[DISCUSSION DRAFT]

117TH CONGRESS
1ST SESSION

H. R. _____

To provide for the Federal charter of certain public banks, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. Ocasio-Cortez introduced the following bill; which was referred to the Committee on _______________________

A BILL

To provide for the Federal charter of certain public banks, 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; TABLE OF CONTENTS.

4 (a) Short Title.—This Act may be cited as the “Public Banking Act of 2021”.

5 (b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.

TITLE I—FEDERAL RECOGNITION OF PUBLIC BANKS
Sec. 101. Federal charter of public lending banks and public payment banks.
Sec. 102. Federal recognition of non-federally chartered banks.
Sec. 103. Federal Reserve System membership.
Sec. 104. Public member bank services.
Sec. 105. Specific requirements relating to covered banks.
Sec. 106. Regulations.
Sec. 107. Technical assistance.

TITLE II—FEDERAL RECOGNITION OF PUBLIC SECURITIES

Sec. 201. Regulation of public lending banks and non-federally chartered banks.

TITLE III—PUBLIC DEPOSIT INSURANCE

Sec. 301. In general.

TITLE IV—POSTAL BANKING

Sec. 401. Partnerships with covered banks for postal banking services.

TITLE V—PUBLIC BANK DEVELOPMENT PROGRAMS

Sec. 501. Public bank grant program.
Sec. 502. Public bank incubator program.
Sec. 503. Community development grant program.
Sec. 504. Treatment of funding.

1 SEC. 2. DEFINITIONS.

In this Act:

(1) BOARD OF GOVERNORS.—The term “Board of Governors” means the Board of Governors of the Federal Reserve System.

(2) COMMISSION.—The term “Commission” means the Securities and Exchange Commission.

(3) CORPORATION.—The term “Corporation” means the Federal Deposit Insurance Corporation.

(4) COVERED BANK.—The term “covered bank” means—

(A) a public lending bank (as defined in section 101(b));
(B) a public payment bank (as defined in section 101(c)); and

(C) a non-federally chartered bank (as defined in section 102(b)) that obtains a certificate of Federal recognition under section 102.

(5) PUBLIC MEMBER BANK.—The term “public member bank” means a covered bank that is a member of the Federal Reserve System.

(6) SECRETARY.—The term “Secretary” means the Secretary of the Treasury.

(7) STATE.—The term “State” means each of the several States, the District of Columbia, and any commonwealth, territory, or possession of the United States.

TITLE I—FEDERAL RECOGNITION OF PUBLIC BANKS

SEC. 101. FEDERAL CHARTER OF PUBLIC LENDING BANKS AND PUBLIC PAYMENT BANKS.

(a) IN GENERAL.—The Board of Governors shall charter public lending banks and public payment banks.

(b) PUBLIC LENDING BANK DEFINED.—The term “public lending bank” means a person that—

(1) is wholly owned and controlled by—
(A) a State or Tribal government, including a unit of local government, government agency;

(B) a State or Tribally chartered corporation;

(C) a nonprofit instrumentality designated by a State or Tribal government as acting in the public interest of a community within such State or Tribe, including an unincorporated community; or

(D) an association of 1 or more entities described in subparagraphs (A) through (C);

(2) that—

(A) is not owned or governed by, operated as a subsidiary of, or otherwise affiliated with any for-profit entity;

(B) does not own, govern, or operate as a subsidiary of any for-profit entity; and

(C) does not compensate any employee, executive, or board member at a rate to exceed the salary of the President of the United States for that equivalent period; and

(3) provides—

(A) fiscal agent services;

(B) money transmitter services;
(C) digital dollar services as a pass-through intermediary for the Federal Government;

(D) depository services;

(E) postal banking services;

(F) securities-related services; or

(G) any lending product approved by the Board of Governors.

(e) **Public Payment Bank Defined.**—The term “public payment bank” means a person that—

(1) is wholly owned and controlled by an entity described in subsection (b)(1);

(2) provides at least one of the services specified in subparagraphs (A) through (E) of subsection (b)(2); and

(3) does not provide the services specified in subparagraph (F) or (G) of subsection (b)(2).

(d) **Exception of Certain Public Lending Banks From Consideration as Bank Holding Company.**—A person described in subsection (b) shall not be considered a bank holding company under the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) or any other law, solely due to the person’s ownership or control of a public lending bank, public payment bank, or non-federally chartered bank.
(e) Guidance With Respect to Excluded and Marginalized Groups.—The Board of Governors shall issue guidance to public lending banks and public payment banks to ensure that the services provided by such banks are universal and comprehensively include historically excluded and marginalized groups.

SEC. 102. FEDERAL RECOGNITION OF NON-FEDERALLY CHARTERED BANKS.

(a) Certificates of Recognition.—The Board of Governors shall issue certificates of Federal recognition to non-federally chartered banks.

(b) Non-Federally Chartered Bank Defined.—The term “non-federally chartered bank” means a person that is—

(1) wholly owned and controlled by an entity described in section 101(b)(1); and

(2) either—

(A) chartered as a non-depository institution by an approved non-Federal financial regulator described in subsection (c); or

(B) insured as a depository institution by the Corporation, or under an alternate public deposit insurance scheme approved by the Corporation.
(c) LIST OF APPROVED NON-FEDERAL FINANCIAL REGULATORS.—The Board of Governors shall establish and maintain on a public website of the Board of Governors a list of approved non-Federal financial regulators for the purpose of determining eligibility for a certificate of Federal recognition under this section.

(d) CONVERSION.—At the request of a non-federally chartered bank, the Board of Governors may convert such bank into a public payment bank or a public lending bank.

(e) SERVICES.—A non-federally chartered bank—

(1) may not offer depository services before—

(A) obtaining—

(i) deposit insurance or conditional deposit insurance from the Corporation; or

(ii) deposit insurance from alternate public deposit insurance scheme approved by the Corporation; and

(B) becoming a public member bank or a conditional public member in accordance with section 103(b); and

(2) may—

(A) invest any funds held on behalf of an entity described in section 101(b)(1) in a fiscal agent account;
(B) provide fiscal agent services, including
sending and receiving money and effectuating
payments to and from any entity whose funds
are invested in a fiscal agent account;

(C) invest any funds held on behalf of an
entity not described in section 101(b)(1) in a
payments account or as digital dollar products;
and

(D) provide money transmitter and digital
dollar services.

(f) GUIDANCE WITH RESPECT TO EXCLUDED AND
MARGINALIZED GROUPS.—Not later than 1 year after the
date of the enactment of this Act, the Board of Governors
shall issue guidance to non-federally chartered banks to
ensure that the services provided by such banks are uni-
versal and comprehensively include historically excluded
and marginalized groups.

SEC. 103. FEDERAL RESERVE SYSTEM MEMBERSHIP.

(a) ELIGIBILITY.—A covered bank shall be eligible
for membership in the Federal Reserve System as a public
member bank and, except as provided in subsection (c),
shall be treated in the same manner as a member bank
under section 4 of the Federal Reserve Act (12 U.S.C.
308).
(b) **CONDITIONAL PUBLIC MEMBER BANK.**—The Board of Governors shall establish a special category of public member bank, called a “conditional public member bank”, for persons that are in the process of applying for becoming a covered bank. Such conditional public member banks shall be subject to such conditions and restrictions as the Board of Governors determines to be necessary and appropriate to promote public welfare, provided that such conditions and restrictions are not arbitrary, punitive, or unduly burdensome.

(c) **PURCHASING STOCK.**—The Board of Governors may not require a covered bank to purchase stock in a Federal Reserve Bank or otherwise maintain paid-in capital in the Federal Reserve System.

**SEC. 104. PUBLIC MEMBER BANK SERVICES.**

(a) **PURPOSES OF SERVICES.**—The Board of Governors shall offer the services described in subsection (b) to public member banks in order to—

(1) promote the safety, soundness, viability, and resiliency of publicly owned and operated financial institutions;

(2) facilitate the provision of payments, credit, and other financial services as a public good; and

(3) support the financial and budgetary health of State and Tribal governments, local government
units, government agencies, State or tribally chartered corporations, nonprofit entities designated by a State or Tribal government to be acting in the public interest of a community within such State or Tribe, or an association of one or more of such entities.

(b) SERVICES.—The Board of Governors shall offer the following services to public member banks:

(1) Fiscal agent accounts—

(A) in which public member banks may invest funds held on behalf of any entity described in section 101(b)(1); and

(B) under which—

(i) the Board of Governors shall pay interest on all balances held overnight in such fiscal agent accounts at a rate that is greater than or equal to the greater of—

(I) the sum of the overnight policy target rate plus two percent; or

(II) the daily rate on 30-year marketable Treasury bonds; and

(ii) the interest described in clause (i) (minus a reasonable administrative fee imposed by the public member bank) shall be
paid to the entity for which the public
member bank invested such funds.

(2) Payment accounts—

(A) in which public member banks may in-
vest funds held on behalf of any entity other
than an entity described in section 101(b)(1)
for purposes of providing money transmitter
services; and

(B) under which the Board of Governors
shall pay interest (minus a reasonable adminis-
trative fee) on all balances held overnight in
such fiscal agent accounts at a rate that is
greater than or equal to the greater of the fol-
lowing:

(i) The overnight rate paid on re-
quired reserves.

(ii) The overnight rate paid on ex-
cess reserves.

(3)(A) Digital dollar services in which public
member banks may operate as pass-through inter-
mediaries for any digital dollar or other financial
services offered by the Federal Government, includ-
ing—
(i) digital dollar account wallets administered by the Board of Governors (commonly known as “FedAccounts”);

(ii) digital dollar cash wallets administered by the Secretary (commonly known as “eCash”); and

(iii) postal banking services provided by the United States Postal Service.

(B) The Board of Governors may issue regulations as necessary to ensure effective harmonization and coordination between covered banks and any entities responsible for administering digital dollar services on behalf of the Federal Government.

(4)(A) A facility (to be known as the “Public Bank Primary Liquidity Facility”) to provide liquidity to public member banks by buying or lending (at a reasonable rate of interest that is not greater than the overnight policy target rate) against federally recognized public loans (as described in section 105) and federally-recognized public securities (as described in section 201(b)), under terms and conditions that the Board of Governors determines to be necessary and appropriate to promote public welfare.
(B) The facility under subparagraph (A) shall purchase or accept loans or securities under such subparagraph at face value.

(5)(A) A facility (to be known as the “Public Bank Supplementary Liquidity Facility”) to provide liquidity to public member banks by buying or lending (at a reasonable rate of interest that is not greater than the overnight policy target rate) against assets not otherwise eligible to be purchased or accepted as collateral under paragraph (4).

(B) The facility under subparagraph (A) may purchase or accept assets as collateral under such subparagraph at a reasonable discount.

(6) A facility (to be known as the “Public Bank Credit Facility”) to provide credit to public member banks on an unsecured basis, in such amounts and such rates of interests as the Board of Governors determines to be necessary and appropriate to promote public welfare.

(7) A facility (to be known as the “Federally Recognized Public Loan Facility”) to, in consultation with the Corporation—

(A) develop rules, standards, and criteria for Federal recognition of loans, mortgages, credit cards, account overdrafts, and other di-
rect lending products issued by public member banks; and

(B) provide prepurchase agreements under which the facility will purchase loans and agree that such loans will be repurchased by the public member bank at such time as is agreed upon by such facility and member bank.

(c) Administrative, Operating, and Maintenance Costs.—The Board of Governors shall pay all administrative, operating, and maintenance costs associated with the accounts, services, and facilities described in subsection (b).

(d) Reimbursement.—The Board of Governors shall reimburse a public member bank for any expenses reasonably incurred in the process of operating as a pass-through intermediary described in subsection (b)(3).

(e) Expenses.—

(1) Member Services.—Any expenses incurred by the Board of Governors under paragraphs (1) through (3) of subsection (b) and under subsections (c) and (d) shall be recorded—

(A) in an account to be known as the “Special Public Member Bank Services Account” established at the Federal Reserve Bank of New York; and
(B) as a deferred asset (as described in section 11.96 of the Financial Accounting Manual for Federal Reserve Banks, as in effect on the date of the enactment of this Act) and maintained separately from the balance sheet of the Federal Reserve Bank of New York and the Federal Reserve System, so as to not reduce or impact the calculation of total income or revenue generated by the Federal Reserve System, or otherwise reduce the total amount of net operating profits to be made available for remittance to the Treasury on an ongoing basis.

(2) FACILITIES.—Any expenses incurred by the Board of Governors under paragraphs (4) through (7) of subsection (b) shall be recorded—

(A) in an account to be known as the “Special Public Member Bank Liquidity and Credit Account” established at the Federal Reserve Bank of New York; and

(B) as a deferred asset (as described in section 11.96 of the Financial Accounting Manual for Federal Reserve Banks, as in effect on the date of the enactment of this Act) and maintained separately from the balance sheet of the Federal Reserve Bank of New York and the
Federal Reserve System, so as to not reduce or impact the calculation of total income or revenue generated by the Federal Reserve System, or otherwise reduce the total amount of net operating profits to be made available for remittance to the Treasury on an ongoing basis.

SEC. 105. SPECIFIC REQUIREMENTS RELATING TO COVERED BANKS.

(a) TERMS OF RETAIL ACCOUNT SERVICES.—Any covered bank that holds, administers, or manages funds on behalf of any unincorporated person in a payments account, or otherwise accepts funds on deposit or for the purpose of providing public depository accounts services—

(1) may not—

(A) impose any fees, minimum balances, or maximum balances on such payments accounts or public depository accounts; or

(B) include on such payments accounts or public depository accounts;

(2) shall—

(A) prominently brand any such payments account or public depository account as a “public bank account” in all account statements, marketing materials, and other communications of the public bank; and
(B) provide such account holders with reasonable protection against losses caused by fraud or security breaches, as determined by the Corporation or the Director of the Bureau of Consumer Financial Protection, or both; and

(3) may only close or restrict access to such payments accounts or public depository accounts on the basis of the mandate of the covered bank.

(b) TERMS OF RETAIL CREDIT.—

(1) IN GENERAL.—Notwithstanding any provision of law, the annual percentage rate applicable to any extension of credit by a covered bank may not exceed the lesser of—

(A) 15 percent on unpaid balances, inclusive of all finance charges; or

(B) the maximum rate permitted by the laws of the State in which the consumer resides.

(2) OTHER FEES.—Any fees that are not considered finance charges under paragraph (1), including fees for ancillary products and services, may not—

(A) exceed the total amount of finance charges assessed; and

(B) be imposed in such a way as to evade or frustrate the purpose of limiting the total in-
terest and related costs that may be charged in relation to any lending product issued by covered banks under this Act.

(3) Penalties for charging higher rates on retail credit.—

(A) Violation.—The taking, receiving, reserving, or charging of an annual percentage rate or fee greater than that permitted by paragraph (1), when knowingly done, shall be a violation of this subsection, and a forfeiture of the entire interest which the note, bill, or other evidence of the obligation carries with it, or which has been agreed to be paid thereon.

(B) Refund of interest amounts.—

(i) In general.—With respect to a person charging interest, a finance charge, or a fee greater than that permitted by paragraph (1), the person paying such interest, finance charge, or fee may notify the Bureau of Consumer Financial Protection, and the Bureau of Consumer Financial Protection shall take such enforcement actions as the Director of the Bureau of Consumer Financial Protection determines appropriate.
(ii) **Lack of Bureau Action.**—If a person notifies the Bureau of Consumer Financial Protection under clause (i), and the Bureau of Consumer Financial Protection takes no action with respect to such notice during the 60-day period following such notice, such person may bring an action in a Federal district court to recover the entire amount of interest, finance charges, or fees paid.

(C) **Civil Liability.**—Any creditor who violates this subsection shall be subject to the provisions of section 130(a) of the Truth in Lending Act (15 U.S.C. 1640(a)).

(D) **Bank Secrecy Act.**—In establishing and maintaining personal accounts, each covered bank shall comply with—

(i) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

(ii) section 123 of Public Law 91–508; and

(iii) subchapter II of chapter 53 of title 31, United States Code.

(e) **Annual Reporting Requirements.**—Each covered bank shall make publicly available an annual re-
port on the activities of such covered bank, including recipi- 
cients of financial services, sources of funding, financial 
reporting, and evaluation of the effectiveness of the cov-
ered bank’s services in achieving the public purposes for 
which it was chartered, as well as any other purposes, 
goals, and targets under this Act or other law or regula-
tion.

SEC. 106. REGULATIONS.

(a) In General.—Not later than 1 year after the 
date of the enactment of this Act, the Board of Governors, 
the Director of the Bureau of Consumer Financial Protec-
tion, and the Corporation shall jointly—

(1) establish a separate regulatory scheme with 
respect to public lending banks, public payment 
banks, and non-federally chartered banks that re-
ceive or are in the process of receiving a certificate 
of Federal recognition under section 102; and

(2) after a notice and comment period during 
which consumer advocacy organizations shall be in-
vited to submit feedback and suggestions, and issue 
such regulations as are necessary and appropriate to 
promote public welfare with respect to public lending 
banks, public payment banks, and non-federally 
chartered banks that receive or are in the process of
receiving a certificate of Federal recognition under section 102.

(b) REGULATIONS WITH RESPECT TO EXCLUDED AND MARGINALIZED GROUPS.—

(1) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Board of Governors shall issue regulations for public lending banks and public payment banks to ensure that the services provided by such banks are universal and comprehensively include historically excluded and marginalized groups.

(2) LIMITATIONS.—A regulation issued under this subsection may not—

(A) supersede or supplant any other stronger regulations or standards promulgated by other Federal or applicable State regulatory entities, including any such regulation issued by the Corporation or the Director of the Bureau of Consumer Financial Protection; and

(B) result in less robust or less stringent protections to consumers than protections that exist on the date of the enactment of this Act for consumers served by other existing categories of depository institutions, including pro-

(3) **DATA REPORTING.**—The Board of Governors and the Corporation shall jointly, in a manner that respects the privacy of covered bank customers to the greatest extent possible, develop an annual assessment for determining if covered banks have appropriately provided services to all customers within the jurisdiction of service, based on demographic information chosen by regulators, including race, gender, and area median income of such customers.

(e) **ECOLOGICAL SUSTAINABILITY CONSIDERATIONS AND PROHIBITIONS ON FOSSIL FUEL INVESTMENT.**—

(1) **IN GENERAL.**—The Board of Governors, the Corporation, and the Commission shall jointly develop and promulgate rules and regulations to—

(A) ensure that any and all activities undertaken and services offered by a covered bank, or any person seeking or in the process of becoming a covered bank, are consistent with Federal and scientifically established standards, goals, and targets with respect to ecological sustainability, climate crisis-mitigation, and decarbonization; and
(B) require that any covered bank or person seeking or in the process of becoming a covered bank, may not facilitate fossil fuel production or infrastructure, including by—

(i) providing loans to, making investments in, or otherwise engaging in any activity that is financial in nature, or incidental to such financial activity, with a fossil fuel company;

(ii) providing loans to, making investments in, or otherwise engaging in any activity that is financial in nature, or incidental to such financial activity, for a fossil fuel project;

(iii) taking compensation to arrange or facilitate a transaction that provides funds for fossil fuel production from new sources;

(iv) securitizing assets that provide funds for fossil fuel production from new sources;

(v) entering into a derivatives transaction designed to provide funding for, facilitate, or hedge risks from fossil fuel production from new sources; and
(vi) engaging in any activity that is complementary to a financial activity involving fossil fuel production from new sources, including financing the international trade thereof; or any other form of activity defined by regulators or supervisors of the covered bank.

(2) DEFINITIONS.—In this subsection:

(A) FOSSIL FUEL.—The term “fossil fuel” means coal, petroleum, natural gas, or any derivative of coal, petroleum, or natural gas that is used for fuel.

(B) FOSSIL INFRASTRUCTURE.—The term “fossil infrastructure” means fossil fuel-related projects, including wells, rail infrastructure, pipelines, terminals, refineries, and power plants.

(C) NEW SOURCES.—The term “new sources” means—

(i) any production in excess of proven developed producing reserves of fossil fuels as of the date of enactment of this section; or
(ii) new or expanded fossil infrastructure that would facilitate the production described in subparagraph (A).

(D) PRODUCTION.—The term “production” means extractive or production activities that result in fossil fuels being made available for refining or use.

(d) STATE LAW.—Nothing in this section may be construed to preempt any provision of State law that provides greater protection to consumers, or establishes more stringent environmental or ecological regulations, than is provided in this section.

SEC. 107. TECHNICAL ASSISTANCE.

The Board of Governors shall provide technical assistance to public member banks to develop, use, and share financial and infrastructure technologies, practices, and operational and business practice data that promote the public welfare, however such data may not include any customer data, including transactional and identifying information.
TITLE II—FEDERAL RECOGNITION OF PUBLIC SECURITIES

SEC. 201. REGULATION OF PUBLIC LENDING BANKS AND NON-FEDERALLY CHARTERED BANKS.

(a) IN GENERAL.—The Commission shall establish a separate registration and regulatory scheme for licensing and regulating as public investment entities all public lending banks and non-federally chartered banks that engage or seek to engage in securities-related activities, including origination, investment brokering, dealing, and trading of federally-recognized public securities.

(b) FEDERALLY-RECOGNIZED PUBLIC SECURITIES.—The Board of Governors shall, in consultation with the Commission, develop rules, standards, and criteria for Federal recognition of securities issued by public member banks (to be known as “federally-recognized public securities”) as the Commission determines to be necessary and appropriate to promote public welfare.

(c) CONDITIONAL LICENSE.—The Commission shall establish a special category of public investment entity license for entities that are in the process of applying for, but have not yet received, any license to issue federally-recognized public securities, which shall be subject to such conditions and restrictions as the Commission determines to be necessary and appropriate to promote public welfare.
TITLE III—PUBLIC DEPOSIT INSURANCE

SEC. 301. IN GENERAL.

(a) PUBLIC DEPOSIT INSURANCE.—The Corporation shall establish a separate registration and regulatory scheme for providing deposit insurance (to be known as “public deposit insurance”) to covered banks and make such deposit insurance available to covered banks without regard to the total deposit amount.

(b) CONDITIONAL INSURANCE.—The Corporation shall establish a separate registration and regulatory scheme for providing deposit insurance (to be known as “conditional public deposit insurance”) for entities that are in the process of applying for, but have not yet received, public deposit insurance, which shall be subject to such conditions and restrictions as the Corporation determines to be necessary and appropriate to promote public welfare.

TITLE IV—POSTAL BANKING

SEC. 401. PARTNERSHIPS WITH COVERED BANKS FOR POSTAL BANKING SERVICES.

(a) PARTNERSHIP WITH USPS.—Notwithstanding section 404(e)(2) of title 36, United States Code, the Postmaster General shall, to the maximum extent practicable, partner with covered banks to make available re-
tail account and payment services provided by covered banks at post offices, and via any postal banking platforms established by the United States Postal Service.

(b) FUNDING.—The Board of Governors shall provide such funding to the United States Postal Service as the Postmaster General determines to be necessary to achieve carry out subsection (a).

(c) TREATMENT OF EXPENSES.—Any expenses incurred by the Board of Governors under this section shall be recorded—

(1) in an account to be known as the “Special Public Member Bank Services Account” established at the Federal Reserve Bank of New York; and

(2) as a deferred asset (as described in section 11.96 of the Financial Accounting Manual for Federal Reserve Banks, as in effect on the date of the enactment of this Act) and maintained separately from the balance sheet of the Federal Reserve Bank of New York and the Federal Reserve System, so as to not reduce or impact the calculation of total income or revenue generated by the Federal Reserve System, or otherwise reduce the total amount of net operating profits to be made available for remittance to the Treasury on an ongoing basis.
TITLE V—PUBLIC BANK

DEVELOPMENT PROGRAMS

SEC. 501. PUBLIC BANK GRANT PROGRAM.

(a) Program Established.—

(1) In general.—The Board of Governors shall, jointly with the Secretary, carry out a grant program to make grants to covered banks, or persons seeking to become or in the process of becoming covered banks, to carry out the activities described in subsection (b).

(2) Considerations for Eligibility.—

(A) Required Considerations.—When determining eligibility for grants under this section, the Board of Governors and the Secretary shall consider, among other factors, the extent to which a grant applicant has established an appropriate degree of community involvement and oversight, including dedicated community representation on the governing board, and evidence of support or commitment from community representative organizations.

(B) Prohibited Consideration.—When determining eligibility for grants under this section, the Board of Governors and the Secretary may not consider the budgetary or financial
health of the entity that wholly owns or controls
a covered bank.

(b) **USE OF FUNDS.**—An entity that receives a grant
under this section may use the grant funds—

(1) to carry out activities related to bank for-
formation, chartering, and regulatory compliance;

(2) for capitalization;

(3) to make payments and develop financial
market infrastructure;

(4) to carry out activities related to information
and communications technology;

(5) to support operations;

(6) to cover unexpected losses; and

(7) to carry out such other activities as the
Board of Governors and the Secretary determine ap-
propriate.

(c) **MATCHING FUNDS.**—The Board of Governors
and the Secretary may not require that an entity that re-
ceives a grant under this section provide matching funds
with respect to such grant.

**SEC. 502. PUBLIC BANK INCUBATOR PROGRAM.**

(a) **IN GENERAL.**—The Board of Governors shall es-
tablish an incubator program to provide technical and
technological assistance to persons seeking to be chartered
by the Board of Governors under section 101 or to obtain a certificate of Federal recognition under section 102.

(b) APPLICATION.—The Board of Governors, in coordination with the Secretary, the Corporation, and the Commission, shall establish a single application and review process for persons seeking to—

(1) be federally chartered under section 101;

(2) obtain a certificate of Federal recognition under section 102;

(3) become a public member bank;

(4) obtain a license to issue federally-recognized public securities under section 201;

(5) obtain public deposit insurance pursuant to section 301 or from a Corporation-approved alternative provider; and

(6) apply for a grant under section 401.

SEC. 503. COMMUNITY DEVELOPMENT GRANT PROGRAM.

(a) Reasonable Efforts To Coordinate.—Covered banks shall, where and as appropriate, make reasonable efforts to coordinate activities with community development financial institutions, minority deposit institutions, and credit unions to promote community development and ensure community-oriented financial services are universal and comprehensively include historically excluded and marginalized groups.
(b) Grants for Coordination.—The Board of Governors shall, jointly with the Secretary, award grants to covered banks, community development financial institutions, minority deposit institutions, and credit unions to facilitate coordination of activities under subsection (a).

(e) Definitions.—In this section:

(1) Community development financial institution.—The term “community development financial institution” has the meaning given the term in section 103(5) of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702(5)).

(2) Credit union.—The term “credit union” means a Federal credit union or a State credit union (as such terms are defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)).

(3) Minority deposit institution.—The term “minority deposit institution” has the meaning given the term in section 308(b)(1) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463(b)(1)).

SEC. 504. Treatment of Funding.

Any expenses incurred by the Board of Governors under this title shall be recorded—
(1) in an account to be known as the “Special Public Bank Development Programs” established at the Federal Reserve Bank of New York; and

(2) as a deferred asset (as described in section 11.96 of the Financial Accounting Manual for Federal Reserve Banks, as in effect on the date of the enactment of this Act) and maintained separately from the balance sheet of the Federal Reserve Bank of New York and the Federal Reserve System, so as to not reduce or impact the calculation of total income or revenue generated by the Federal Reserve System, or otherwise reduce the total amount of net operating profits to be made available for remittance to the Treasury on an ongoing basis.