

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5216

Title: AN ACT CONCERNING LOW COST BANK ACCOUNTS.

Vote Date: 3/8/2022

Vote Action: Joint Favorable Substitute

PH Date: 3/1/2022

File No.:

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SPONSORS OF BILL:

BANKING COMMITTEE

REASONS FOR BILL:

The main purpose of the original bill was to establish a “basic banking account” to allow for currently unbanked and underbanked citizens of Connecticut to have a safe and affordable bank account, without fear of fees associated with it. Currently, countless citizens in Connecticut do not have bank accounts because they cannot risk paying fees associated with them, including but not limited to overdraft, nonsufficient funds for account activation, debit card, ATM access, etc. This bill would require financial institutions to offer a bank account that does not contain any of these fees, allowing more Connecticut citizens access to a bank account that will allow them to seek gainful employment, build their credit, and seek housing opportunities, amongst other opportunities beneficial to any citizen of Connecticut.

The substitute language largely kept the overall premise of the raised bill. The substitute language made the following technical language changes: in lines 25-26, it separated “insufficient funds” from “account activation fees”; in line 26, it separated “inactivity” and “low balance”. It struck lines 34-39, which outlined that if it is not one of the fees specified as being not allowed, the financial institution may impose fees for other services, if the fee is not higher than it would be for another type of banking account. The substitute language also struck provision (f), which would have required financial institutions to change the names of their share draft banking account if it was known as a “basic bank account.”

RESPONSE FROM ADMINISTRATION/AGENCY:

None expressed.

NATURE AND SOURCES OF SUPPORT:

Tori Hamilton, Bank on CT Program Manager, Connecticut Association for Human Services:

Ms. Hamilton urged support of this bill and encourages financial institutions to consider partnering with Bank on CT. Bank on CT's goal is to connect unbanked and underbanked citizens of Connecticut to affordable, certified checking accounts offered by their partners. "One overdraft fee could literally mean that a family goes without groceries for the rest of the week."

Annie Harper: Ms. Harper testified that it is time for Connecticut to create financial services that work for everyone. In conducting her research, she has discovered that there are strong associations between financial stress and mental and physical health. "Without access to safe, affordable financial services, it is close to impossible for people to climb out of poverty." Everyone should be able to access a safe and affordable bank account. Giving people access to a safe and affordable bank accounts allows residents to receive employment, housing, opportunities to build credit, and develop a relationship with a financial institution that can serve their needs, all things that would be impossible if they did not have a bank account.

NATURE AND SOURCES OF OPPOSITION:

Tom Mongellow; Art Corey; Fritz Conway, Connecticut Bankers Association: This bill would put state-chartered banks at a competitive disadvantage to federal bank counterparts because this bill would be preempted by federal laws and regulations. They believe that instead of mandates, financial institutions should be incentivized to establish basic banking accounts. An example given is by giving financial institutions a credit, under Connecticut's community reinvestment statute, for providing basic bank accounts. Arguments expressed for this would be that it aligns with federal statute, which would "help promote the adoption and maintenance of basic bank accounts by state-chartered banks."

Reported by: Jack Weitsen / Dawn Marzik

Date: 3/21/22