



Senate

General Assembly

File No. 50

February Session, 2022

Substitute Senate Bill No. 178

Senate, March 21, 2022

The Committee on Banking reported through SEN. MILLER of the 27th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

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.

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

1 Section 1. Subsection (o) of section 36a-145 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective October*
3 *1, 2022*):

4 (o) (1) With the approval of the commissioner, a Connecticut bank
5 may establish a loan production office in or outside this state. The
6 commissioner shall not approve the establishment of a loan production
7 office under this subdivision unless the commissioner has considered
8 the Connecticut bank's record of compliance with, and overall rating
9 under, the Community Reinvestment Act of 1977, 12 USC 2901 et seq.,
10 as amended from time to time.

11 (2) A Connecticut bank that proposes to close any loan production
12 office shall submit to the commissioner a notice of the proposed closing
13 not later than thirty days prior to the date proposed for such closing.
14 The notice shall include a detailed statement of the reasons for the
15 decision to close the loan production office and the statistical and other
16 information in support of such reasons. After receipt of the notice, the
17 commissioner may require the Connecticut bank to submit any
18 additional information. The Connecticut bank shall provide notice of the
19 proposed closing to its customers by posting a notice in a conspicuous
20 manner on the premises of such loan production office for at least a
21 thirty-day period ending on the date proposed for such closing.

22 Sec. 2. Subsection (d) of section 36a-412 of the general statutes is
23 repealed and the following is substituted in lieu thereof (*Effective October*
24 *1, 2022*):

25 (d) With the approval of the commissioner, any out-of-state bank,
26 other than a foreign bank, may establish a loan production office in this
27 state. The commissioner shall not approve the establishment of a loan
28 production office under this subsection unless the commissioner has
29 considered the out-of-state bank's record of compliance with the
30 requirements of the Community Reinvestment Act of 1977, 12 USC 2901
31 et seq., as amended from time to time, and overall Community
32 Reinvestment Act rating.

33 Sec. 3. (*Effective October 1, 2022*) (a) The chairpersons of the joint
34 standing committee of the General Assembly having cognizance of
35 matters relating to banking shall convene a working group to (1)
36 examine the Community Reinvestment Act of 1977, 12 USC 2901 et seq.,
37 as amended from time to time, (2) monitor proposed changes to said act
38 and make recommendations and submit comments to federal regulators
39 and the Connecticut federal legislative delegation, and (3) recommend
40 methods to incentivize banks and credit unions to (A) open branch
41 offices in communities without adequate banking services, and (B) offer
42 loan products to individuals in low and moderate-income
43 neighborhoods.

44 (b) The working group shall consist of the following members:

45 (1) The chairpersons, vice-chairpersons and ranking members of the
46 joint standing committee of the General Assembly having cognizance of
47 matters relating to banking;

48 (2) The Banking Commissioner, or the Banking Commissioner's
49 designee;

50 (3) A representative of the Connecticut Bankers' Association;

51 (4) A representative of the Credit Union League of Connecticut;

52 (5) A representative of Connecticut banks, who shall be appointed by
53 the minority leader of the House of Representatives;

54 (6) A representative of Connecticut credit unions, who shall be
55 appointed by the minority leader of the Senate; and

56 (7) Two representatives of organizations representing the interests of
57 low and moderate-income communities without adequate banking
58 services, one of whom shall be appointed by the speaker of the House
59 of Representatives, and one of whom shall be appointed by the
60 president pro tempore of the Senate.

61 (c) All initial appointments to the working group shall be made not
62 later than thirty days after the effective date of this section. Any vacancy
63 shall be filled by the appointing authority.

64 (d) The chairpersons of the joint standing committee of the General
65 Assembly having cognizance of matters relating to banking shall be the
66 chairpersons of the working group. Such chairpersons shall schedule
67 the first meeting of the working group, which shall be held not later than
68 sixty days after the effective date of this section.

69 (e) The administrative staff of the joint standing committee of the
70 General Assembly having cognizance of matters relating to banking
71 shall serve as administrative staff of the working group.

72 (f) Not later than February 1, 2024, the working group shall submit a
 73 report on its findings and recommendations to the joint standing
 74 committee of the General Assembly having cognizance of matters
 75 relating to banking, in accordance with the provisions of section 11-4a
 76 of the general statutes. The working group shall terminate on the date
 77 that it submits such report or February 1, 2024, whichever is later.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2022	36a-145(o)
Sec. 2	October 1, 2022	36a-412(d)
Sec. 3	October 1, 2022	New section

BA *Joint Favorable Subst.*

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 the Department of Banking to add additional considerations in the approval of certain loan production offices and establishes a working group, has no fiscal impact to the state or municipalities.

The Out Years**State Impact:** None**Municipal Impact:** None

OLR Bill Analysis**sSB 178*****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 a 13-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 February 1, 2024.

EFFECTIVE DATE: October 1, 2022

WORKING GROUP***Purpose***

Under the bill, the working group must examine CRA, including monitoring proposed changes to it, and make recommendations and submit comments to federal regulators and Connecticut's federal legislative delegation. The working group must also recommend ways to incentivize banks and credit unions to open branches in communities without adequate banking services and 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 February 1, 2024. The group terminates on the date it submits the report, or February 1, 2024, whichever is later.

Membership

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 (presumably, designated by the respective organizations);
4. a representative of Connecticut banks, appointed by the House minority leader;
5. a representative of Connecticut credit unions, appointed by the Senate minority leader; and
6. two representatives of organizations representing the interest of low- and moderate-income communities without adequate banking services, one each appointed by the House speaker and Senate president pro tempore.

All initial appointments to the working group must be made by October 31, 2022. The appointing authority must fill any vacancies.

Under the bill, the Banking Committee’s chairpersons serve as the group’s chairpersons and schedule the working group’s first meeting by November 30, 2022. The Banking Committee’s 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 performance 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 17 Nay 0 (03/08/2022)