



House of Representatives

File No. 513

General Assembly

February Session, 2022 **(Reprint of File No. 105)**

Substitute House Bill No. 5216
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
April 18, 2022

AN ACT CONCERNING LOW-COST BANK ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective January 1, 2023*) (a) For purposes of this
2 section:

3 (1) "Banking institution" means any bank, trust company, savings
4 bank, savings and loan association or credit union, or branch of a foreign
5 banking corporation, the deposits of which are insured by the Federal
6 Deposit Insurance Corporation or the National Credit Union
7 Administration, as applicable, that is incorporated, chartered, organized
8 or licensed under the laws of this state or any other state or the United
9 States, and, in the ordinary course of its business, offers consumer
10 transaction accounts to the general public or, in the case of a credit
11 union, to its members;

12 (2) "Basic banking account" means a consumer transaction account
13 that meets the requirements established under subsections (c) and (d) of

14 this section; and

15 (3) "Consumer transaction account" means a demand deposit
16 account, negotiable order of withdrawal account, share draft account or
17 similar account used primarily for personal, family or household
18 purposes.

19 (b) Except as otherwise provided in this section, on and after July 1,
20 2023, each banking institution shall make available to consumers
21 residing in the state a basic banking account as described in subsections
22 (c) to (e), inclusive, of this section.

23 (c) A basic banking account shall: (1) Not include fees for any of the
24 following: (A) Overdrafts, (B) nonsufficient funds, (C) account
25 activation, (D) account closure, (E) dormancy, (F) inactivity, or (G) low
26 balance; (2) offer the following to the depositor at no additional charge:
27 (A) A debit card, (B) ATM in-network access, (C) deposits, (D) check
28 cashing for checks issued by the banking institution at which the
29 consumer holds the basic banking account, and (E) electronic monthly
30 statements; and (3) not include: (A) A minimum initial deposit that is
31 greater than twenty-five dollars, if any, (B) a minimum balance to
32 maintain such account that is greater than twenty-five dollars, if any, or
33 (C) a charge to maintain such account that is greater than ten dollars per
34 periodic cycle. The terms and conditions of a basic banking account may
35 provide that the banking institution shall not pay any check, electronic
36 transaction or any other type of transaction that would cause the basic
37 banking account to be overdrawn. Nothing in this subsection shall
38 require a banking institution to include additional enhanced account
39 features, such as preferred or incentive interest rates or rewards
40 programs, with a basic banking account.

41 (d) Except as provided in this section, a basic banking account may
42 be offered, subject to the same rules, conditions and terms normally
43 applicable to the consumer transaction account offered by the banking
44 institution that is most similar to its basic banking account.

45 (e) (1) A banking institution that posts, in the public area of its offices,

46 notice of the availability of its consumer transaction accounts other than
 47 its basic banking accounts, shall also post equally conspicuous notice, in
 48 the same public areas and in the same manner, of the availability of its
 49 basic banking accounts. A banking institution that makes available in
 50 the public area material describing the terms of its other consumer
 51 transaction accounts, other than its basic banking accounts, shall also
 52 make comparable descriptive material available, in the same such public
 53 area and in the same manner, for its basic banking account.

54 (2) A banking institution that posts in the public area of its offices the
 55 notices described in subdivision (1) of this subsection, shall also post
 56 equally conspicuous notice, in the same public area and in the same
 57 manner, of the Department of Banking's toll-free consumer hotline
 58 number, that may be used to file a complaint if a consumer is not
 59 satisfied with the services a banking institution provides.

60 (f) Notwithstanding the provisions of this section, any banking
 61 institution that makes available to consumers (1) an alternative account
 62 or other banking services determined by the Banking Commissioner to
 63 be an appropriate substitute for the basic banking account, or (2) a
 64 consumer transaction account that provides (A) the core features set
 65 forth in the Bank On National Account Standards, as amended from
 66 time to time, or (B) any similar standards, as determined by the Banking
 67 Commissioner, shall be in compliance with this section.

68 (g) The Banking Commissioner shall, in the course of evaluating the
 69 performance of a Connecticut bank or a Connecticut credit union in
 70 meeting its obligations under part II of chapter 664a of the general
 71 statutes, provide credit to such bank or credit union for offering a basic
 72 banking account.

This act shall take effect as follows and shall amend the following sections:		
Section 1	January 1, 2023	New section

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill, which requires certain banking institutions to offer consumers a basic banking account and meet minimum guidelines by January 1, 2023, does not result in any fiscal impact to the state or municipalities.

House "A" strikes the original bill and its associated fiscal impact, thus becoming the bill with the above referenced fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

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)