
OLR Bill Analysis

sHB 6453 (as amended by House "A")*

AN ACT REQUIRING THE BANKING COMMISSIONER TO CONSIDER THE PERFORMANCE OF CERTAIN BANKS UNDER THE COMMUNITY REINVESTMENT ACT BEFORE APPROVING THE ESTABLISHMENT OF CERTAIN LOAN PRODUCTION OFFICES AND ESTABLISHING A WORKING GROUP TO EXAMINE THE COMMUNITY REINVESTMENT ACT.

SUMMARY

This bill requires the Department of Banking (DOB) commissioner, when deciding whether to approve a new loan production office for a Connecticut bank or an out-of-state bank (but not a foreign bank), to consider the bank's (1) record of compliance with the federal Community Reinvestment Act (CRA) and (2) overall CRA rating (see BACKGROUND).

By law, Connecticut banks must have the commissioner's approval to establish a loan production office in this state or in another state. Out-of-state banks, other than foreign ones, must similarly have the commissioner's approval to establish a loan production office in Connecticut.

The bill also requires the Banking Committee chairpersons to convene and chair an 18-member working group to (1) examine CRA, including monitoring proposed changes to it, and (2) recommend ways to incentivize banks and credit unions to provide certain products and services. The working group must report its findings and recommendations to the Banking Committee by January 1, 2022.

*House Amendment "A" (1) increases the working group's membership, from 15 to 18 members, by adding a representative of Bank On Connecticut and including four, rather than two, representatives of organizations that represent the interests of communities that lack adequate bank services and (2) modifies

appointing authorities to include appointments for House and Senate minority leaders.

EFFECTIVE DATE: October 1, 2021, except the working group provision is effective upon passage.

WORKING GROUP

Purpose

Under the bill, the working group's purpose is to (1) examine CRA, including monitoring proposed changes to it, and (2) make recommendations and submit comments to federal regulators and Connecticut's federal legislative delegation. The bill also requires the working group to recommend ways to incentivize banks to (1) open branches in communities without adequate banking services, (2) offer deposit accounts without overdraft fees to low- and moderate-income people, and (3) offer loan products to people in low- and moderate-income neighborhoods.

The bill requires the working group to report its findings and recommendations to the Banking Committee by January 1, 2022. The group terminates on the date it submits the report, or January 1, 2022, whichever is later.

Membership

Under the bill, the working group consists of the following members:

1. the Banking Committee's chairpersons, vice chairpersons, and ranking members;
2. the DOB commissioner, or his designee;
3. one representative each of the Connecticut Bankers' Association and the Credit Union League of Connecticut;
4. a representative of Bank On Connecticut;
5. two representatives of Connecticut banks, one each appointed by the House speaker and House minority leader;

6. two representatives of Connecticut credit unions, one each appointed by the Senate president pro tempore and Senate minority leader; and
7. four representatives of organizations representing the interest of low- and moderate-income communities without adequate banking services, one appointed each by the House and Senate majority and minority leaders.

All initial appointments to the working group must be made within 30 days after the bill's passage. The appointing authority must fill any vacancies.

Administration

Under the bill, the Banking Committee chairpersons must serve as the group's chairpersons and schedule the working group's first meeting, which must be held within 60 days after the bill's passage. The Banking Committee administrative staff must serve as the working group's administrative staff.

BACKGROUND

CRA

Congress enacted the federal CRA in 1977 to encourage regulated financial institutions to help meet their communities' credit needs (e.g., lending, investing, and providing services), including low- and moderate-income neighborhoods' needs, consistent with bank safety and soundness. It requires federal bank regulators to assess a bank's CRA record, assign it a CRA rating ranging from "outstanding" to "substantial noncompliance," and consider the rating when deciding to approve an application for a new branch, a merger, or certain other activities (12 U.S.C. § 2901 et seq.).

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/17/2021)