

Senate Commerce Committee

Aaron Jones 271-2609

HB 1502, governing special bank and credit union deposits.

Hearing Date: March 31, 2026

Time Opened: 10:52 a.m.

Time Closed: 11:01 a.m.

Members of the Committee Present: Senators Innis, Ricciardi, Murphy, McGough, Fenton and Reardon

Members of the Committee Absent : None

Bill Analysis: This bill regulates deposits held at banks and credit unions that are used for a specific, contingent purpose on behalf of a beneficiary.

Sponsors:

Rep. Hunt

Who supports the bill: Representative John Hunt, Charles Mooney (Uniform Law Commission)

Who opposes the bill: No one

Who is neutral on the bill: No one

Summary of testimony presented in support:

Representative John Hunt

- Representative Hunt said the idea behind the Uniform Commercial Code was to have uniformity around the country on certain laws.

Charles Mooney, Uniform Law Commission

- The Special Deposits Act is a product of a multi-year effort by the Uniform Law Commission. Drafting committees met over two years, and they read the Act line by line and word by word before it was approved.
- Special deposits are bank or credit union accounts that are protected escrow agreements without the trouble of negotiating or entering into a formal escrow agreement. These agreements are strictly opt in.
- When there is a special deposit, it must provide for at least two beneficiaries as well as provide for contingencies. Contingencies are events that are not certain to occur. When they do, they trigger the obligation of the depository bank to pay

a specified amount to a beneficiary. If a bank becomes insolvent, creditors cannot reach assets under that obligation.

- The use of a special deposit is undermined if a depositor becomes insolvent.
- When a depositor makes a deposit under this Act, it is no longer the property of the depositor. As a result, the creditors of the depositor cannot reach it. Once a contingency has occurred, and it becomes a depository banks obligation to pay, it can be reached by creditors.
- This bill has protections against the claims of a depository bank and its rights to recoupment, which is limited to its fees and what is owed to it in connection with a deposit.
- This bill adds a tool to a financial institution’s toolkit for the benefit of consumers and small businesses.
- **Senator Reardon** asked if funds could or could not be attached without a contingency.
 - **Mr. Mooney** said under current law, an insolvency representative from the bank is generally prohibited from reaching a special deposit. For a depositor, such as a landlord, it is not clear. There have been cases where funds have been clawed back in a depositor’s insolvency or bankruptcy case; however, this bill would clarify that this would not be possible.
- **Senator Reardon** asked if an account agreement is between a depositor and a bank, or if it could be a contract that a depositor has outside of a bank.
 - **Mr. Mooney** said it is an agreement between a bank and a depositor. Under this bill, they must expressly agree that it is a special deposit. If they have a current arrangement, it could be amended if this Act were adopted. A beneficiary, depending on the transaction, may or may not be a party.
- **Senator Reardon** asked what would happen to existing transactions, such as security deposits or escrow accounts.
 - **Mr. Mooney** said they would not be affected. Residential tenant deposits would remain protected in trust accounts. If parties to those agreements have decided they would like to participate under this Act, they could amend their deposit account agreement to be subject to it.

Summary of testimony presented in opposition: None

Neutral Information Presented: None