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## **OLR Bill Analysis**

### **sHB 5216 (as amended by House "A")\***

#### ***AN ACT CONCERNING LOW-COST BANK ACCOUNTS.***

#### **SUMMARY**

This bill requires certain banking institutions to offer Connecticut residents a “basic banking account” beginning July 1, 2023. These consumer transaction accounts must:

1. offer at no additional charge a debit card, in-network ATM access, deposits, check cashing for checks issued by the institution where the consumer holds the account, and electronic monthly statements and
2. not charge fees for overdraft, insufficient funds, account activation, closure, dormancy or inactivity, or low balance.

Additionally, the accounts must not require a:

1. minimum initial deposit of more than \$25;
2. minimum balance to maintain the account of more than \$25; or
3. maintenance charge of more than \$10 per periodic cycle (e.g., monthly billing cycle).

The bill applies to all “banking institutions,” which are banks, trust companies, savings banks, savings and loan associations, credit unions, or foreign bank branches insured by the Federal Deposit Insurance Corporation or National Credit Union Administration, as applicable. However, federal law may preempt the application of this bill to federally chartered institutions (see COMMENT).

Finally, the bill requires the banking commissioner, in evaluating banks and credit unions for compliance with the federal Community Reinvestment Act (CRA), to provide credit to banks or credit unions for offering these accounts.

EFFECTIVE DATE: January 1, 2023

\*House Amendment "A" (1) eliminates the requirement that basic banking accounts offer checks and allows institutions to deny transactions that would overdraw the account, (2) caps minimum initial deposit and maintenance fee requirements for basic accounts, rather than allowing the commissioner to set them by regulation; (3) requires the commissioner to provide CRA credit to institutions offering these accounts; and (4) makes minor changes.

### **BASIC BANKING ACCOUNTS**

Under the bill, a basic banking account must be a consumer transaction account (i.e., demand deposit account, negotiable order of withdrawal (NOW) account, share draft account, or similar person, family, or household account). In practice, these accounts are checking or savings accounts. Certain account types, such as a NOW account, may require notice before making a withdrawal.

#### ***Terms and Conditions***

These accounts may be offered subject to the same rules, conditions, and terms normally applicable to the consumer transaction account offered by the financial institution that is most similar to its basic banking account.

The bill specifies that it does not require basic banking accounts to include any more enhanced account features, including preferred or incentive interest rates or rewards programs.

#### ***Overdrafts***

The bill also states that the terms and conditions of a basic banking account may allow the institution to not pay any check, electronic transaction, or other transaction that would overdraw the account.

#### ***Disclosures***

The bill requires a banking institution that publicly posts notices that it offers consumer transaction accounts other than basic banking accounts must post equally conspicuous notices, in the same area and manner, indicating that it also offers basic banking accounts. Similarly, the banking institutions must make descriptive material about basic banking accounts available in the same manner and public area as it

does for its other consumer transaction accounts. Finally, a banking institution that must post these notices must also post, in an equally conspicuous way and in the same public area and manner, the Department of Banking's toll-free consumer hotline telephone number that can be used to file customer complaints.

**Alternative Accounts**

In place of the basic banking account, the bill allows a banking institution to offer an alternative account or other banking services that the banking commissioner deems an appropriate substitute. Additionally, any bank that offers a consumer transaction account providing the core features in the Bank On National Account Standards, or any similar standards as the commissioner determines, is deemed in compliance with the bill.

**COMMENT**

**National Bank Act (NBA) Preemption**

Federal law defines a "state consumer financial law," as a state law that (1) does not discriminate against national banks and (2) directly regulates the manner, content, or terms and conditions of certain consumer financial transactions (12 U.S.C. § 25b(a)(2)). These state laws are preempted if, among other things, they significantly interfere with a national bank's exercise of its powers (12 U.S.C. § 25b(b), *Barnett Bank of Marion County, N.A. v. Nelson, Florida Insurance Commissioner, et. al.* 517 U.S. 25, 33 (1996)). Specifically, the NBA authorizes national banks to charge consumers non-interest charges and fees, including deposit account service charges (12 C.F.R. § 7.4002). State laws that attempt to limit or prohibit these charges and fees are subject to preemption as determined by the Office of the Comptroller of the Currency (OCC) (12 C.F.R. § 7.4002(d)).

**COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/08/2022)