
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)