offer) non-interest-bearing checking accounts with no required minimum balance and no fees except for cost items such as the return to the customer of cancelled checks and dishonor of checks because of insufficient funds in the account;

(4) does not maintain investments, other than investments in consumer loans described in subsection (F) of this Section, in excess of 40% of its total assets, determined on a daily average basis, for more than one out of every three consecutive calendar years (beginning with the first calendar year, commencing at least six months after the later of: the effective date of this Act; or the earliest date as of which any company controlling such institution would become a consumer bank holding company);

(5) makes available in this state, to the extent consistent with safe and sound banking standards, loans and extensions of credit in an aggregate amount equal to at least 60% of the amount outstanding of its deposits originated in this state; and

(6) is chartered as a consumer bank by the state Banking Commissioner.

(B) "Consumer bank" does not include;

Did you know that global corporation Kraft Foods served as corporate co-chair in 2011?

- (1) any organization operating under Section 25 or 25(a) of the Federal Reserve Act;
 - (2) any organization that does not do business within the United States except as incidental to its activities outside the United States;
 - (3) any foreign bank, whether or not it has one or more insured or uninsured branches in the United States; or
 - (4) any savings and loan association, credit union, industrial bank, or industrial loan company.
- (C) "Consumer bank holding company" means any company which is not a bank holding company, that has control over any consumer bank or over any company that is or becomes a consumer bank holding company.
- (D) "Control" means [insert definition from state banking code].
- (E) "Commercial loan" means any loan or extension of credit for commercial, corporate or agricultural purposes, but does not include consumer loans as defined in subsection (F) of this Section.
- (F) "Consumer loan" includes:
- (1) loans or extensions of credit to natural persons primarily for personal, family or household purposes, whether directly, indirectly, or through the use of a lease;
 - (2) loans or extensions of credit for charitable purposes;
 - (3) loans or extensions of credit to small business concerns that meet the size standards for Small Business Administration loans pursuant to the Federal Small Business Act and the rules and regulations promulgated by the Administrator of the Small Business Administration;
 - (4) loans or extensions of credit to natural persons, or trusts the beneficiaries of which are natural persons, secured by a one to four family residence;
 - (5) loans or extensions of credit through use of credit cards or similar means of access;
 - (6) the purchase of, or investment in, retail installment contracts, loans or extensions of credit to consumers, and accounts receivable resulting from retail sales or from the supplying of services to consumers, and the financing of sellers of goods or suppliers of services to consumers (including without limitation, inventory floor planning) in connection therewith;
 - (7) loans to operators of family farms that are owned by a natural person or by natural persons (herein referred to as "members of a family") who have family relationship with one another, or by a corporation (herein referred to as "family corporation") the sole stockholder of which is a natural person or all of the stockholders of which are one or more members of a family, related family corporations or related family partnerships, or by partnerships (herein referred to as "family partnerships") all of the partners of which are one or more members of a family, related family corporations or related family partnerships, or by trusts the sole beneficiary of which is a natural person, family corporation, or family partnership or all of the beneficiaries of which are one or more members of a family, related family corporations or family partnerships; or
 - (8) investments such as commercial paper, certificates of deposit, bankers acceptances and similar money market instruments, obligations of the United States and state and local governments, or agencies and instrumentalities thereof, mortgage-backed securities, the sale of federal funds, the deposit of interest-bearing funds, the extension of broker call loans, and other types of investments similar to the foregoing. The purpose of any loan or extension of credit shall be conclusively established by any written statement of purpose signed by the borrower and accepted in good faith by the institution making such loan or extension of credit.
- (G) "Engaged in the business of making commercial loans" refers to any banking organization with an aggregate principal amount of outstanding commercial loans equal to, or exceeding five percent of the organization's total assets.

Section 3. {Loan requirements.} A consumer bank shall not require, as a condition to granting a loan or extension of credit to any person or entity, that such person or entity also purchase, contract for or obtain any product or service from, or do business with, any affiliate of such consumer bank.

Section 4. {Authorized investments.}

- (A) A consumer bank holding company may engage in business activities without limitation, except as otherwise provided by law.
- (B) A consumer bank may engage in business activities according to the same laws and regulations governing banks in this state, as established in [insert citation from state banking code], to the extent that such laws and regulations are not inconsistent with this Act.

Section 5. {Chartering of consumer banks.}

- (A) The Banking Commissioner of this state shall have the authority to charter consumer banks, as defined in Section 2(A) of this Act, according to the laws and regulations respecting bank charters in this state, to the extent that such laws and regulations are not inconsistent with this Act.

(B) Any bank, as defined in {insert citation from state banking code} which meets the definition of consumer bank, as stated in Section 2(A), may petition the Banking Commissioner of this state to be chartered as a consumer bank.

Section 6. {Applicable laws and regulations.} Consumer banks shall be governed by all laws and regulations of this state governing banks, to the extent that such laws and regulations are not inconsistent with this Act.

Section 7. {Severability clause.}

Section 8. {Repealer clause.}

Section 9. {Effective date.}

Were your laws repealed?

1995 Sourcebook of American State Legislation

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