



Acts Affecting Banking

By: Kristen Miller, Senior Legislative Attorney
August 6, 2021 | 2021-R-0112

Notice to Readers

This report provides summaries of new laws (public acts and special acts) significantly affecting the banking industry enacted during the 2021 regular session and June 2021 special session (JSS). OLR's other Acts Affecting reports are, or will soon be, available on OLR's website: <https://www.cga.ct.gov/olr/actsaffecting.asp>.

Each summary indicates the public act (PA) or special act (SA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden. Complete summaries of public acts are, or will soon be, available on OLR's website: <https://www.cga.ct.gov/olr/olrpassums.asp>.

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, House Clerk's Office, or General Assembly's website: <http://www.cga.ct.gov>.

Table of Contents

Bank Executions.....	4
Banking Department: Regulated Entities.....	4
Commercial Mortgage Loan Originators.....	4
Consumer Collection Agencies.....	4
Lead Generators	4
Money Transmitters.....	5
Remote Work for Licensed Banking Activities	5
Residential Mortgage Lenders, Brokers, or Originators	5
Student Loan Servicers	5
Banking Department: Report on Cannabis	6
Community Bank Leverage Ratio.....	6
Credit Discrimination	7
Downpayment Assistance Program	7
Foreclosure Mediation Program.....	7
Municipal Lien Assignment	7
Supplemental Collapsing Foundation Loan Program.....	8

Bank Executions

Under a new law, banks and financial institutions must automatically protect up to an aggregate of \$1,000 in an account from a bank execution without the debtor claiming such an exemption through the court as required under prior law (i.e., the “wildcard exemption”). Banks and financial institutions are required to do so if no electronic direct deposits are readily identifiable as being from protected sources (e.g., Social Security benefits) or if those deposits are less than \$1,000. The new law also eliminates the \$1,000 cap for direct deposits from exempt sources, but it retains the cap for wages ([PA 21-131](#), effective October 1, 2021).

Banking Department: Regulated Entities

Commercial Mortgage Loan Originators

The legislature passed a new law excluding from the state’s overtime pay requirements (i.e., time and one-half after 40 hours worked a week) commercial mortgage loan originators considered highly compensated employees under federal regulations. Commercial loans are those primarily not for personal, family, or household use. Existing law already excludes highly compensated mortgage loan originators from the requirements ([PA 21-136](#), effective October 1, 2021).

Consumer Collection Agencies

A new law requires a consumer collection agency license applicant that is solely engaged in debt buying to show a positive tangible net worth. By law, a consumer collection agency license applicant that does more than debt buying must have a tangible net worth of at least \$50,000.

This new law also expands the definition of “consumer debtor” to include anyone who owes a municipal debt from property tax, instead of only personal property tax, thus subjecting buyers of real property tax debt to state consumer collection laws ([PA 21-138](#), §§ 16 & 17, effective October 1, 2021).

Lead Generators

Under a new law, bank or credit union affiliate employees with certain credentials are exempt from mortgage lead generator licensure requirements if they only incidentally perform these duties by referring leads back to their bank or credit union ([PA 21-138](#), § 6, effective October 1, 2021).

Money Transmitters

The legislature also made it easier for newly started money transmitters to fulfill initial licensure requirements. As part of a new law, a money transmitter license applicant in operation for one calendar year or less is exempt from the financial statement-related requirements under prior law. Instead, the applicant now must only submit an initial statement of condition.

The new law also narrows the type of information that a money transmitter license applicant that is a wholly-owned subsidiary of another corporation must include with its application. Prior law required the applicant to submit (1) its most recent audited, unconsolidated financial statement, including the balance sheet and prior year's receipts and disbursements, and (2) either the applicant's or its parent corporation's most recent audited consolidated annual financial statement. The new law instead requires the applicant to submit only the parent corporation's most recent audited consolidated annual financial statement ([PA 21-138](#), § 11, effective October 1, 2021).

Remote Work for Licensed Banking Activities

A provision in the law implementing the biennial budget allows the DOB commissioner to establish a process for people to conduct DOB-licensed or -regulated activities from a location other than a registered office as generally required under prior law ([PA 21-2](#), JSS, § 191, effective July 1, 2021).

Residential Mortgage Lenders, Brokers, or Originators

A new law makes "shared appreciation agreements" a type of residential mortgage loan and, in doing so, subjects them to laws governing residential mortgages and generally requires individuals making or offering them to be licensed and regulated by DOB. In general, a shared appreciation agreement gives a lender a share of an increase in the value of the home that is subject to a home loan ([PA 21-138](#), § 5, effective October 1, 2021).

Student Loan Servicers

Registration. A new law requires federal student loan servicers to annually register with DOB, rather than be licensed as prior law required. (The legislature established the licensing requirement in 2015, but in 2020 the Connecticut federal district court ruled that enforcement of DOB's licensing authority over these servicers is preempted and DOB cannot require them to be licensed.) The new law keeps the existing licensing requirement for other student loan servicers (i.e., "private student loan servicers") and, as under existing law for

licensing, it exempts from registration banks, credit unions, and certain associated entities ([PA 21-130](#), §§ 1-16, effective July 1, 2021).

New Disclosure Requirements and Prohibited Acts. Another new law requires private student loan servicers to provide certain information to borrowers and cosigners on (1) rights and responsibilities, (2) cosigner release eligibility, and (3) the cosigner release application process. Banks, credit unions, and certain associated entities are exempt from this requirement.

This new law also, among other things, prohibits student loan servicer licensees or control persons from engaging in an abusive act or practice when servicing a student loan as described in the federal Dodd-Frank Wall Street Reform and Consumer Protection Act ([PA 21-190](#), effective July 1, 2021).

Private Right of Action. A provision in the new law establishing the student loan servicer registration requirement creates a private right of action for borrowers, classes of them, or their legal representatives to bring a lawsuit against certain student loan servicers for violations of state student loan servicer requirements. They may do so before exhausting administrative remedies. Banks, credit unions, and certain associated entities that are exempt from student loan servicer licensing or registration requirements are exempt from the right of action provision ([PA 21-130](#), §§ 4 & 17, effective October 1, 2021).

Banking Department: Report on Cannabis

A provision in the new law legalizing adult recreational use of cannabis (marijuana) requires the Department of Banking (DOB) commissioner, in consultation with the consumer protection commissioner, to report legislative recommendations to the governor and certain legislative committees on cannabis establishments' use of electronic payments and access to banking institutions ([PA 21-1](#), JSS, § 63, effective upon passage).

Community Bank Leverage Ratio

A new law allows a Connecticut or out-of-state bank with less than \$10 billion in assets to receive public deposits by meeting certain federal community bank leverage ratio requirements, without also requiring the banks to meet the risk-based capital standards required by prior law ([PA 21-138](#), § 2, effective October 1, 2021).

Credit Discrimination

Starting in 2023, a new law prohibits discrimination in various contexts, including credit, based on someone's erased criminal history record information. It prohibits a creditor from discriminating against an adult in a credit transaction on this basis ([PA 21-32](#), § 26, effective October 1, 2021).

Another new law gives individuals more time to file a credit discrimination complaint with the Commission on Human Rights and Opportunities (i.e., up to 300 days after the alleged discriminatory act for acts occurring on or after October 1, 2021) ([PA 21-109](#), § 5, effective October 1, 2021).

Downpayment Assistance Program

A new law revises the Connecticut Housing Finance Authority's (CHFA) homeownership loan program (also called the "Downpayment Assistance Program"). It requires CHFA to establish guidelines for issuing loans under the program that, among other things, provide loans to borrowers with a debt-to-income ratio up to the highest allowed for residential mortgage loans by the Federal Housing Administration (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). It also requires program loans to include customary and reasonable closing costs under certain circumstances. Additionally, the new law allows CHFA to establish affordability incentive zones to encourage home purchases in municipalities that are subject to the affordable housing appeals procedure ([PA 21-101](#), §§ 1-4, effective upon passage).

Foreclosure Mediation Program

The legislature extended the Ezequiel Santiago Foreclosure Mediation Program for six years until June 30, 2029. Among other things, the new law also allows mediators to conduct pre-mediation meetings and mediation sessions virtually. By law, this program brings together judicial branch mediators, lenders, and borrowers or owner-occupants of certain properties in foreclosure ([PA 21-44](#), §§ 1-5, effective October 1, 2021).

Municipal Lien Assignment

The legislature passed a law imposing new restrictions on entities that acquire the right to enforce real property liens securing specified delinquent tax, sewer, and water charges (i.e., lien assignee), such as providing a payoff statement in the same way that one must be provided in a foreclosure situation. The new law also makes any lien assignment executed

on or after July 1, 2022, unenforceable unless it is memorialized in a written contract between the assignee and the municipality or water pollution control, water, or sewer authority, as applicable ([PA 21-143](#), effective October 1, 2021).

Supplemental Collapsing Foundation Loan Program

The Supplemental Collapsing Foundation Loan Program provides assistance for homeowners who receive funding from the Connecticut Foundation Solutions Indemnity Company, LLC but need additional money to help (1) complete a foundation repair or replacement or (2) restore the property's functionality and appearance, to the extent they were impacted by the crumbling foundation or its repair or replacement process. This year, the legislature expanded the list of banks that can participate by allowing banks and out-of-state banks without a physical presence in Connecticut to offer program loans. Additionally, it increased the closing costs that certain program lenders may charge. Although prior law limited closing costs to \$800, a new law allows lenders to charge up to 0.5% of the loan amount for closing costs for loans made to condominium or common interest ownership associations ([PA 21-2](#), JSS, §§ 460 & 461, effective July 1, 2021).

KLM:kc