

Banking Committee JOINT FAVORABLE REPORT

Bill No.: SB-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

Title: GROUP TO EXAMINE THE COMMUNITY REINVESTMENT ACT.

Vote Date: 3/8/2022

Vote Action: Joint Favorable Substitute

PH Date: 3/1/2022

File No.: 50

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SPONSORS OF BILL:

Banking Committee

REASONS FOR BILL:

We needed to give DOB the ability to consider banks' compliance with, and rating under, the Community Reinvestment Act prior to approving certain loan production offices and establishing a working group to examine the Community Reinvestment Act (CRA). This will prevent the circumvention of CRA rating limitations of out-of-state banks and "help ensure that only responsible out-of-state, state-chartered bank's receive permission to the access Connecticut's loan markets and provide the additional consumer protections these laws were designed to do" (Matt Smith, CT Dept of Banking).

RESPONSE FROM ADMINISTRATION/AGENCY:

Matt Smith, Director of Government Relations and Consumer Affairs, CT Department of Banking: The CT Dept of Banking supports sections 1 and 2 of the proposed legislation which would "allow for the Commissioner to consider an out-of-state, state-chartered bank's (CRA) rating when reviewing an application to open a Loan Production Office in the state." However, when considering section 3 of the proposal which "establishes a working group to examine the Community Reinvestment Act, the Department believes that establishment of such a working group is a good idea, but premature to do so this session." This is because the Federal Regulatory agencies have now committed to working together to propose new rules that would modernize the CRA and such new rules are estimated to be published within the next year. The Department asks the committee to delay the forming of this task force until the issuing of the new rules. This will provide guidance and context for the state in its

reviewing of the CRA and eliminate the risk of determining new regulations that could be in direct conflict with any federal rules that may be adopted and would therefore avoid any resulting industry confusion.

NATURE AND SOURCES OF SUPPORT:

Raphael L. Podolsky, CT Legal Services: Mr.Podolsky stated that this bill requires the Banking Commissioner to consider a bank's record of compliance with the federal Community Reinvestment Act (CRA) before approving the opening of loan production offices in Connecticut. The purpose of the CRA is to make sure that banks are providing services throughout the community and engaging.

Jeff Gentes, CT Fair Housing Center: Mr.Gentes stated that due to the disparities in the mortgage lending market which often result in discriminatory lending practices targeting primarily Black and Latino communities, the CT Fair Housing Center "supports giving the Department of Banking the power to deny applications from lenders who fail CRA exams for loan production offices".

NATURE AND SOURCES OF OPPOSITION:

None expressed

Reported by: Hillary Desideraggio / Dawn Marzik Date: March 21, 2022