



Substitute Senate Bill No. 1033

Public Act No. 23-126

AN ACT CONCERNING VARIOUS REVISIONS TO THE BANKING STATUTES.

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

Section 1. Section 36a-555 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

As used in this section and sections 36a-556 to 36a-573, inclusive, as amended by this act:

(1) "Advertise" or "advertising" means any announcement, statement, assertion or representation that is placed before the public in a newspaper, magazine or other publication, in the form of a notice, circular, pamphlet, letter or poster, over any radio or television station, by means of the Internet, by other electronic means of distributing information, by personal contact, or in any other way or medium;

(2) "APR" means the annual percentage rate for the loan calculated according to the provisions of the federal [Truth-in-Lending Act, 15 USC 1601 et seq.] Military Lending Act, 10 USC 987, as amended from time to time, and the regulations promulgated thereunder. [, and the "disclosed APR" shall mean the APR disclosed, as applicable, pursuant to 12 CFR Section 1026.6 or 12 CFR Section 1026.18. If more than one APR is disclosed pursuant to 12 CFR Section 1026.6, the "disclosed APR"

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shall be the highest APR disclosed pursuant to said section] For the purpose of calculating the APR, each of the following shall be deemed to be a finance charge: (A) A charge set forth in 32 CFR 232.4(c)(1), as amended from time to time, (B) a charge for any ancillary product, membership or service sold in connection or concurrent with a small loan, (C) any amount offered or agreed to by a borrower in furtherance of obtaining credit or as compensation for the use of money, and (D) any fee, voluntarily or otherwise, charged, agreed to or paid by a borrower in connection or concurrent with a small loan;

(3) "Branch office" means a location other than the main office where the licensee, or any person on behalf of the licensee, will engage in activities that require a small loan license;

(4) "Connecticut borrower" means any borrower who resides in or maintains a domicile in this state and who (A) negotiates or agrees to the terms of the small loan in person, by mail, by telephone or via the Internet while physically present in this state, (B) enters into or executes a small loan agreement with the lender in person, by mail, by telephone or via the Internet while physically present in this state, or (C) makes a payment on the loan in this state. For purposes of this subdivision, "payment on the loan" includes a debit on an account the borrower holds in a branch of a financial institution or the use of a negotiable instrument drawn on an account at a financial institution. For purposes of this subdivision, "financial institution" means any bank or credit union chartered or licensed under the laws of this state, any other state or the United States; [and having its main office or a branch office in this state;]

(5) "Control person" means an individual that directly or indirectly exercises control over another person, and includes any person that (A) is a director, general partner or executive officer, [;] (B) in the case of a corporation, directly or indirectly has the right to vote ten per cent or more of a class of any voting security or has the power to sell or direct the sale of ten per cent or more of any class of voting securities, [;] (C) in

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the case of a limited liability company, is a managing member, [;] or (D) in the case of a partnership, has the right to receive upon dissolution, or has contributed, ten per cent or more of the capital. For purposes of this subdivision, "control" means the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract or otherwise;

(6) "Generating leads" means (A) engaging in the business of selling leads for small loans, [;] (B) generating or augmenting leads for small loans for other persons for or with the expectation of compensation or gain, [;] or (C) referring consumers to other persons for a small loan for or with the expectation of compensation or gain for such referral, except "generating leads" shall not include generating or augmenting leads for small loans for an exempt person, as described in subsection (b) of section 36a-557, as amended by this act, using the exempt person's data or customer information;

(7) "Lead" means any information identifying a potential consumer of a small loan;

(8) "Main office" means the main address designated on the system;

(9) "Open-end small loan" has the same meaning as "open-end credit", as defined in 12 CFR 1026.2, as amended from time to time;

(10) "Person" means a natural person, corporation, company, limited liability company, partnership or association;

(11) "Small loan" (A) means any loan of money or extension of credit, or the purchase of, or an advance of money on, a borrower's [future income where the following conditions are present: (A) The] future potential source of money, including, but not limited to, future pay, salary, pension income or a tax refund, if (i) the amount or value is [fifteen] fifty thousand dollars or less, [;] and [(B)] (ii) the APR is greater than twelve per cent, [. For purposes of this subdivision, "future income"

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means any future potential source of money, and expressly includes, but is not limited to, a future pay or salary, pension or tax refund. For purposes of this section and sections 36a-556 to 36a-573, inclusive, "small loan" shall and (B) does not include [:] (i) [A] a retail installment contract made in accordance with section 36a-772, [;] (ii) a loan or extension of credit for agricultural, commercial, industrial or governmental use, [;] (iii) a residential mortgage loan, as defined in section 36a-485, [;] or (iv) an open-end credit account that is accessed by a credit card issued by an exempt entity, as described in subdivision (1) of subsection (b) of section 36a-557, as amended by this act;

(12) "Trigger lead" means a consumer report obtained pursuant to Section 604(C)(1)(B) of the Fair Credit Reporting Act, 15 USC 1681b, where the issuance of the report is triggered by an inquiry made with a consumer reporting agency in response to an application for credit. "Trigger lead" does not include a consumer report obtained by a small loan lender that holds or services existing indebtedness of the applicant who is the subject of the report; and

(13) "Unique identifier" means a number or other identifier assigned by protocols established by the system.

Sec. 2. Section 36a-556 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) Without having first obtained a small loan license from the commissioner pursuant to section 36a-565, no person shall, by any method, including, but not limited to, mail, telephone, Internet or other electronic means, unless exempt pursuant to section 36a-557, as amended by this act:

(1) Make a small loan to a Connecticut borrower;

(2) Offer, solicit, broker, directly or indirectly arrange, place or find a small loan for a prospective Connecticut borrower;

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(3) Engage in any other activity intended to assist a prospective Connecticut borrower in obtaining a small loan, including, but not limited to, generating leads;

(4) Receive payments of principal and interest in connection with a small loan made to a Connecticut borrower;

(5) Purchase, acquire or receive assignment of a small loan made to a Connecticut borrower; and

(6) Advertise or cause to be advertised in this state a small loan or any of the services described in subdivisions (1) to (5), inclusive, of this subsection.

(b) No person shall accept any lead, referral or application for a small loan to a prospective Connecticut borrower from a person who is not (1) licensed pursuant to section 36a-565, or (2) exempt from licensure pursuant to section 36a-557, as amended by this act.

(c) No person shall sell, transfer, pledge, assign or otherwise dispose of any small loan made to a Connecticut borrower to any person who is not (1) licensed pursuant to section 36a-565, or (2) exempt from licensure pursuant to section 36a-557, as amended by this act.

(d) Any person who purports to act as an agent, service provider or in another capacity for a person who is exempt from licensure pursuant to subsection (a) or (b) of section 36a-557, as amended by this act, shall require licensure pursuant to subsection (a) of this section if: (1) Such person holds, acquires or maintains, directly or indirectly, the predominant economic interest in a small loan; (2) such person markets, brokers, arranges or facilitates the loan and holds the right, requirement or right of first refusal to purchase the small loans, receivables or interests in the small loans; or (3) the totality of the circumstances indicate that such person is the lender and the transaction is structured to evade the requirements of sections 36a-555 to 36a-573, inclusive, as

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amended by this act. Circumstances weighing in favor of deeming a person a lender who shall be licensed under sections 36a-555 to 36a-573, inclusive, as amended by this act, include, but are not limited to, the person: (A) Indemnifying, insuring or protecting an exempt person for any costs or risks related to a small loan; (B) predominantly designing, controlling or operating a small loan program; or (C) purporting to act as an agent, service provider or in another capacity for an exempt person in this state while acting directly as a lender in another state.

Sec. 3. Section 36a-557 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) The following persons are exempt from the requirement for licensure set forth in section 36a-556, as amended by this act:

(1) A licensed pawnbroker;

(2) A person licensed as a consumer collection agency in accordance with section 36a-801 when engaged in the activities of a consumer collection agency in the normal course of business;

(3) A person who services small loans for an exempt person described in subsection (b) of this section, when such exempt person owns the small loans, provided the servicing arrangements include, in addition to receiving payments of principal and interest in connection with the small loans, the provision of accounting, recordkeeping and data processing services and such person does not engage in the activities set forth in subsection (d) of section 36a-556, as amended by this act;

(4) A person who is a passive buyer of a small loan. For purposes of this subdivision, "passive buyer" means a person who: (A) Has acquired a small loan for investment purposes from a person who is either licensed or exempt from licensure under subdivisions (1) to (3), inclusive, of subsection (b) of this section; (B) will receive the principal and interest and any other moneys due under the small loan through a

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person who is either licensed or exempt from licensure under subdivisions (1) to (3), inclusive, of subsection (b) of this section; and (C) has had and will have no communications of any kind with the Connecticut borrower regarding the small loan it has acquired;

(5) A consumer reporting agency, as defined in Section 603(f) of the Fair Credit Reporting Act, 15 USC 1681a, as amended from time to time, when generating leads; and

(6) A retail seller who offers, extends or facilitates credit through an open-end or closed-end credit plan for the purchase of goods or services from such retail seller.

(b) The following persons are exempt from the provisions of sections 36a-555 to 36a-573, inclusive, as amended by this act:

(1) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured;

(2) Any wholly-owned subsidiary of such bank or credit union; and

(3) Any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same bank or credit union.

(c) Loans made by an exempt person described in subsection (b) of this section shall be exempt from the provisions of sections 36a-555 to 36a-573, inclusive, as amended by this act, including, without limitation, the provisions applicable to licensed persons, even if: (1) The exempt person utilizes the services of a person exempt from licensing or required to be licensed pursuant to section 36a-556, as amended by this act, in connection with the small loans that are made or offered to be made by the exempt person described in subsection (b) of this section; and (2) a person exempt from licensing or required to be licensed pursuant to section 36a-556, as amended by this act, engages in activities

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intended to assist a prospective Connecticut borrower or a Connecticut borrower in obtaining a small loan that is made or offered to be made by an exempt person described in subsection (b) of this section. Nothing in this subsection shall be construed as exempting persons required to be licensed pursuant to section 36a-556, as amended by this act, from the requirements to obtain and maintain a license or from the provisions of sections 36a-562 to 36a-573, inclusive. Notwithstanding the foregoing, no person licensed or required to be licensed under section 36a-556, as amended by this act, shall engage in any of the activities described in subsection (a) of section 36a-556, as amended by this act, for any small loan that has [a disclosed] an APR in excess of thirty-six per cent if that small loan contains any condition or provision inconsistent with the requirements of subsections (d) to (g), inclusive, of section 36a-558, as amended by this act. This subsection shall not apply to loans described in subsection (d) of section 36a-556, as amended by this act.

Sec. 4. Subsections (d) to (f), inclusive, of section 36a-558 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(d) Small loans that are the subject of the activities set forth in subsections (a) and (b) of this section shall not contain:

(1) For a small loan that is under five thousand dollars, an [annual percentage rate] APR that exceeds the lesser of thirty-six per cent or the maximum annual percentage rate for interest that is permitted with respect to the consumer credit extended under the Military Lending Act, 10 USC 987, [et seq.] as amended from time to time, or for a small loan that is between five thousand and [fifteen] fifty thousand dollars, an [annual percentage rate] APR that exceeds twenty-five per cent;

(2) For other than an open-end small loan, a provision that increases the interest rate due to payment default;

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(3) A payment schedule with regular periodic payments that when aggregated do not fully amortize the outstanding principal balance;

(4) A payment schedule with regular periodic payments that cause the principal balance to increase;

(5) A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds, unless such payments are required to be escrowed by a governmental agency;

(6) A prepayment penalty;

(7) An adjustable rate provision;

(8) A waiver of participation in a class action or a provision requiring a borrower, whether acting individually or on behalf of others similarly situated, to assert any claim or defense in a nonjudicial forum that: (A) Utilizes principles that are inconsistent with the law as set forth in the general statutes or common law; or (B) limits any claim or defense the borrower may have;

(9) A call provision that permits the lender, in its sole discretion, to accelerate the indebtedness, except when repayment of the loan is accelerated by a bona fide default pursuant to a due-on-sale clause;

(10) A security interest, except as provided in subsection (e) of this section; or

(11) Fees or charges of any kind, except as expressly permitted by subsection (e) of this section.

(e) Small loans as described in subsections (a) and (b) of this section may contain provisions:

(1) For late fees, if: (A) Such fees are assessed after an installment remains unpaid for ten or more consecutive days, including Sundays

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and holidays; (B) such fees do not exceed five per cent of the outstanding installment payment, excluding any previously assessed late fees, or a total of twenty-five dollars per month, whichever is less; and (C) no interest is charged on such fees;

(2) Allowing charges for a dishonored check or any other form of returned payment, provided the total fee for such returned payment shall not exceed twenty dollars;

(3) Allowing for collection of deferral charges, but only upon the specific written authorization of the borrower and in a total amount not to exceed the interest due during the applicable billing cycle;

(4) Allowing for the accrual of interest after the maturity date or the deferred maturity date, provided such interest shall not exceed twelve per cent per annum computed on a daily basis on the respective unpaid balances;

(5) Providing for reasonable attorney's fees subject to the conditions and restrictions set forth in section 42-150aa;

(6) Including credit life insurance or credit accident and health insurance subject to the conditions and restrictions set forth in section 36a-559; and

(7) Taking a security interest in a motor vehicle in connection with a closed-end small loan made solely for the purchase or refinancing of such motor vehicle, provided the APR of such loan shall not exceed the rates indicated for the respective classifications of motor vehicles as follows: (A) New motor vehicles, fifteen per cent; (B) used motor vehicles of a model designated by the manufacturer by a year not more than two years prior to the year in which the sale is made, seventeen per cent; and (C) used motor vehicles of a model designated by the manufacturer by a year more than two years prior to the year in which the sale is made, nineteen per cent.

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(f) Open-end small loans as described in subsections (a) and (b) of this section shall, in addition to the requirements set forth in subsections (d) and (e) of this section:

(1) Not provide for an advance of money exceeding at any one time an unpaid principal of [~~fifteen~~] fifty thousand dollars;

(2) Provide for payments and credits to be made to the same borrower's account from which advances, interests, charges and costs on such loan are debited;

(3) Provide for interest to be computed on any unpaid principal balance of the account in each billing cycle by one of the following methods: (A) By converting the APR to a daily rate and multiplying such daily rate by the daily unpaid principal balance of the account, in which case the daily rate is determined by dividing the APR by three hundred sixty-five; or (B) by converting the APR to a monthly rate and multiplying the monthly rate by the average daily unpaid principal balance of the account in the billing cycle, in which case (i) the monthly rate is determined by dividing the APR by twelve, and (ii) the average daily unpaid principal balance is the sum of the amount unpaid each day during the cycle divided by the number of days in the cycle. In either of such computations, the billing cycle shall be monthly and the unpaid principal balance on any day shall be determined by adding to any balance unpaid as of the beginning of such day all advances and other permissible amounts charged to the borrower and deducting all payments and other credits made or received that day;

(4) Not compound interest or charges by adding any unpaid interest or charges authorized by sections 36a-555 to 36a-573, inclusive, as amended by this act, to the unpaid principal balance of the borrower's account; or

(5) Not include any other fees or charges of any kind, except as

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expressly permitted by subsection (g) of this section.

Sec. 5. Section 36a-560 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

No licensee shall:

(1) Cause a borrower, including, but not limited to, a comaker or guarantor, to owe at any time more than [fifteen] fifty thousand dollars in principal on one or more small loans;

(2) Induce or permit a borrower to split or divide any small loan or loans, or induce or permit a borrower to become obligated, directly or indirectly, under more than one contract of loan at the same time, primarily for the purpose of obtaining rates or charges that would otherwise be prohibited by any applicable provision of sections 36a-555 to 36a-573, inclusive, as amended by this act;

(3) Take any (A) confession of judgment, (B) power of attorney, (C) note or promise to pay that does not state the actual amount of the loan, the time period for which the loan is made and the charges for such loan, or (D) instrument related to the loan in which blanks are left to be filled after the loan is made;

(4) Offer the borrower any other product or service for which there is or will ever be any cost to the borrower in connection with a small loan unless (A) permitted by sections 36a-555 to 36a-573, inclusive, as amended by this act, (B) authorized under another license, or by applicable exemption from any requirement for such licensure, to offer such product or services, or (C) if no separate license or exemption therefrom is required to offer such product or services, authorized in advance, in writing, by the commissioner upon being satisfied that such other product or service is of such a character that the granting of such authority would not permit or easily facilitate evasion of the provisions of sections 36a-555 to 36a-573, inclusive, as amended by this act, or of

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any regulations promulgated thereunder; or

(5) Renew or refinance a small loan unless the renewal or refinancing of the loan will result in a distinct advantage to the borrower, provided restoration to a contractually up-to-date condition shall not, in itself, constitute a distinct advantage to the borrower.

Sec. 6. Subsection (c) of section 36a-770 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(c) Definitions. As used in this section and sections [36a-770] 36a-771 to 36a-788, inclusive, 42-100b and 42-100c, unless the context otherwise requires:

(1) "Boat" means any watercraft, as defined in section 22a-248, other than a seaplane, used or capable of being used as a means of transportation on water, by any power including muscular.

(2) "Cash price" means the total amount in dollars at which the seller and buyer agreed the seller would transfer unqualified title to the goods, if the transaction were a cash sale instead of a sale under a retail installment contract.

(3) "Commercial vehicle" means any domestic or foreign truck or truck tractor of ten thousand or more pounds gross vehicular weight or any trailer or semitrailer designed for use in connection with any truck or truck tractor of ten thousand or more pounds gross vehicular weight and which is not used primarily for personal, family or household use.

(4) "Filing fee" means the fee prescribed by law for filing, recording or otherwise perfecting and releasing or satisfying a security interest, as defined in subdivision (35) of subsection (b) of section 42a-1-201, retained or created by a retail installment contract or installment loan contract.

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(5) "Finance charge" means the amount in excess of the cash price of the goods agreed upon by the retail seller and the retail buyer, to be paid by the retail buyer for the privilege of purchasing the goods under the retail installment contract or installment loan contract.

(6) "Goods" means (A) "consumer goods", as defined in subdivision (23) of subsection (a) of section 42a-9-102 and motor vehicles included under such definition, having an aggregate cash price of [~~fifty~~] seventy-five thousand dollars or less, and (B) "equipment", as defined in subdivision (33) of subsection (a) of section 42a-9-102, having an aggregate cash price of [~~sixteen~~] twenty-five thousand dollars or less, provided such consumer goods or such equipment is included in one retail installment contract or installment loan contract.

(7) "Installment loan contract" means any agreement made in this state to repay in installments the amount loaned or advanced to a retail buyer for the purpose of paying the retail purchase price of goods and by virtue of which a security interest, as defined in subdivision (35) of subsection (b) of section 42a-1-201, is taken in the goods for the payment of the amount loaned or advanced. For purposes of this subdivision, "installment loan contract" does not include agreements to repay in installments loans made by the United States or any department, agency or instrumentality thereof.

(8) "Lender" means a person who extends or offers to extend credit to a retail buyer under an installment loan contract.

(9) A retail installment contract or installment loan contract is "made in this state" if: (A) An offer or agreement is made in Connecticut by a retail seller or a lender to sell or extend credit to a resident retail buyer, including, but not limited to, any verbal or written solicitation or communication to sell or extend credit originating outside the state of Connecticut but forwarded to and received in Connecticut by a resident retail buyer; or (B) an offer to buy or an application for extension of

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credit, or an acceptance of an offer to buy or to extend credit, is made in Connecticut by a resident retail buyer, regardless of the situs of the contract which may be specified therein, including, but not limited to, any verbal or written solicitation or communication to buy or to have credit extended, originating within the state of Connecticut but forwarded to and received by a retail seller or a lender outside the state of Connecticut. For purposes of this subdivision, a "resident retail buyer" means a retail buyer who is a resident of the state of Connecticut.

(10) "Motor vehicle" means any device in, upon or by which any person or property is or may be transported or drawn upon a highway by any power other than muscular. For purposes of this subdivision, "motor vehicle" does not include self-propelled wheelchairs and invalid tricycles, tractors, power shovels, road machinery, implements of husbandry and other agricultural machinery, or other machinery not designed primarily for highway transportation but which may incidentally transport persons or property on a highway, or devices which move upon or are guided by a track or travel through the air.

(11) "Retail buyer" means a person who buys or agrees to buy one or more articles of goods from a retail seller not for the purpose of resale or lease to others in the course of business and who executes a retail installment contract or an installment loan contract in connection therewith.

(12) "Retail installment contract" means any security agreement, as defined in subdivision (74) of subsection (a) of section 42a-9-102, made in this state, including one in the form of a mortgage, conditional sale contract or other instrument evidencing an agreement to pay the retail purchase price of goods, or any part thereof, in installments over a period of time and pursuant to which a security interest, as defined in subdivision (35) of subsection (b) of section 42a-1-201, is retained or taken by the retail seller for the payment of the amount of such retail installment contract. For purposes of this subdivision, "retail installment

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contract" does not include a rent-to-own agreement, as defined in section 42-240.

(13) "Retail installment sale" means any sale evidenced by a retail installment contract or installment loan contract wherein a retail buyer buys goods from a retail seller at a time sale price payable in two or more installments. The cash price of the goods, the amount, if any, included for other itemized charges which are included in the amount of the credit extended but which are not part of the finance charge under sections 36a-675 to 36a-686, inclusive, and the finance charge shall together constitute the time sale price. For purposes of this subdivision, "retail installment sale" does not include a rent-to-own agreement, as defined in section 42-240.

(14) "Retail seller" means a person who sells or agrees to sell one or more articles of goods under a retail installment contract or an installment loan contract to a retail buyer.

(15) "Sales finance company" means any person engaging in this state in the business, in whole or in part, of (A) acquiring retail installment contracts [from retail sellers] or installment loan contracts from holders thereof, by purchase, discount or pledge, or by loan or advance to the holder of either on the security thereof, or otherwise, or (B) receiving payments of principal and interest from a retail buyer under a retail installment contract or installment loan contract.

Sec. 7. (NEW) (*Effective October 1, 2023*) (a) As used in this section:

(1) "Borrower" means a debtor, retail buyer or lessee under a loan, retail installment contract or lease for the purchase, refinancing or lease of a motor vehicle;

(2) "Creditor" means a lender, retail seller or lessor under a loan, retail installment contract or lease for the purchase, refinancing or lease of a motor vehicle;

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(3) "Debt waiver" means an excess wear and use waiver or guaranteed asset protection waiver other than an excess wear and use waiver or guaranteed asset protection waiver offered by any bank, Connecticut credit union or federal credit union, as those terms are defined in section 36a-2 of the general statutes, as amended by this act;

(4) "Excess wear and use waiver" means a contractual agreement, entered into on or after January 1, 2024, in which a creditor agrees, with or without a separate charge, to cancel or waive all or part of the amounts that may become due from a borrower under a motor vehicle lease agreement as a result of excessive wear and use of a leased motor vehicle, including, but not limited to, excess mileage, which contractual agreement is a part of, or a separate addendum to, the lease agreement; and

(5) "Guaranteed asset protection waiver" means a contractual agreement, entered into on or after January 1, 2024, in which a creditor agrees, with or without a separate charge, to cancel or waive all or part of the amounts due from a borrower under a retail installment contract or an installment loan contract in the event of a total physical damage loss or an unrecovered theft of a motor vehicle, which agreement is a part of, or a separate addendum to, the retail installment contract or installment loan contract, and which may provide, with or without a separate charge, a benefit that waives an amount or provides a borrower with a credit toward the purchase of a replacement motor vehicle.

(b) A debt waiver shall not be considered insurance for any purpose and shall not be subject to the refund requirements set forth in section 36a-773 of the general statutes.

(c) Any amount charged or financed for a debt waiver is an authorized charge that shall be separately stated and shall not be construed to be a finance charge or interest.

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(d) (1) Each debt waiver shall be cancellable and shall provide the following:

(A) If the borrower cancels such waiver not later than the sixtieth day after the effective date of such waiver and no benefits have been provided under such waiver, the borrower shall be entitled to a full refund of the amount the borrower paid for such waiver;

(B) If the borrower cancels such waiver later than the sixtieth day after the effective date of such waiver, or if there is an early termination of the retail installment contract, installment loan or motor vehicle lease agreement, and no benefits have been provided under such waiver, the borrower shall be entitled to a pro rata refund of the amount the borrower paid for such waiver, less any cancellation fee included in the terms of the waiver; and

(C) If the borrower cancels such waiver at any time during its term and benefits have been provided under such waiver, the borrower shall not be entitled to any refund.

(2) Any debt waiver cancellation fee shall be included in the terms of the waiver and shall not exceed fifty dollars.

(e) A creditor shall provide, or shall cause a retail seller to provide, a refund due to a borrower pursuant to this section not later than sixty days after the creditor receives the borrower's cancellation concerning such refund, without requiring the borrower to request the refund.

Sec. 8. Subsection (a) of section 36a-338 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

(a) On each call report date, each qualified public depository shall file with the commissioner a written report, certified under oath unless such report is filed electronically, indicating (1) the qualified public

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depository's tier one leverage ratio and risk-based capital ratio or net worth ratio, as determined in accordance with applicable federal regulations and regulations adopted by the commissioner in accordance with chapter 54, (2) the uninsured and total amount of public deposits held by the qualified public depository other than deposits that have been redeposited into the qualified public depository by another insured depository institution pursuant to a reciprocal deposit arrangement that makes such funds eligible for insurance coverage by the Federal Deposit Insurance Corporation or the National Credit Union Administration, (3) the description and market value of any eligible collateral segregated and designated to secure the uninsured public deposits in accordance with sections 36a-330 to 36a-338, inclusive, as amended by this act, and (4) the amount and the name of the issuer of any letter of credit issued pursuant to section 36a-337. Each depository shall furnish a copy of its most recent report to any public depositor having public funds on deposit in the depository, upon request of the depositor. Any public depository which refuses or neglects to furnish any report or give any information as required by this section shall no longer be a qualified public depository and shall be excluded from the right to receive public deposits.

Sec. 9. Subsection (b) of section 36a-486 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(b) (1) No person licensed as a mortgage lender, mortgage correspondent lender or mortgage broker shall engage the services of a mortgage loan originator or of a loan processor or underwriter required to be licensed under this section unless such mortgage loan originator or loan processor or underwriter is licensed under section 36a-489 or acting pursuant to the temporary authority provided in subsection (e) of this section. No person licensed as a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator

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shall engage the services of a lead generator unless such lead generator is licensed under section 36a-489 or exempt from licensure pursuant to subdivision (5) of this subsection. An individual, unless specifically exempted under subdivision (2) of this subsection or acting pursuant to the temporary authority provided in subsection (e) of this section, shall not engage in the business of a mortgage loan originator on behalf of a licensee or a person exempt under section 36a-487 with respect to any residential mortgage loan without first obtaining and maintaining annually a license as a mortgage loan originator under section 36a-489. An individual, unless specifically exempted under subdivision (2) of this subsection, shall be deemed to be engaged in the business of a mortgage loan originator if such individual: (A) Acts as a mortgage loan originator in connection with any residential mortgage loan on behalf of a licensee or person exempt under section 36a-487; or (B) makes any representation to the public through advertising or other means of communication that such individual can or will act as a mortgage loan originator on behalf of a licensee or person exempt under section 36a-487. Each licensed mortgage loan originator and each licensed loan processor or underwriter shall register with and maintain a valid unique identifier issued by the system. No individual may act as a mortgage loan originator for more than one person at the same time. No loan processor or underwriter licensee may be sponsored by more than one person at a time. The license of a mortgage loan originator or a loan processor or underwriter is not effective during any period when such mortgage loan originator or a loan processor or underwriter is not sponsored by a licensed mortgage lender, mortgage correspondent lender or mortgage broker, or by a person registered as an exempt registrant under subsection (d) of section 36a-487, or during any period in which the license of the mortgage lender, mortgage correspondent lender or mortgage broker with whom such originator or loan processor or underwriter is associated has been suspended. Either the mortgage loan originator, the loan processor or underwriter or the sponsor may file a notification of the termination of sponsorship with the system.

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(2) The following are exempt from this section: (A) A registered mortgage loan originator or an employee of an institution or subsidiary described in section 36a-485, who is not required to be registered under Section 1507 of the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC Section 5101 et seq., when acting for such institution or subsidiary; (B) an individual who offers or negotiates the terms of a residential mortgage loan with or on behalf of an immediate family member of such individual; (C) an individual who offers or negotiates the terms of a residential mortgage loan secured by a dwelling that served as the individual's residence, unless the context demonstrates that such individual engaged in such activities with a degree of habitualness or repetition; (D) a Connecticut licensed attorney who negotiates the terms of a residential mortgage loan on behalf of a client as an ancillary matter to the attorney's representation of the client, unless the attorney is compensated by a mortgage lender, mortgage correspondent lender, mortgage broker or other mortgage loan originator or by any agent of such mortgage lender, mortgage correspondent lender, mortgage broker or other mortgage loan originator; (E) an individual who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan as an employee of a federal, state or local government agency or housing finance agency exempt from licensure pursuant to section 36a-487, and who does so only pursuant to such individual's official duties as an employee of such agency; (F) an individual who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan as an employee of an organization that has obtained bona fide nonprofit status from the commissioner and is exempt from licensure pursuant to section 36a-487, and who does so only pursuant to such individual's official duties as an employee of such organization; and (G) an individual who offers or negotiates the terms of a residential mortgage loan secured by a dwelling that is not the individual's residence but is owned by such individual, unless the context demonstrates that such individual engaged in such activities with a degree of habitualness or repetition.

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(3) No individual shall engage in the activities of a loan processor or underwriter unless such individual obtains and maintains a license as a loan processor or underwriter under section 36a-489. The following individuals are exempt from the foregoing license requirement:

(A) An employee of a licensed mortgage lender, mortgage correspondent lender or mortgage broker who engages in loan processor or underwriter activities (i) in connection with residential mortgage loans either originated or made by such licensee, and (ii) at the direction of and subject to the supervision of a licensed mortgage loan originator of such licensee;

(B) An employee of a person exempt from licensure under subdivision (1), (2) or (3) of subsection (a) of section 36a-487 who engages in loan processor or underwriter activities at the direction of and subject to the supervision of either a licensed mortgage loan originator or a registered mortgage loan originator of such exempt person; or

(C) Any individual engaged, in any capacity, in loan processor or underwriter activities in connection with a residential mortgage loan originated by an individual not required to be licensed or registered as a mortgage loan originator under this part.

(4) An individual engaging solely in loan processor or underwriter activities shall not represent to the public, through advertising or other means of communicating or providing information, including the use of business cards, stationery, brochures, signs, rate lists or other promotional items, that such individual can or will perform any of the activities of a mortgage loan originator.

(5) On and after January 1, 2018, no person shall, directly or indirectly, act as a lead generator without first obtaining a license under section 36a-489, unless such person is exempt from licensure. The

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following persons shall be exempt from licensure as a lead generator:

(A) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured;

(B) Any wholly owned subsidiary of any such bank or credit union;

(C) Any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same such bank or credit union;

(D) Any person licensed as a mortgage lender, mortgage correspondent lender or mortgage broker in this state, provided such exemption shall not be effective during any period in which the license of such person is suspended;

(E) A consumer reporting agency, as defined in Section 603 (f) of the Fair Credit Reporting Act, 15 USC 1681a, as amended from time to time;

(F) An employee of a person licensed as a lead generator or exempt from licensure as a lead generator, while engaged in lead generator activities on behalf of such person; and

(G) An individual employed by an affiliate of a bank or credit union exempt from licensure pursuant to subparagraph (A) of this subdivision, who is registered or licensed with a state or federal regulator to engage in securities brokerage, investment advisory or insurance sales activities and who, incidental to the performance of such regulated activities, performs lead generation activities by referring one or more leads to such bank or credit union. For purposes of this subparagraph, "affiliate" means an entity that is controlled by or is under common control with the bank or credit union, such that the bank or credit union (i) directly or indirectly acting through one or more other persons owns, controls or has the power to vote more than fifty per cent of any class of voting securities of the affiliate, (ii) controls in any

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manner the election of a majority of directors or trustees of the affiliate, or (iii) directly or indirectly exercises a controlling influence over the management or policies of the affiliate.

Sec. 10. Subsection (a) of section 36a-498e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) No person who is required to be licensed and who is subject to this section, sections 36a-485 to [36a-498e] 36a-498d, inclusive, 36a-534a and 36a-534b, may, directly or indirectly:

(1) Employ any scheme, device or artifice to defraud or mislead borrowers or lenders or to defraud any person;

(2) Engage in any unfair or deceptive practice toward any person;

(3) Obtain property by fraud or misrepresentation;

(4) Solicit or enter into a contract with a borrower that provides in substance that such person or individual may earn a fee or commission through "best efforts" to obtain a loan even though no loan is actually obtained for the borrower;

(5) Solicit, advertise or enter into a contract for specific interest rates, points or other financing terms unless the terms are actually available at the time of soliciting, advertising or contracting;

(6) Conduct any business as a mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, mortgage loan originator or loan processor or underwriter without holding a valid license as required under this section, sections 36a-485 to [36a-498e] 36a-498d, inclusive, 36a-498h, 36a-534a and 36a-534b or assist or aid and abet any person in the conduct of business as a mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, mortgage loan

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originator or loan processor or underwriter without a valid license as required under said sections;

(7) Fail to make disclosures as required by this section, sections 36a-485 to [36a-498e] 36a-498d, inclusive, 36a-498h, 36a-534a and 36a-534b and any other applicable state or federal law including regulations adopted thereunder;

(8) Fail to comply with this section, sections 36a-485 to [36a-498e] 36a-498d, inclusive, 36a-498h, 36a-534a and 36a-534b or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations adopted thereunder, applicable to any business authorized or conducted under said sections;

(9) Make, in any manner, any false or deceptive statement or representation including, with regard to the rates, points or other financing terms or conditions for a residential mortgage loan, or engage in bait and switch advertising;

(10) Negligently make any false statement or knowingly and wilfully make any omission of material fact in connection with any information or reports filed with a governmental agency or the system, as defined in section 36a-2, as amended by this act, or in connection with any investigation conducted by the commissioner or another governmental agency;

(11) Make any payment, threat or promise, directly or indirectly, to any person for the purposes of influencing the independent judgment of the person in connection with a residential mortgage loan as defined in section 36a-485 or make any payment, threat or promise, directly or indirectly, to any appraiser of a property, for the purposes of influencing the independent judgment of the appraiser with respect to the value of the property;

(12) Collect, charge, attempt to collect or charge or use or propose any

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agreement purporting to collect or charge any fee prohibited by this section, sections 36a-485 to [36a-498e] 36a-498d, inclusive, 36a-498h, 36a-534a and 36a-534b;

(13) Cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer; or

(14) Fail to truthfully account for moneys belonging to a party to a residential mortgage loan transaction.

Sec. 11. Subsection (a) of section 36a-719 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) The commissioner shall issue a mortgage servicer license to an applicant for such license if the commissioner finds that: (1) The applicant has identified a qualified individual for its main office and a branch manager for each branch office where such business is conducted, provided such qualified individual and branch manager have supervisory authority over the mortgage servicer activities at the respective office location and at least three years' experience in the mortgage servicing business within the five years immediately preceding the date of the application for licensure; (2) notwithstanding the provisions of section 46a-80, the applicant, the control persons of the applicant, the qualified individual and any branch manager have not been convicted of or pled guilty or nolo contendere to, in a domestic, foreign or military court, a felony during the seven-year period preceding the date of the application for licensing or a felony involving an act of fraud or dishonesty, a breach of trust or money laundering at any time preceding the date of application, provided any pardon or expungement of a conviction shall not be a conviction for purposes of this subdivision; (3) the applicant demonstrates that the financial responsibility, character and general fitness of the applicant, the control

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persons of the applicant, the qualified individual and any branch manager command the confidence of the community and warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-715 to 36a-719l, inclusive; (4) the applicant has met the surety bond, fidelity bond and errors and omissions coverage requirement under section 36a-719c; (5) the applicant, the control persons of the applicant, the qualified individual and any branch manager have not made a material misstatement in the application; and (6) the applicant has met any other similar requirements as determined by the commissioner. If the commissioner fails to make such findings, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. The commissioner may waive the requirements of subdivision (1) of this subsection relating to the supervision and experience of (A) a qualified individual where the applicant establishes to the satisfaction of the commissioner that the applicant (i) will not conduct any activity subject to licensure under sections 36a-715 to 36a-719l, inclusive, at the main office, and (ii) has designated a qualified individual who is responsible for the actions of the applicant; and (B) a qualified individual or a branch manager where the applicant establishes to the satisfaction of the commissioner that the applicant (i) holds only mortgage servicing rights at the main office or branch office and conducts no other activity at such office, and (ii) has designated a qualified individual or branch manager at such main office or branch office who is responsible for the actions of the application. No person licensed as a mortgage servicer and granted a waiver by the commissioner shall engage in any activity that would have precluded the issuance of such waiver without first designating a qualified individual or branch manager, as the case may be, who meets all applicable requirements of subdivision (1) of this subsection and is approved by the commissioner. For purposes of this subsection, the level of offense of the crime and the status of any conviction, pardon or expungement shall be determined by reference to the law of the

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jurisdiction where the case was prosecuted. In the event such jurisdiction does not use the term "felony", "pardon" or "expungement", such terms shall include legally equivalent events. For purposes of subdivision (1) of this subsection, "experience in the mortgage servicing business" means paid experience in the (I) servicing of mortgage loans, (II) accounting, receipt and processing of payments on behalf of mortgagees or creditors, or (III) supervision of such activities, or any other relevant experience as determined by the commissioner. [, and "at the respective office location" may be established if the qualified individual or branch manager resides not more than one hundred miles from the location of the office or otherwise demonstrates to the satisfaction of the commissioner an ability to provide full-time, in-person supervision of the office.]

Sec. 12. Subdivision (5) of subsection (d) of section 36a-492 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(5) Persons exempt from licensure under subdivision (4) of subsection (a) of section 36a-487 [.] shall file a bond in a penal sum as set forth in section 36a-671d.

Sec. 13. Subsection (e) of section 36a-318 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(e) (1) Except as provided in subdivision (2) of this subsection, each financial institution, upon the closing of a deposit account, shall, not later than ten business days after closing the deposit account, (A) mail a written notice setting forth the reason for closing the deposit account to the depositor at the address the financial institution has on record for the depositor, or (B) if the depositor consented to the delivery of correspondence from the financial institution by electronic mail, send a notice by electronic mail setting forth the reason for closing the deposit

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account to the depositor at the electronic mail address the financial institution has on record for the depositor.

(2) The notice requirements set forth in subdivision (1) of this subsection shall not apply if: (A) The financial institution closes the deposit account because of the financial institution's reasonable belief that the deposit account is being used for fraudulent or other illegal purposes or that one or more depositors are engaging in fraudulent or other illegal activity; (B) the financial institution closes the deposit account because of information it receives indicating that a local, state, or federal law enforcement or regulatory agency is investigating whether any fraudulent or other illegal activity involving the deposit account or any depositor has occurred; (C) the financial institution is asked or directed by any court or local, state or federal law enforcement or regulatory agency to refrain from providing information pertaining to the closing of the deposit account to the depositor; (D) the financial institution is prohibited by state or federal law or regulation from providing such notice; (E) the financial institution has a reasonable belief that providing such notice may put any employee of the financial institution at risk of physical or emotional harm caused by a depositor; [or] (F) the financial institution complies with any state or federal law that requires the financial institution to provide notice to one or more depositors of the closing of the account; (G) the depositor or the depositor's agent, including the depositor's estate representative, closes the deposit account; (H) the deposit account is closed by the financial institution after escheating the balance of the deposit account to the State Treasurer pursuant to part III of chapter 32; (I) the deposit account is closed by a beneficiary or the financial institution after title to the deposit account vests in such beneficiary pursuant to section 36a-296; or (J) the financial institution closes the deposit account in accordance with a notice the financial institution provides to the depositor prior to the closing of the deposit account stating the reason the deposit account will be closed and the time period after which the deposit account will be

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closed.

Sec. 14. Subsections (a) to (e), inclusive, of section 36a-309 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

(a) For purposes of this section:

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

(2) "Basic banking account" means a consumer transaction account that meets the requirements established under subsections (c) and (d) of this section; [and]

(3) "Branch" has the same meaning as provided in section 36a-145; and

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

(b) Except as otherwise provided in this section, on and after July 1, 2023, each banking institution shall make available to consumers residing in the state a basic banking account as described in subsections (c) to (e), inclusive, of this section. No banking institution shall be required to make such basic banking account available at any branch or

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other office such banking institution maintains outside of the state.

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

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

(e) (1) A banking institution that posts, in the public area of its branches and offices in the state, notice of the availability of its consumer transaction accounts other than its basic banking accounts [,] shall also post equally conspicuous notice, in the same public areas of its branches and offices in the state and in the same manner, of the availability of its basic banking accounts. A banking institution that makes available in the public area of its branches and offices in the state material describing

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the terms of its other consumer transaction accounts, other than its basic banking accounts, shall also make comparable descriptive material available, in the same such public area of its branches and offices in the state and in the same manner, for its basic banking account.

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

Sec. 15. Section 36a-2 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

As used in this title, unless the context otherwise requires:

(1) "Affiliate" of a person means any person controlling, controlled by, or under common control with, that person;

(2) "Applicant" with respect to any license or approval provision pursuant to this title means a person who applies for that license or approval;

(3) "Automated teller machine" means a stationary or mobile device that is unattended or equipped with a telephone or televideo device that allows contact with bank personnel, including a satellite device but excluding a point of sale terminal, at which banking transactions, including, but not limited to, deposits, withdrawals, advances, payments or transfers, may be conducted;

(4) "Bank" means a Connecticut bank or a federal bank;

(5) "Bank and trust company" means an institution chartered or

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organized under the laws of this state as a bank and trust company;

(6) "Bank holding company" has the meaning given to that term in 12 USC Section 1841(a), as amended from time to time, except that the term "bank", as used in 12 USC Section 1841(a) includes a bank or out-of-state bank that functions solely in a trust or fiduciary capacity;

(7) "Capital and surplus" has the same meaning as provided in 12 CFR 1.2, as amended from time to time;

[(7)] (8) "Capital stock" when used in conjunction with any bank or out-of-state bank means a bank or out-of-state bank that is authorized to accumulate funds through the issuance of its capital stock;

[(8)] (9) "Client" means a beneficiary of a trust for whom the Connecticut bank acts as trustee, a person for whom the Connecticut bank acts as agent, custodian or bailee, or other person to whom a Connecticut bank owes a duty or obligation under a trust or other account administered by such Connecticut bank, regardless of whether such Connecticut bank owes a fiduciary duty to the person;

[(9)] (10) "Club deposit" means deposits to be received at regular intervals, the whole amount deposited to be withdrawn by the owner or repaid by the bank in not more than fifteen months from the date of the first deposit, and upon which no interest or dividends need to be paid;

[(10)] (11) "Commissioner" means the Banking Commissioner and, with respect to any function of the commissioner, includes any person authorized or designated by the commissioner to carry out that function;

[(11)] (12) "Company" means any corporation, joint stock company, trust, association, partnership, limited partnership, unincorporated organization, limited liability company or similar organization, but does not include (A) any corporation the majority of the shares of which are

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owned by the United States or by any state, or (B) any trust which by its terms shall terminate within twenty-five years or not later than twenty-one years and ten months after the death of beneficiaries living on the effective date of the trust;

[(12)] (13) "Connecticut bank" means a bank and trust company, savings bank or savings and loan association chartered or organized under the laws of this state;

[(13)] (14) "Connecticut credit union" means a cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited as provided in section 36a-438a, as amended by this act, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership;

[(14)] (15) "Connecticut credit union service organization" means a credit union service organization that is (A) incorporated under the laws of this state, located in this state and established by at least one Connecticut credit union, or (B) wholly owned by a credit union that converted into a Connecticut credit union pursuant to section 36a-469b;

[(15)] (16) "Consolidation" means a combination of two or more institutions into a new institution; all institutions party to the consolidation, other than the new institution, are "constituent" institutions; the new institution is the "resulting" institution;

[(16)] (17) "Control" has the meaning given to that term in 12 USC Section 1841(a), as amended from time to time;

[(17)] (18) "Credit union service organization" means an entity organized under state or federal law to provide credit union service organization services primarily to its members, to Connecticut credit unions, federal credit unions and out-of-state credit unions other than

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its members, and to members of any such other credit unions;

[(18)] (19) "Customer" means any person using a service offered by a financial institution;

[(19)] (20) "Demand account" means an account into which demand deposits may be made;

[(20)] (21) "Demand deposit" means a deposit that is payable on demand, a deposit issued with an original maturity or required notice period of less than seven days or a deposit representing funds for which the bank does not reserve the right to require at least seven days' written notice of the intended withdrawal, but does not include any time deposit;

[(21)] (22) "Deposit" means funds deposited with a depository;

[(22)] (23) "Deposit account" means an account into which deposits may be made;

[(23)] (24) "Depositor" includes a member of a mutual savings and loan association;

[(24)] (25) "Director" means a member of the governing board of a financial institution;

[(25)] (26) "Equity capital" means the excess of a Connecticut bank's total assets over its total liabilities, as defined in the instructions of the federal Financial Institutions Examination Council for consolidated reports of condition and income;

[(26)] (27) "Executive officer" means every officer of a Connecticut bank who participates or has authority to participate, otherwise than in the capacity of a director, in major policy-making functions of such bank, regardless of whether such officer has an official title or whether that title contains a designation of assistant and regardless of whether

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such officer is serving without salary or other compensation. The president, vice president, secretary and treasurer of such bank are deemed to be executive officers, unless, by resolution of the governing board or by such bank's bylaws, any such officer is excluded from participation in major policy-making functions, otherwise than in the capacity of a director of such bank, and such officer does not actually participate in such policy-making functions;

[(27)] (28) "Federal agency" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(28)] (29) "Federal bank" means a national banking association, federal savings bank or federal savings and loan association having its principal office in this state;

[(29)] (30) "Federal branch" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(30)] (31) "Federal credit union" means any institution chartered or organized as a federal credit union pursuant to the laws of the United States having its principal office in this state;

[(31)] (32) "Fiduciary" means a person undertaking to act alone or jointly with others primarily for the benefit of another or others in all matters connected with its undertaking and includes a person acting in the capacity of trustee, executor, administrator, guardian, assignee, receiver, conservator, agent, custodian under the Connecticut Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting in any other similar capacity;

[(32)] (33) "Financial institution" means any Connecticut bank, Connecticut credit union, or other person whose activities in this state are subject to the supervision of the commissioner, but does not include a person whose activities are subject to the supervision of the commissioner solely pursuant to chapter 672a, 672b or 672c or any

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combination thereof;

[(33)] (34) "Foreign bank" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(34)] (35) "Foreign country" means any country other than the United States and includes any colony, dependency or possession of any such country;

[(35)] (36) "Governing board" means the group of persons vested with the management of the affairs of a financial institution irrespective of the name by which such group is designated;

[(36)] (37) "Holding company" means a bank holding company or a savings and loan holding company, except, as used in sections 36a-180 to 36a-191, inclusive, "holding company" means a company that controls a bank;

[(37)] (38) "Insured depository institution" has the meaning given to that term in 12 USC Section 1813, as amended from time to time;

[(38)] (39) "Licensee" means any person who is licensed or required to be licensed pursuant to the applicable provisions of this title;

[(39)] (40) "Loan" includes any line of credit or other extension of credit;

[(40)] (41) "Loan production office" means an office of a bank or out-of-state bank, other than a foreign bank, whose activities are limited to loan production and solicitation;

[(41)] (42) "Merger" means the combination of one or more institutions with another which continues its corporate existence; all institutions party to the merger are "constituent" institutions; the merging institution which upon the merger continues its existence is the "resulting" institution;

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[(42)] (43) "Mutual" when used in conjunction with any institution that is a bank or out-of-state bank means any such institution without capital stock;

[(43)] (44) "Mutual holding company" means a mutual holding company organized under sections 36a-192 to 36a-199, inclusive, and unless otherwise indicated, a subsidiary holding company controlled by a mutual holding company organized under sections 36a-192 to 36a-199, inclusive;

[(44)] (45) "Out-of-state" includes any state other than Connecticut and any foreign country;

[(45)] (46) "Out-of-state bank" means any institution that engages in the business of banking, but does not include a bank, Connecticut credit union, federal credit union or out-of-state credit union;

[(46)] (47) "Out-of-state credit union" means any credit union other than a Connecticut credit union or a federal credit union;

[(47)] (48) "Out-of-state trust company" means any company chartered to act as a fiduciary but does not include a company chartered under the laws of this state, a bank, an out-of-state bank, a Connecticut credit union, a federal credit union or an out-of-state credit union;

[(48)] (49) "Person" means an individual, company, including a company described in subparagraphs (A) and (B) of subdivision [(11)] (12) of this section, or any other legal entity, including a federal, state or municipal government or agency or any political subdivision thereof;

[(49)] (50) "Point of sale terminal" means a device located in a commercial establishment at which sales transactions can be charged directly to the buyer's deposit, loan or credit account, but at which deposit transactions cannot be conducted;

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[(50)] (51) "Prepayment penalty" means any charge or penalty for paying all or part of the outstanding balance owed on a loan before the date on which the principal is due and includes computing a refund of unearned interest by a method that is less favorable to the borrower than the actuarial method, as defined by Section 933(d) of the Housing and Community Development Act of 1992, 15 USC 1615(d), as amended from time to time;

[(51)] (52) "Reorganized savings bank" means any savings bank incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(52)] (53) "Reorganized savings and loan association" means any savings and loan association incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(53)] (54) "Reorganized savings institution" means any reorganized savings bank or reorganized savings and loan association;

[(54)] (55) "Representative office" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(55)] (56) "Reserves for loan and lease losses" means the amounts reserved by a Connecticut bank against possible loan and lease losses as shown on the bank's consolidated reports of condition and income;

[(56)] (57) "Retail deposits" means any deposits made by individuals who are not "accredited investors", as defined in 17 CFR 230.501(a);

[(57)] (58) "Satellite device" means an automated teller machine which is not part of an office of the bank, Connecticut credit union or federal credit union which has established such machine;

[(58)] (59) "Savings account" means a deposit account, other than an escrow account established pursuant to section 49-2a, into which

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savings deposits may be made and which account must be evidenced by periodic statements delivered at least semiannually or by a passbook;

[(59)] (60) "Savings and loan association" means an institution chartered or organized under the laws of this state as a savings and loan association;

[(60)] (61) "Savings bank" means an institution chartered or organized under the laws of this state as a savings bank;

[(61)] (62) "Savings deposit" means any deposit other than a demand deposit or time deposit on which interest or a dividend is paid periodically;

[(62)] (63) "Savings and loan holding company" has the meaning given to that term in 12 USC Section 1467a, as amended from time to time;

[(63)] (64) "Share account holder" means a person who maintains a share account in a Connecticut credit union, federal credit union or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b;

[(64)] (65) "State" means any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the trust territory of the Pacific Islands, the Virgin Islands and the Northern Mariana Islands;

[(65)] (66) "State agency" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(66)] (67) "State branch" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(67)] (68) "Subsidiary" has the meaning given to that term in 12 USC Section 1841(d), as amended from time to time;

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[(68)] (69) "Subsidiary holding company" means a stock holding company, controlled by a mutual holding company, that holds one hundred per cent of the stock of a reorganized savings institution;

[(69)] (70) "Supervisory agency" means: (A) The commissioner; (B) the Federal Deposit Insurance Corporation; (C) the Resolution Trust Corporation; (D) the Office of Thrift Supervision; (E) the National Credit Union Administration; (F) the Board of Governors of the Federal Reserve System; (G) the United States Comptroller of the Currency; (H) the Bureau of Consumer Financial Protection; and (I) any successor to any of the foregoing agencies or individuals;

[(70)] (71) "System" means the Nationwide Mortgage Licensing System and Registry, NMLS, NMLSR or such other name or acronym as may be assigned to the multistate system developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators and owned and operated by the State Regulatory Registry, LLC, or any successor or affiliated entity, for the licensing and registration of persons in the mortgage and other financial services industries;

[(71)] (72) "Time account" means an account into which time deposits may be made;

[(72)] (73) "Time deposit" means a deposit that the depositor or share account holder does not have a right and is not permitted to make withdrawals from within six days after the date of deposit, unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit, subject to those exceptions permissible under 12 CFR Part 204, as amended from time to time;

[(73)] (74) "Trust bank" means a Connecticut bank organized to function solely in a fiduciary capacity; and

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[(74)] (75) "Uninsured bank" means a Connecticut bank that does not accept retail deposits and for which insurance of deposits by the Federal Deposit Insurance Corporation or its successor agency is not required.

Sec. 16. Subsection (a) of section 36a-250 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) Except as otherwise provided in subsection (b) of this section, a Connecticut bank may:

(1) Transact a general banking business and exercise by its governing board or duly authorized officers or agents, subject to applicable law, all such incidental powers as are necessary thereto. The express powers authorized for a Connecticut bank under subdivisions (2) to (41), inclusive, of this subsection do not preclude the existence of additional powers deemed to be incidental to the transaction of a general banking business pursuant to this subdivision;

(2) (A) Receive deposits as authorized by and subject to the provisions of sections 36a-290 to 36a-305, inclusive, section 36a-307, sections 36a-315 to 36a-323, inclusive, and sections 36a-330 to 36a-338, inclusive, as amended by this act, including: (i) Savings deposits; (ii) time deposits; (iii) demand deposits; (iv) public funds or money held in a fiduciary capacity; (v) school savings funds; and (vi) club deposits; and (B) pay interest or dividends thereon;

(3) Act as a depository of court and trust funds;

(4) Purchase and sell coins and bullion;

(5) Receive for safekeeping or otherwise all kinds of personal property, including papers, documents and evidences of indebtedness;

(6) Conduct a safe deposit business on its banking premises;

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(7) Act (A) as guardian or conservator of the estate of any person, but not of the person, (B) as a trustee, receiver, executor or administrator, or (C) in any other fiduciary capacity, all without bond unless a bond is ordered by the court;

(8) Act as agent or attorney in fact for the holders of securities or the owners of real estate;

(9) Act as transfer agent or registrar of stocks and bonds;

(10) Execute and deliver signature guaranties as may be incidental or usual in the transfer of investment securities;

(11) Act as agent, fiscal agent or trustee for any corporation or for holders of bonds, notes or other securities, and pledge assets to secure deposits in its banking department when (A) made by it as trustee under a trust indenture for the holders of revenue bonds issued by this state, any municipality, district, municipal corporation or authority or political subdivision thereof, and the express provisions of the authority or its political subdivision, and the express provisions of the trust indenture require the deposit to be so secured, (B) made by it as fiscal agent for a housing authority in connection with a federally-assisted housing project and federal regulations or other requirements call for the deposits to be so secured, or (C) made by it to secure deposits in individual retirement accounts and qualified retirement plan accounts, established in accordance with the applicable provisions of the Internal Revenue Code of 1986, or any prior or subsequent corresponding internal revenue code of the United States, as from time to time amended, where such deposits exceed the maximum of federal deposit insurance available for such accounts;

(12) Act as fiscal agent for this state or any of its political subdivisions when authorized by the executive head of this state or of the political subdivision;

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(13) Act as agent (A) in the collection of taxes for any qualified treasurer of any taxing district or qualified collector of taxes, or (B) for any electric distribution, gas, water or telephone company operating within this state in receiving moneys due that company for utility services furnished by it;

(14) Act as agent for the sale, issue and redemption of obligations of the United States and pledge assets to the United States or to the proper federal reserve bank for its obligations as that agent;

(15) (A) Act as agent for an insured depository institution affiliate in receiving deposits, renewing time deposits, closing loans, servicing loans and receiving payments on loans and other obligations, and in so doing shall not be considered to be a branch of such affiliate;

(B) A Connecticut bank may not conduct any activity as an agent under subparagraph (A) of this subdivision which such bank is prohibited from conducting as a principal;

(16) Act as treasurer of any organization exempt from federal income taxation under Section 501 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended;

(17) Establish a charitable fund, either in the form of a charitable trust or a nonprofit corporation to assist in making charitable contributions, provided (A) the trust or nonprofit corporation is exempt from federal income taxation and may accept charitable contributions under Section 501 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, (B) the trust or nonprofit corporation's operations shall be disclosed fully to the commissioner upon request, and (C) the trust department of the bank or one or more directors or officers of the bank act as trustees or directors of the fund;

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(18) In the discretion of a majority of its governing board, make contributions or gifts to or for the use of any corporation, trust or community chest, fund or foundation created or organized under the laws of the United States or of this state and organized and operated exclusively for charitable, educational or public welfare purposes, or of any hospital which is located in this state and which is exempt from federal income taxes and to which contributions are deductible under Section 501(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended;

(19) Discount, purchase and sell accounts receivable, negotiable and nonnegotiable promissory notes, drafts, bills of exchange and other forms of indebtedness;

(20) (A) Accept for payment at future dates drafts drawn upon it, and (B) except as provided in section 36a-299, sell or issue without charge negotiable checks or drafts drawn by or on the bank. Negotiable checks or drafts drawn, sold or issued by a bank may be drawn on that bank or be payable by or through another bank or out-of-state bank;

(21) Make secured and unsecured loans and issue letters of credit as authorized by and subject to section 36a-260, as amended by this act;

(22) (A) Issue credit cards and debit cards and enter into card agreements with the bank's card holders and with other card issuers, (B) lend money to individuals, honor drafts and similar orders drawn or accepted, whether by written instrument or electronic transmission, and pay and agree to pay obligations incurred in connection with those agreements, (C) become affiliated with any credit card corporation or association, and (D) subject to sections 36a-155 to 36a-159, inclusive, where applicable, provide electronic fund transfer facilities and services and enter into agreements with customers and other persons regarding the provision of such facilities;

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(23) Provide virtual banking services to customers as provided in section 36a-170;

(24) Contract for and pay the premiums upon life insurance in the amount of the unpaid balance due on loans;

(25) Borrow money and pledge assets therefor, and pledge assets to secure trust funds on deposit awaiting investment;

(26) Enter into leases of personal property acquired upon the specific request of and for the use of a prospective lessee;

(27) Make investments as authorized by this title;

(28) Sell to any person, including any state or federal agency or instrumentality, any loan or group of loans legally owned by the bank, repurchase any such loan or group of loans, and act as collecting, remitting and servicing agent in connection with any such loans and charge for its acts as agent. Any such bank is authorized to purchase the minimum amount of capital stock of the applicable agency or instrumentality if required by that entity to be purchased in connection with the assignment of loans to that entity and to hold and dispose of that stock;

(29) With the approval of the commissioner, deal in and underwrite, to the same extent as is permitted to a national banking association, obligations of: (A) The United States or any of its agencies; (B) any state or any political subdivision or instrumentality of the state; or (C) Canada, any province of Canada or any political subdivision of Canada;

(30) Issue and sell securities which (A) are guaranteed by the Federal National Mortgage Association or any other agency or instrumentality authorized by state or federal law to create a secondary market with respect to loans of the type originated by the bank, or (B) subject to the approval of the commissioner, relate to loans originated by the bank and

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are guaranteed or insured by a financial guaranty insurance company or comparable private entity;

(31) Subject to the approval of the commissioner, authorize the issuance and sale of evidences of indebtedness, including debentures, debt instruments of all maturities and capital notes, at such times, in such amount and upon such terms as are determined by the governing board, provided the issuance of such evidences of indebtedness which are payable on demand or mature within five years of their issuance or which are effected in the ordinary course of business do not require the approval of the commissioner. The proceeds of such evidences of indebtedness which mature after five years of their issuance which are subordinate to the claims of depositors upon liquidation of the bank shall be considered part of its capital for the purpose of computing any loan, deposit or investment limitation under this title;

(32) With the approval of and upon such conditions and under such regulations as may be prescribed or adopted by the commissioner, establish and maintain one or more mutual funds and offer to the public shares or participations therein;

(33) (A) With the written approval of the commissioner, acquire, alter or improve real estate for present or future use in the business of the bank. Such approval shall not be required in case of the alteration or improvement of real estate already owned or leased by the bank or a corporation controlled by it as provided in subsection (d) of section 36a-276, as amended by this act, if the expenditure for such purposes does not in any one calendar year exceed five per cent of the bank's [equity capital and reserves for loan and lease losses] capital and surplus or seven hundred fifty thousand dollars, whichever is less;

(B) With the written approval of the commissioner, purchase real estate adjoining any parcel of real estate then owned by it and acquired in the usual course of business, provided the aggregate of all

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investments and loans authorized in this subparagraph and in subparagraph (A) of this subdivision and in the equipment used by such bank in its operations, together with the amount of any indebtedness incurred by any corporation holding real estate of the bank and such bank's proportionate share, computed according to stock ownership, of any indebtedness incurred by any service corporation, does not exceed fifty per cent of the [equity capital and reserves for loan and lease losses] capital and surplus of the bank, unless the commissioner finds that the rental income from any part of the premises not occupied by the bank will be sufficient to warrant larger investment;

(34) Convey any real estate owned by it at the price and upon such terms of payment as its governing board or an authorized committee thereof determines and sets forth in the bank's records. If any such sale is wholly or partly for credit, a note secured by a first mortgage on the real estate may evidence that credit. With the written approval of the commissioner, the bank may accept other real estate in whole or in part for any such conveyance;

(35) Establish and maintain an international banking facility, as defined in regulations adopted by the Board of Governors of the Federal Reserve System, subject to such regulations as the commissioner may adopt, in accordance with chapter 54, to specify, and impose restrictions upon, the types of activities in which the international banking facility may engage;

(36) Join the Federal Reserve System;

(37) With the approval of the commissioner, join the Federal Home Loan Bank System and borrow funds as provided under federal law;

(38) Even if not expressly authorized to exercise fiduciary powers, act as trustee or custodian of a plan which qualifies as part of a retirement plan for self-employed individuals or an individual retirement account

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under the provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, if the governing instrument limits the investment of the funds held pursuant to such plan to the following investments: (A) Savings deposits and time deposits; and (B) with respect to retirement plans for self-employed individuals, notes of members in such plans which evidence the indebtedness of such members for funds borrowed from the plans. Funds held pursuant to any plan which so qualifies may be deposited in any Connecticut bank without regard to any statutory limit on the amount which such bank may have on deposit from one depositor;

(39) Sell insurance and fixed and variable annuities directly, sell insurance and such annuities indirectly through a subsidiary, or enter into arrangements with third-party marketing organizations for the sale by such third-party marketing organizations of insurance or such annuities on the premises of the Connecticut bank or to customers of the Connecticut bank; provided (A) such insurance and annuities are issued or purchased by or from an insurance company licensed in accordance with section 38a-41, and (B) the Connecticut bank, subsidiary or third-party marketing organization, and any officer or employee thereof, shall be licensed as required by section 38a-769 before engaging in any of the activities authorized by this subdivision. As used in this subdivision, "annuities" and "insurance" have the same meanings as set forth in section 38a-1, except that "insurance" does not include title insurance. The provisions of this subdivision do not authorize a Connecticut bank or a subsidiary of a Connecticut bank to underwrite insurance or annuities;

(40) With the prior written approval of the commissioner, engage in closely related activities, unless the commissioner determines that any such activity shall be conducted by a subsidiary of the Connecticut bank, utilizing such organizational, structural or other safeguards as the

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commissioner may require, in order to protect the Connecticut bank from exposure to loss. As used in this subdivision, "closely related activities" means those activities that are closely related to the business of banking, are convenient and useful to the business of banking, are reasonably related to the operation of a Connecticut bank or are financial in nature including, but not limited to, business and professional services, data processing, courier and messenger services, credit-related activities, consumer services, services related to real estate, financial consulting, tax planning and preparation, community development activities, any activities reasonably related to such activities, or any activity permitted under the Bank Holding Company Act of 1956, 12 USC Section 1841 et seq., as from time to time amended, or the Home Owners' Loan Act of 1933, 12 USC Section 1461 et seq., as from time to time amended, or the regulations promulgated under such acts as from time to time amended;

(41) Engage in any activity that a federal bank or an out-of-state bank may be authorized to engage in under federal or state law, provided the Connecticut bank shall file with the commissioner prior written notice of its intention to engage in such activity. Such notice shall include a description of the activity, a description of the financial impact of the activity on the Connecticut bank, citation of the legal authority to engage in the activity under federal or state law, a description of any limitations or restrictions imposed on such activity under federal or state law, and any other information that the commissioner may require. The Connecticut bank may engage in such activity unless the commissioner disapproves such activity not later than thirty days after the notice is filed. The commissioner may adopt regulations in accordance with chapter 54 to ensure that any such activity is conducted in a safe and sound manner with adequate consumer protections. The provisions of this subdivision do not authorize a Connecticut bank or a subsidiary of a Connecticut bank to sell title insurance; and

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(42) Act as trustee or custodian of a manufacturing reinvestment account established pursuant to section 32-9zz.

Sec. 17. Subsection (c) of section 36a-260 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(c) The governing board of each Connecticut bank shall adopt a loan review policy that is designed to ensure that all material loans made by the Connecticut bank pursuant to this section and sections [36a-260] 36a-261 to 36a-266, inclusive, as amended by this act, are reviewed. The policy shall establish appropriate standards, consistent with prudent risk management principles, for the review to address the bank's compliance with the loan policy adopted pursuant to subsection (b) of this section and the need for plans to implement special collection, workout, divestiture or other means of bringing such loans into compliance with the loan policy. The loan review policy shall be appropriate to the size of the Connecticut bank, its financial condition and the nature and scope of its activities. The governing board shall also adopt, as part of the loan review policy, standards for determining which loans are material for purposes of this subsection. When adopting the materiality standards, the governing board shall consider, where appropriate, the inclusion of standards based on the size of the loan in relation to the Connecticut bank's [total capital and reserves for loan and lease losses] capital and surplus, and such other factors that may present material risks to the institution. The loan review policy and any loan reviewed pursuant to such policy shall be subject to the examination of the commissioner concerning safe and sound banking practices. At least semiannually, the governing board of each Connecticut bank or a committee designated by such board shall conduct an assessment of the loan reviews. The minutes of the meeting of such governing board or committee shall recite the results of the assessment of the loan reviews.

Sec. 18. Subsections (b) to (i), inclusive, of section 36a-261 of the

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general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(b) (1) The assets of Connecticut banks may be invested in mortgage loans, subject to the general limitations set forth in this section.

(2) Any such mortgage loan shall be secured either by (A) a first mortgage which is a first lien or (B) a mortgage which is subordinate to another mortgage or other mortgages, provided, in the case of a loan secured by a mortgage which is subordinate to another mortgage or other mortgages, which other mortgage or mortgages are held by a person other than the Connecticut bank, the real estate securing such loan is (i) residential real estate, or (ii) nonresidential real estate provided the loan does not exceed, at the time of origination, a loan-to-value ratio of fifty per cent, or (iii) nonresidential real estate in a loan transaction which, at the time of origination, exceeds a loan-to-value ratio of fifty per cent, provided the aggregate amount of all such loans made pursuant to this subparagraph (B)(iii) does not exceed, at the time of origination, twenty-five per cent of the [equity capital and reserves for loan and lease losses] capital and surplus of the Connecticut bank. A loan which was included within the aggregate limit of subparagraph (B)(iii) of this subdivision subsequently may be excluded if the loan is repaid or if the applicable loan-to-value ratio is reduced to fifty per cent or below because of a reduction in principal or senior liens, additional contributions of real estate collateral, or an increase in equity value substantiated by a current suitable appraisal or evaluation.

(c) "Real estate", as used in this section, includes refrigerating equipment, dishwashing equipment, stoves and clothes washing machines, hereinafter called "household equipment", used on the premises at the time of execution of the mortgage or substituted after the mortgage is executed if such equipment is specifically declared in the mortgage deed to be used as a part of the mortgaged realty, and if such mortgage declares that household equipment substituted for the

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original household equipment mentioned in such mortgage shall be part of the mortgaged realty.

(d) The real estate shall be unencumbered, except to the extent that prior mortgages are permitted by subdivision (2) of subsection (b) of this section. A satisfactory certificate of title or other suitable form of title review issued by a suitable person approved by such Connecticut bank, or a satisfactory policy of title insurance, shall be filed with the lending bank until the loan is paid or until the loan is sold. The following are not encumbrances within the meaning of this section: (1) Reservations to the United States of America of fissionable materials, (2) leases, provided the impact of the lease is adequately reflected in the appraisal or evaluation required by subsection (e) of this section, and (3) easements, restrictions, interests and other rights (A) which do not materially adversely affect the marketability of the real estate, (B) which are otherwise adequately reflected in the appraisal or evaluation required by subsection (e) of this section, (C) where the attendant risks are satisfactorily insured under an acceptable policy of title insurance, or (D) which the bank otherwise reasonably determines do not present a material adverse risk after consideration of the relevant underwriting risks for the loan or class of loans. Connecticut banks shall adopt and implement a real estate lending policy which reflects, in accordance with safe and sound banking principles, consideration of acceptable standards for title review and title insurance.

(e) The real estate shall be appraised or otherwise suitably evaluated, before any loan is made on its security, by one or more suitable persons who are familiar with real estate values in the community where the real estate is located. Such persons shall be approved by the governing board of the Connecticut bank making the loan, or by a management committee, board committee or agent appropriately designated by such governing board in accordance with the appraisal policy required by this subsection, provided, if the loan under consideration is a loan to be

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insured or guaranteed by a governmental agency, the appraiser may be one who appraised the property for the governmental agency. Such appraisal or evaluation shall be in writing, shall state the amount at which the property has been appraised or evaluated and shall be filed with the Connecticut bank until the loan is paid or until the loan is sold. Connecticut banks shall adopt and implement an appraisal policy which reflects, in accordance with safe and sound banking principles, consideration of appraiser qualifications, procedures for the approval and selection of appraisers, appraisal and evaluation standards, and the bank's administration of the appraisal and evaluation process.

(f) Notwithstanding the provisions of subdivision (2) of subsection (h) of this section, the Connecticut bank, in its discretion and for such a period as it deems advisable, may excuse the borrower on a mortgage loan from amortization of the principal of such loan, provided the governing board of the Connecticut bank, or a management committee or board committee appropriately designated by such governing board, has reviewed the particular mortgage loan and has determined such action to be prudent under the circumstances.

(g) Loans not exceeding fifty per cent of the value of the real estate may be made without further restriction than is set forth in subsections (a) to (f), inclusive, of this section. The requirements of this section relating to the relationship between the loan amount and the value of the real estate shall be calculated on the basis of the aggregate amount of such loan plus the unpaid amount of any obligation secured by any prior mortgages or liens and the amount of any advancements permissible under any loan secured by such prior mortgage or mortgages in relation to the value of the real estate interest.

(h) Loans not exceeding ninety per cent of the value of the real estate may be made subject to the following additional limitations set forth in subdivisions (1) and (2) of this subsection. (1) No loan shall be made until the person or persons liable on the note have filed with the bank a

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satisfactory financial statement which shall be kept on file. (2) All such loans shall require repayment of principal and payment of interest in at least consecutive semiannual installments of principal and interest, such payments to be sufficient to pay the loan in full not later than forty-two years from the date of the first payment and the first payment to be made within twenty-four months of the date of the note. The requirements for semiannual principal payments pursuant to this subdivision are not applicable to: (A) Consumer revolving loan agreements made pursuant to subsection (c) of section 49-2, (B) alternative mortgage loans made pursuant to section 36a-265, (C) loans which may be demanded at any time and which are secured by residential real estate, and (D) any other loan or class of loans determined by the commissioner not to be subject to such requirements.

(i) The following mortgage loans may be made without regard to the ninety per cent loan-to-value limit set forth in subsection (h) of this section:

(1) Loans guaranteed or insured by the United States government or its agencies, provided the amount of the guaranty or insurance is at least equal to the portion of the loan that exceeds the applicable loan-to-value limit.

(2) Loans backed by the full faith and credit of a state government, provided the amount of the assurance is at least equal to the portion of the loan that exceeds the applicable loan-to-value limit.

(3) Loans guaranteed or insured by a state, municipal or local government, or its agency, provided (A) the amount of the guaranty or insurance is at least equal to the portion of the loan that exceeds the applicable loan-to-value limit, and (B) the bank has determined that the guarantor or insurer has the financial capacity and willingness to perform under the terms of the guaranty or insurance agreement.

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(4) Loans that are renewed, refinanced, or restructured without the advancement of new funds or an increase in a line of credit, except for reasonable closing costs.

(5) Loans that are renewed, refinanced, or restructured in connection with a workout situation, either with or without the advancement of new funds, where such action is consistent with safe and sound banking practices and is a part of a clearly defined and well documented program to achieve orderly liquidation of the debt, reduce risk of loss or maximize recovery of the loan.

(6) Loans that facilitate the sale of real estate acquired by the Connecticut bank in the ordinary course of collecting a debt previously contracted in good faith.

(7) Loans where the Connecticut bank does not rely principally on the real estate as security.

(8) Loans where all or part of such loan is made in primary reliance upon the mortgage insurance policy of a private mortgage guaranty company, licensed by the Insurance Commissioner to do business in this state and approved by the commissioner.

(9) Loans or loan programs which are determined by the governing board of the Connecticut bank, or by a management committee or board committee appropriately designated by such governing board, to be prudent under the circumstances after consideration of the relevant underwriting risks, provided (A) the aggregate amount of all such loans, calculated at the time of origination of each such loan, does not exceed one hundred per cent of the bank's [equity capital and reserves for loan and lease losses] capital and surplus, (B) the aggregate amount of all such loans, calculated at the time of origination of each such loan, other than loans secured by one-to-four-family residential property, does not exceed thirty per cent of the bank's [equity capital and reserves for loan

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and lease losses] capital and surplus, (C) the aggregate amount of all such loans is included in the percentage of assets limitation specified in subsection (s) of this section, and (D) the bank makes a notation of such determination and the reasons therefor in the applicable loan file. A loan which is included within the aggregate limits of this subsection may subsequently be excluded if the applicable loan-to-value limit is satisfied because of a reduction in principal or senior liens, additional contribution of real estate collateral or increases in equity value substantiated by a current suitable appraisal or evaluation.

Sec. 19. Section 36a-262 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) Except as otherwise provided in this section, the total direct or indirect liabilities of any one obligor that are not fully secured, however incurred, to any Connecticut bank, exclusive of such bank's investment in the investment securities of such obligor, shall not exceed at the time incurred fifteen per cent of the [equity capital and reserves for loan and lease losses] capital and surplus of such bank. The total direct or indirect liabilities of any one obligor that are fully secured, however incurred, to any Connecticut bank, exclusive of such bank's investment in the investment securities of such obligor, and except as otherwise provided in subsection (l) of this section, shall not exceed at the time incurred ten per cent of the [equity capital and reserves for loan and lease losses] capital and surplus of such bank, provided this limitation shall be separate from and in addition to the limitation on liabilities that are not fully secured. Notwithstanding any provision of this [subsection] section, the limitation on the liabilities of any one obligor shall take into account the credit exposure to such obligor arising from a derivative transaction. The commissioner shall have the authority to establish the method for determining the credit exposure and the extent to which the credit exposure shall be taken into account. As used in this section, an obligor shall not include any person who is a guarantor or indemnitor

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of a direct or indirect liability when (1) in the case of a liability where the primary obligor is not a natural person, the bank seeks repayment of any such liability out of the operations of the business of the primary obligor, (2) the bank relies primarily on the primary obligor's general credit standing and, in the case of a liability where the primary obligor is not a natural person, the forecast of operation of the primary obligor's business, (3) there is no aspect of the loan that is being made as an exception to the bank's lending policies, and (4) such guarantor or indemnitor is not an obligor with respect to such liability pursuant to the direct benefit or common enterprise tests set forth in subsection (b) of this section. As used in this subsection, (A) "primary obligor" means a person who is named as a borrower or debtor, but not a guarantor or indemnitor, in a direct or indirect liability, (B) "guarantor" means a person who is obligated to pay a direct or indirect liability when the primary obligor has defaulted on such liability pursuant to the terms of the liability, (C) "indemnitor" means a person who becomes obligated to pay a direct or indirect liability pursuant to an indemnity agreement, and (D) "derivative transaction" includes any transaction that is a contract, agreement, swap, warrant, note or option that is based, in whole or in part, on the value of any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices or other assets. The commissioner may adopt regulations in accordance with the provisions of chapter 54 establishing the method for determining credit exposure to derivative transactions and the extent to which the credit exposure shall be taken into account. For purposes of this section, a liability shall be considered to be fully secured if it is secured by readily marketable collateral, [having a market value, as determined by reliable and continuously available price quotations] as defined in 12 CFR 32.2, at least equal to the amount of the liability. For purposes of determining the limitations of this section, in computing the liabilities of an obligor, a liability is incurred at the time of the closing of the transaction, unless such closing is preceded by a legally binding

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written commitment to enter into the transaction, in which case such liability is incurred at the time of commitment and is net of any liabilities of the obligor to such bank that will be paid with the proceeds of the commitment at the time of closing. The limitations provided for in this [subsection] section may be exceeded for a period of time not to exceed six hours if at the closing of any transaction at which such obligor incurs such liabilities to a Connecticut bank in excess of such limitations, such bank immediately assigns or participates out to one or more other persons an amount that constitutes not less than the excess over the applicable limitation. Obligations as endorser or guarantor of negotiable or nonnegotiable installment consumer paper which carry an agreement to repurchase on default, unless the bank's sole recourse is to an agreed reserve held by it, in which case the liability shall be excluded, a full recourse endorsement or an unconditional guarantee by the person, partnership, association or corporation transferring the same, shall, except as otherwise provided in subsection (l) of this section, be subject under this section to a limitation of fifteen per cent of the bank's [equity capital and reserves for loan and lease losses] capital and surplus in addition to the applicable limitations of this section with respect to the makers of such obligations; provided, upon certification by an officer of the bank designated for that purpose by the governing board that the responsibility of each maker of such obligations has been evaluated and the bank is relying primarily upon each such maker for the payment of such obligations, the limitations of this section as to the obligations of each maker shall be the sole applicable loan limitation; and provided such certification shall be in writing and shall be retained as part of the records of such bank.

(b) Liabilities of one obligor shall be attributed to another person and each such person shall be deemed to be an obligor when proceeds of a loan are to be used for the direct benefit of the other person, to the extent of the proceeds to be so used, or a common enterprise is deemed to exist between such persons. For purposes of this section, the proceeds of a

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loan to an obligor shall be deemed to be used for the direct benefit of another person and shall be attributed to the person when the proceeds, or assets purchased with the proceeds, are transferred to another person, other than in a bona fide arm's length transaction where the proceeds are used to acquire property, goods or services. For purposes of this section, a common enterprise shall be deemed to exist and liabilities of separate obligors shall be aggregated:

(1) When the expected source of repayment for each liability is the same for each obligor and neither obligor has another source of income from which the liability, together with the obligor's other liabilities, may be fully repaid. An employer shall not be treated as a source of repayment under this subdivision because of wages and salaries paid to an employee, unless the standards of subdivision (2) of this subsection are met;

(2) When loans are made (A) to obligors who are related directly or indirectly through common control, including where one obligor is directly or indirectly controlled by another obligor; and (B) substantial financial interdependence exists between or among the obligors. Substantial financial interdependence is deemed to exist when fifty per cent or more of one obligor's gross receipts or gross expenditures, on an annual basis, are derived from transactions with the other obligor. Gross receipts and expenditures include gross revenues, expenses, intercompany loans, dividends, capital contributions, and similar receipts or payments;

(3) When separate persons borrow from a Connecticut bank to acquire a business enterprise of which such obligors will own more than fifty per cent of the voting securities or voting interests, in which case a common enterprise is deemed to exist between the obligors for purposes of combining the acquisition loans; or

(4) When the commissioner determines, based upon an evaluation of

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the facts and circumstances of particular transactions, that a common enterprise exists.

(c) Loans to an obligor and its subsidiary, or to different subsidiaries of an obligor shall not be aggregated unless either the direct benefit or the common enterprise test is met. For purposes of this subsection, a corporation or a limited liability company is a subsidiary of an obligor if the obligor owns or beneficially owns directly or indirectly more than fifty per cent of the voting securities or voting interests of the corporation or company.

(d) Loans to a partnership, joint venture, limited liability company or association shall be deemed to be loans to each member of the partnership, joint venture, limited liability company or association. This provision shall not apply to limited partners in limited partnerships or to members of joint ventures, limited liability companies or associations unless the partners or members, by the terms of the partnership or membership agreement, are held generally liable for the debts or actions of the partnership, joint venture, limited liability company or association, and such terms are valid under applicable law. Loans to partners or members of a partnership, joint venture, limited liability company or association are not attributed to the partnership, joint venture, limited liability company or association unless either the direct benefit or the common enterprise test is met. Both the direct benefit and common enterprise tests are met between a partner or member of a partnership, joint venture, limited liability company or association and such partnership, joint venture, limited liability company or association, when loans are made to the partner or member to purchase an interest in the partnership, joint venture, limited liability company or association. Loans to partners or members of a partnership, joint venture, limited liability company or association are not attributed to other members of the partnership, joint venture, limited liability company or association unless either the direct benefit or the common

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enterprise test is met.

(e) Loans to foreign governments and their agencies and instrumentalities shall be aggregated only if the loans fail to meet either the means test or the purpose test at the time the loan is made. The means test is met if the obligor has resources or revenue of its own sufficient to service its debt obligations. If the government's support, excluding guarantees by a central government of the obligor's debt, exceeds the obligor's annual revenues from other sources, it shall be presumed that the means test has not been satisfied. The purpose test is met if the purpose of the loan is consistent with the purposes of the obligor's general business. In order to show that the means test or the purpose test has been satisfied, a Connecticut bank shall, at a minimum, retain in its files the following items:

(1) A statement, accompanied by supporting documentation, describing the legal status and the degree of financial and operational autonomy of the borrowing entity;

(2) Financial statements for the borrowing entity for a minimum of three years prior to the date the loan or extension of credit was made or for each year that the borrowing entity has been in existence, if less than three;

(3) Financial statements for each year the loan is outstanding;

(4) The bank's assessment of the obligor's means of servicing the loan, including specific reasons in support of that assessment. The assessment shall include an analysis of the obligor's financial history, its present and projected economic and financial performance, and the significance of any financial support provided to the obligor by third parties, including the obligor's central government; and

(5) A loan agreement or other written statement from the obligor which clearly describes the purpose of the loan. The written

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representation shall ordinarily constitute sufficient evidence that the purpose test has been satisfied. However, when, at the time the funds are disbursed, the bank knows or has reason to know of other information suggesting the obligor will use the proceeds in a manner inconsistent with the written representation, it may not, without further inquiry, accept the representation.

(f) Obligations of the United States or this state, or of any town, city, borough or legally established district in this state which has the power to levy taxes for the payment of such obligations, shall not be subject to any limitation based upon such [equity capital and reserves for loan and lease losses] capital and surplus.

(g) Obligations of any one obligor, with the exception of loans secured by mortgage of real estate and insured by the Federal Housing Administrator, which are secured or covered by guaranties, or by commitments or agreements to take over or to purchase, made by the United States or the Federal Reserve Bank or by any department, bureau, board, commission or establishment of the United States, including any corporation wholly owned, directly or indirectly by the United States, which, at the time of making such guaranty or commitment or agreement to take over or purchase, is authorized by law to enter into contracts with any financing institution guaranteeing such financing institution against loss of principal and interest on loans, taxes or advances or agreeing to take over or purchase the same, shall not be subject to any limitation based upon such [equity capital and reserves for loan and lease losses] capital and surplus.

(h) Obligations of any one obligor secured by the pledge of direct or fully guaranteed obligations of the United States, except as otherwise provided in subsection (l) of this section, shall be limited to fifty per cent of such [equity capital and reserves for loan and lease losses] capital and surplus; except that obligations secured by the pledge of direct or fully guaranteed obligations of the United States which will mature in not

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more than eighteen months shall not be subject under this section to any limitation based upon such [equity capital and reserves for loan and lease losses] capital and surplus, except as otherwise provided in subsection (l) of this section.

(i) Any Connecticut bank may accept drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods, or which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance, or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No Connecticut bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its [equity capital and reserves for loan and lease losses] capital and surplus, except as otherwise provided in subsection (l) of this section; provided the commissioner may authorize any Connecticut bank to accept such bills to an amount not exceeding at any time in the aggregate one hundred per cent of its [equity capital and reserves for loan and lease losses] capital and surplus, except as otherwise provided in subsection (l) of this section; provided further, the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per cent of such [equity capital and reserves for loan and lease losses] capital and surplus, except as otherwise provided in subsection (l) of this section.

(j) The following, except as otherwise provided in subsection (l) of this section, shall not be subject under this section to any limitation based upon such [equity capital and reserves for loan and lease losses] capital and surplus: (1) Obligations in the form of bankers' acceptances of other banks, provided such acceptances have at the time of discount not more than six months' sight, exclusive of days of grace, and are

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endorsed by at least one other bank; (2) obligations resulting from the purchase of securities subject to a resale agreement; and (3) the rental obligation of a lessee of real or personal property under a lease made or held by such bank.

(k) Obligations of any one obligor which are secured by a first mortgage on real estate, except as otherwise provided in subsection (l) of this section, shall be limited to fifty per cent of such [equity capital and reserves for loan and lease losses] capital and surplus, provided the total obligations to any one obligor to which this subsection and subsection (a) of this section apply, except as otherwise provided in subsection (l) of this section, shall not exceed fifty per cent of such [equity capital and reserves for loan and lease losses] capital and surplus. Loans made to manufacturing, industrial or commercial borrowers when the bank looks for repayment out of the operations of the borrowers' business, relying primarily on the borrowers' general credit standing and forecast of operation, shall not be considered to be secured by a mortgage on real estate for purposes of this subsection, even though such loan may be secured by a mortgage on real estate.

(l) (1) Not later than January 1, 2024, a Connecticut bank may, provided the Connecticut bank notifies the commissioner of such election, in writing, not later than said date, elect to use equity capital and adjusted allowances for credit losses, instead of capital and surplus, for the purposes of: (A) Calculating the limitations established in subsection (a) of this section on liabilities of any one obligor; (B) calculating the limitations established in subsection (a) of this section on obligations as endorser or guarantor of negotiable or nonnegotiable installment consumer paper which carry an agreement to repurchase on default; (C) determining the exceptions from limitations established in subsection (f) of this section on obligations of the United States or this state, or of any town, city, borough or legally established district in this state which has the power to levy taxes for the payment of such

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obligations; (D) determining the exceptions from limitations established in subsection (g) of this section on obligations of any one obligor, with the exception of loans secured by mortgage of real estate and insured by the Federal Housing Administrator, which are secured or covered by guaranties, or by commitments or agreements to take over or to purchase, made by the United States or the Federal Reserve Bank or by any department, bureau, board, commission or establishment of the United States, including any corporation wholly owned, directly or indirectly by the United States, which, at the time of making such guaranty or commitment or agreement to take over or purchase, is authorized by law to enter into contracts with any financing institution guaranteeing such financing institution against loss of principal and interest on loans, taxes or advances or agreeing to take over or purchase the same; (E) calculating the limitations on any one obligor established in subsection (h) of this section; (F) calculating the limitations established in subsection (i) of this section on the amount of bills of exchange a Connecticut bank may accept; (G) determining the exceptions from limitations on obligations established in subsection (j) of this section; and (H) calculating the limitations established in subsection (k) of this section on obligations which are secured by a first mortgage on real estate.

(2) Any Connecticut bank that makes the election as provided in subdivision (1) of this subsection may subsequently elect, provided such Connecticut bank notifies the commissioner, in writing, that such Connecticut bank has made such subsequent election, to use capital and surplus, instead of equity capital and adjusted allowances for credit losses, for the purposes of: (A) Calculating the limitations established in subsection (a) of this section on liabilities of any one obligor; (B) calculating the limitations established in subsection (a) of this section on obligations as endorser or guarantor of negotiable or nonnegotiable installment consumer paper which carry an agreement to repurchase on default; (C) determining the exceptions from limitations established in

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subsection (f) of this section on obligations of the United States or this state, or of any town, city, borough or legally established district in this state which has the power to levy taxes for the payment of such obligations; (D) determining the exceptions from limitations established in subsection (g) of this section on obligations of any one obligor, with the exception of loans secured by mortgage of real estate and insured by the Federal Housing Administrator, which are secured or covered by guaranties, or by commitments or agreements to take over or to purchase, made by the United States or the Federal Reserve Bank or by any department, bureau, board, commission or establishment of the United States, including any corporation wholly owned, directly or indirectly by the United States, which, at the time of making such guaranty or commitment or agreement to take over or purchase, is authorized by law to enter into contracts with any financing institution guaranteeing such financing institution against loss of principal and interest on loans, taxes or advances or agreeing to take over or purchase the same; (E) calculating the limitations on any one obligor established in subsection (h) of this section; (F) calculating the limitations established in subsection (i) of this section on the amount of bills of exchange a Connecticut bank may accept; (G) determining the exceptions from limitations on obligations established in subsection (j) of this section; and (H) calculating the limitations established in subsection (k) of this section on obligations which are secured by a first mortgage on real estate.

Sec. 20. Section 36a-275 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) As used in this section, the term "debt securities" means (1) any marketable obligation evidencing indebtedness of any person in the form of direct, assumed or guaranteed bonds, notes or debentures or any security that has attributes similar to such marketable obligations; (2) any obligation identified by certificates of participation in

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investments described in subdivision (1) of this subsection in which a Connecticut bank could invest directly; or (3) repurchase agreements, and the term "debt mutual fund" means a partnership interest in, shares of stock of, units of beneficial interest in or other ownership interest in any one investment company registered under the Investment Company Act of 1940, as from time to time amended, commonly described as mutual funds, money market funds, investment trusts or business trusts, provided the portfolios of such investment companies consist solely of investments described in subdivision (1) of this subsection.

(b) In addition to other investments authorized by this part, any Connecticut bank may purchase or hold for its own account debt securities and debt mutual funds without regard to any other liability to the Connecticut bank of the maker, obligor, guarantor or issuer of such debt securities and debt mutual funds, provided: (1) The debt securities and debt mutual funds are rated in the three highest rating categories by a rating service of such securities recognized by the commissioner or, if not so rated, are determined by the bank's governing board to be a prudent investment; (2) unless the bank obtains the prior approval of the commissioner, and except as otherwise provided in subsection (e) of this section, the total amount of the debt securities and debt mutual funds of any one maker, obligor or issuer purchased or held by a Connecticut bank or for a Connecticut bank's account may not exceed, at any time, twenty-five per cent of its [total equity capital and reserves for loan and lease losses] capital and surplus; and (3) the total amount of any debt securities and debt mutual funds purchased or held by a Connecticut bank or for a Connecticut bank's account pursuant to this subsection may not exceed at any time twenty-five per cent of its assets.

(c) In addition to other investments authorized by this part, any Connecticut bank may purchase or hold for its own account the following debt securities and debt mutual funds without regard to any

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other liability to the Connecticut bank of the maker, obligor, guarantor or issuer of such debt securities and debt mutual funds, provided (1) the debt securities and debt mutual funds are rated in the three highest rating categories by a rating service recognized by the commissioner, or, if not so rated, determined by the bank's governing board to be a prudent investment; (2) unless the bank obtains the prior approval of the commissioner, and except as otherwise provided in subsection (e) of this section, the total amount of the debt securities and debt mutual funds of any one maker, obligor or issuer purchased or held by a Connecticut bank or for a Connecticut bank's account may not exceed, at any time, seventy-five per cent of its [total equity capital and reserves for loan and lease losses] capital and surplus; and (3) the total amount of any debt securities and debt mutual funds purchased or held by a Connecticut bank or for a Connecticut bank's account pursuant to this subsection may not exceed at any time fifty per cent of its assets:

(A) General obligations of any agency of the United States, including government sponsored enterprises, which are not guaranteed fully as to principal and interest by the United States or for which the full faith and credit of the United States is not pledged for the payment of principal and interest;

(B) Residential mortgage pass-through securities and other residential mortgage-backed securities, including collateralized mortgage obligations and real estate investment conduits that are issued or guaranteed by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, provided said association or corporation is operating at the time of issuance or guarantee under the conservatorship or receivership of the Federal Housing Finance Agency; and

(C) Debt mutual funds, provided the portfolios of the investment companies consist solely of investments described in subparagraphs (A) and (B) of this subdivision.

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(d) In addition to other investments authorized by this part, any Connecticut bank may purchase or hold for its own account the following debt securities and debt mutual funds without regard to any other liability to the Connecticut bank of the maker, obligor, guarantor or issuer of such debt securities and debt mutual funds, provided the debt securities and debt mutual funds are rated in the three highest rating categories by a rating service recognized by the commissioner or, if not so rated, determined by the bank's governing board to be a prudent investment:

(1) The general obligations of the United States or this state;

(2) Securities which are guaranteed fully as to principal and interest by the United States or this state or for which the full faith and credit of the United States or this state is pledged for the payment of principal and interest;

(3) Securities, including repurchase agreements, the principal and interest of which are irrevocably secured by securities described in subdivisions (1) and (2) of this subsection; and

(4) Debt mutual funds, provided the portfolios of the investment companies consist solely of investments described in subdivisions (1) to (3), inclusive, of this subsection.

(e) (1) Not later than January 1, 2024, a Connecticut bank may, provided the Connecticut bank notifies the commissioner of such election, in writing, not later than said date, elect to use equity capital and adjusted allowances for credit losses, instead of capital and surplus, for the purposes of calculating the limitations established in subsections (b) and (c) of this section on the total amount of the debt securities and debt mutual funds of any one maker, obligor or issuer purchased or held by a Connecticut bank or for a Connecticut bank's account.

(2) Any Connecticut bank that makes the election as provided in

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subdivision (1) of this subsection may subsequently elect, provided such Connecticut bank notifies the commissioner, in writing, that such Connecticut bank has made such subsequent election, to use capital and surplus, instead of equity capital and adjusted allowances for credit losses, for the purposes of calculating the limitations established in subsections (b) and (c) of this section on the total amount of the debt securities and debt mutual funds of any one maker, obligor or issuer purchased or held by a Connecticut bank or for a Connecticut bank's account.

Sec. 21. Section 36a-276 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) As used in this section: (1) "Equity security" means any stock or similar security, certificate of interest or participation in any profit-sharing agreement, preorganization certificate or subscription, transferable share, voting trust certificate or certificate of deposit for an equity security, limited partnership interest, interest in a joint venture or certificate of interest in a business trust; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any put, call, straddle or other option or privilege of buying such a security from or selling such a security to another without being bound to do so, but excludes a debt mutual fund, as defined in section 36a-275, as amended by this act, and an equity mutual fund; and (2) "equity mutual fund" means a partnership interest in, shares of stock of, units of beneficial interest in or other ownership interest in any one investment company which is registered under the Investment Company Act of 1940, as from time to time amended, commonly described as mutual funds, money market funds, investment trusts or business trusts, but excludes a debt mutual fund, as defined in section 36a-275, as amended by this act.

(b) In addition to other investments authorized by sections 36a-275 to

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36a-277, inclusive, as amended by this act, and 36a-280, any Connecticut bank may purchase or hold for its own account equity securities and equity mutual funds, without regard to any other liability to the Connecticut bank of the issuer of such equity securities and equity mutual funds, provided: (1) The total amount of equity securities and equity mutual funds of any one issuer purchased or held by a Connecticut bank or for a Connecticut bank's account, except as otherwise provided in subsection (f) of this section, may not exceed, at any time, twenty-five per cent of its [total equity capital and reserves for loan and lease losses] capital and surplus; and (2) the total amount of any equity securities and equity mutual funds purchased or held by a Connecticut bank or for a Connecticut bank's account pursuant to this subsection may not exceed, at any time, twenty-five per cent of its assets.

(c) In addition to other investments authorized by sections 36a-275 to 36a-277, inclusive, as amended by this act, and 36a-280, any Connecticut bank may purchase or hold for its own account, without regard to any other liability to the Connecticut bank of the issuer, ten per cent or more of the equity securities, including convertible securities, of a bank, out-of-state bank or holding company in accordance with law.

(d) In addition to other investments authorized by sections 36a-275 to 36a-277, inclusive, as amended by this act, and 36a-280, any Connecticut bank, with the approval of the commissioner, may purchase or hold for its own account, without regard to any other liability to the Connecticut bank of the issuer, a controlling interest in a corporation or other entity, the functions of which are limited to one or more of the functions which the bank may carry on directly in the exercise of its express or incidental powers. For purposes of this subsection and subsection (e) of this section, a "controlling interest" means at least fifty-one per cent of the equity securities issued by the corporation or other entity, unless the commissioner determines that under the circumstances, a lesser percentage constitutes effective working control of the corporation or

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other entity.

(e) The bank shall notify the commissioner, in writing, twenty-four hours prior to making any investment under subsections (b) and (c) of this section which would result in such bank having invested in the aggregate in twenty-five per cent or more of the equity securities of a corporation. Notwithstanding the provisions of this subsection, any investment in a controlling interest in a corporation or other entity, the functions of which are limited to one or more of the functions that the bank may carry on directly in the exercise of its express or incidental powers, shall be made in accordance with subsection (d) of this section.

(f) (1) Not later than January 1, 2024, a Connecticut bank may, provided the Connecticut bank notifies the commissioner of such election, in writing, not later than said date, elect to use equity capital and adjusted allowances for credit losses, instead of capital and surplus, for the purpose of calculating the limitation established in subsection (b) of this section on the total amount of equity securities and equity mutual funds of any one issuer purchased or held by a Connecticut bank or for a Connecticut bank's account.

(2) Any Connecticut bank that makes the election as provided in subdivision (1) of this subsection may subsequently elect, provided such Connecticut bank notifies the commissioner, in writing, that such Connecticut bank has made such subsequent election, to use capital and surplus, instead of equity capital and adjusted allowances for credit losses, for the purpose of calculating the limitation established in subsection (b) of this section on the total amount of equity securities and equity mutual funds of any one issuer purchased or held by a Connecticut bank or for a Connecticut bank's account.

Sec. 22. Section 36a-277 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

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(a) In addition to other investments authorized by sections 36a-275, as amended by this act, and 36a-276, as amended by this act, this section and section 36a-280, any Connecticut bank may purchase or hold for its own account the following securities, without regard to any other liability to the Connecticut bank of the obligor, maker, guarantor or issuer of such securities, provided the total amount of the securities of any one maker, obligor or issuer held by a Connecticut bank or for a Connecticut bank's account may not exceed, at any time, and except as provided in subsection (b) of this section, ten per cent of its [equity capital and reserves for loan and lease losses] capital and surplus:

(1) Equity securities, as defined in section 36a-276, as amended by this act, and debt securities, as defined in section 36a-275, as amended by this act, of companies licensed or that have applied to be licensed as "small business investment companies", under the federal Small Business Investment Act of 1958, 15 USC Section 661 et seq., as from time to time amended, and which qualify as companies financing disadvantaged persons under 15 USC Section 681(d), as from time to time amended;

(2) Equity securities, as defined in section 36a-276, as amended by this act, and debt securities, as defined in section 36a-275, as amended by this act, of companies licensed or that have applied to be licensed as "small business investment companies", under the federal Small Business Investment Act of 1958, 15 USC Section 661 et seq., as from time to time amended;

(3) Debt securities issued by corporations certified by the commissioner to be organized and operated solely for the purpose of providing assistance which will contribute to the public welfare by facilitating the acquisition and maintenance of ownership of homes by individuals whose ability to own their own homes is hampered because of social or economic disadvantages, which debt securities are backed by mortgage loans made by the issuing corporations;

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(4) Shares of stock and debt securities issued by the National Corporation for Housing Partnerships or by any other corporation created pursuant to Title IX of the Housing and Urban Development Act of 1968; limited partnership interests in The National Housing Partnership or in any other limited partnership formed pursuant to Section 907(a) of that act; and any partnership, limited partnership, or joint venture formed pursuant to Section 907(c) of that act;

(5) Shares of stock and debt securities of corporations, and equity interests in and debt securities of, partnerships and limited partnerships, engaged solely in acquiring and rehabilitating housing;

(6) Debt securities or equity securities of a corporation, all the equity securities of which corporation are to be owned by one or more Connecticut banks and which corporation is organized and operated for the purpose of developing, and stimulating and assisting the development of, by any means and in any capacity, by itself or jointly with others, low and moderate income housing in this state;

(7) Debt securities or equity securities of closed-end investment companies which provide capital to racial or ethnic minority-owned businesses and institutions;

(8) Debt securities or equity securities of development corporations or similar organizations organized to promote the business prosperity and economic welfare of this state and to encourage the location and development of new business, industry and commerce at least in part within the municipality where the main office or a branch of such bank is located; and

(9) Debt securities or equity securities that are social purpose investments, provided before making any such investment, the bank shall obtain the certification of the commissioner that the investment is a social purpose investment. For purposes of this section, a "social

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purpose investment" means an investment which contributes to the public welfare by facilitating the provision of a service or facility needed by residents of the area in which an office of the bank making the investment is located.

(b) (1) Not later than January 1, 2024, a Connecticut bank may, provided the Connecticut bank notifies the commissioner of such election, in writing, not later than said date, elect to use equity capital and adjusted allowances for credit losses, instead of capital and surplus, for the purpose of calculating the limitation established in subsection (a) of this section on the total amount of the securities of any one maker, obligor or issuer held by a Connecticut bank or for a Connecticut bank's account.

(2) Any Connecticut bank that makes the election as provided in subdivision (1) of this subsection may subsequently elect, provided such Connecticut bank notifies the commissioner, in writing, that such Connecticut bank has made such subsequent election, to use capital and surplus, instead of equity capital and adjusted allowances for credit losses, for the purpose of calculating the limitation established in subsection (a) of this section on the total amount of the securities of any one maker, obligor or issuer held by a Connecticut bank or for a Connecticut bank's account.

Sec. 23. Subsection (f) of section 36a-285 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(f) Any savings bank may invest not more than five per cent of its [equity] capital and surplus in stocks, obligations or other securities of The Savings Bank Life Insurance Company. Such investment may include advances to the surplus of the company.

Sec. 24. Section 36a-438a of the general statutes is repealed and the

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following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) (1) Except as provided in subdivision (2) of this subsection, the field of membership of a Connecticut credit union is limited to: (A) [a] A single common bond membership; [] (B) a multiple common bond membership; [, or] (C) persons within a well-defined community, neighborhood or rural district; or (D) any combination thereof.

(2) The field of membership of a Connecticut credit union may include: (A) [members] Members of the immediate family or household of all persons included under subparagraphs (A), (B) and (C) of subdivision (1) of this subsection; [] (B) organizers and employees of such credit union; [] (C) the surviving spouse of a deceased member of such credit union; [, and] (D) notwithstanding any change in employment, occupation, residence or other condition initially controlling the eligibility for membership in any Connecticut credit union, any person properly admitted to membership in a Connecticut credit union, [. Such] and such person may continue membership therein during such person's lifetime; (E) partnerships in which the majority of the partners are individuals who are members of such credit union; (F) corporations in which the majority of shareholders are individuals who are members of such credit union; (G) organizations of individuals who are members of such credit union; and (H) associations and their members, provided such associations were formed to serve a purpose other than expanding the field of membership of such credit union. The commissioner shall, in determining whether to approve the inclusion of an association in the field of membership of a Connecticut credit union, consider the public interest and benefit of such inclusion and, in determining whether an association was formed to serve a purpose other than expanding the field of membership of a Connecticut credit union, consider the totality of the circumstances, including, but not limited to, the following factors: (i) Whether the association provides opportunities for members to participate in furthering the goals of the

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association; (ii) whether the association maintains a membership list; (iii) whether the association sponsors activities; (iv) whether the association's membership eligibility requirements are limited to the association's stated purpose; (v) whether the members of the association pay dues; (vi) whether the members of the association have voting rights in the association; (vii) the extent of meetings and member engagement on topics related to the association's core purposes; and (viii) the degree of separation between the association and the credit union.

[(3) The field of membership of a Connecticut credit union under subparagraphs (A) and (B) of subdivision (1) of this subsection may include associations and organizations of individuals who are members of such credit union, partnerships in which the majority of the partners are individuals who are members of such credit union, and corporations in which the majority of whose shareholders are individuals who are members of such credit union.]

[(4)] (3) The field of membership of a Connecticut credit union under subparagraph (C) of subdivision (1) of this subsection may include groups located outside of the well-defined community, neighborhood or rural district such credit union serves that were within such credit union's field of membership at the time it converted from a field of membership specified in subparagraph (A) or (B) of said subdivision (1), provided such credit union's continuing relationships with such groups are not exclusive and, if authorized under this chapter, other Connecticut credit unions may also provide services to such groups. The commissioner may not approve an amendment to the bylaws of such a credit union under this subdivision unless the commissioner determines in writing that any potential harm that the expansion of the field of membership of such credit union may have on any other Connecticut credit union and its members is clearly outweighed in the public interest by the probable beneficial effect of the expansion in meeting the convenience and needs of the members of the group proposed to be

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included in the field of membership.

(b) [Notwithstanding the provisions of subsection (a) of this section, the] The commissioner may authorize a Connecticut credit union with a multiple common bond membership to include in its field of membership any person within a well-defined community, neighborhood or rural district if:

(1) The commissioner determines that the well-defined community, neighborhood or rural district is: (A) [an] An investment area, as defined in Section 103(16) of the Community Development Banking and Financial Institutions Act of 1994, 12 USC Section 4702(16), and meets any additional requirements that the commissioner may impose; and (B) underserved by other depository institutions, as defined in Section 19(b)(1)(A) of the Federal Reserve Act, 12 USC Section 461(b), based on data of the commissioner and federal supervisory agencies; and

(2) The Connecticut credit union establishes and maintains a main office or branch in the well-defined community, neighborhood or rural district at which credit union services are available.

(c) Any Connecticut credit union that is so authorized to expand its field of membership under subsection (b) of this section continues as a Connecticut credit union whose field of membership is limited to a multiple common bond membership.

(d) (1) The commissioner may not approve an amendment to the bylaws of a Connecticut credit union with a multiple common bond membership to expand its field of membership to add a group of five hundred or more potential members, excluding individuals who are potentially eligible as members of the immediate family or household of a potential member, or persons within a well-defined community, neighborhood or rural district, unless the commissioner determines in writing that: (A) [the] The Connecticut credit union has not engaged in

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any material unsafe or unsound practice during the one-year period preceding the date on which the proposed amendment is filed with the commissioner; (B) the Connecticut credit union is adequately capitalized; (C) the Connecticut credit union has the administrative capability to serve the proposed membership group and the financial resources to meet the need for additional staff and assets to serve the new membership group; (D) any potential harm that the expansion of the field of membership of the Connecticut credit union may have on any other Connecticut credit union and its members is clearly outweighed in the public interest by the probable beneficial effect of the expansion in meeting the convenience and needs of the members of the group proposed to be included in the field of membership; and (E) formation of a separate credit union by the group proposed to be included is not practicable and consistent with reasonable safety and soundness standards. A Connecticut credit union whose field of membership is limited to a single common bond membership or multiple common bond membership that acquires as potential members persons within a well-defined community, neighborhood or rural district, other than the well-defined community, neighborhood or rural district specified in subdivision (1) of subsection (b) of this section, by merger, expansion or otherwise, shall become a Connecticut credit union whose field of membership is limited to persons within a well-defined community, neighborhood or rural district.

(2) The commissioner may withhold or condition an approval of an amendment to the bylaws sought by a community credit union, as defined in section 36a-37, under this subsection pursuant to the provisions of section 36a-37d.

(3) The commissioner may approve an amendment to the bylaws of a Connecticut credit union to change the field of membership without regard for the common bond whenever the commissioner determines that continued operation of the Connecticut credit union without the

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proposed amendment may result in liquidation or merger of such credit union.

Sec. 25. (NEW) (*Effective October 1, 2023*) (a) For purposes of this section:

(1) "Connecticut bank" has the same meaning as provided in section 36a-2 of the general statutes, as amended by this act;

(2) "Connecticut credit union" has the same meaning as provided in section 36a-2 of the general statutes, as amended by this act;

(3) "Federal credit union" has the same meaning as provided in section 36a-2 of the general statutes, as amended by this act;

(4) "Financial institution" has the same meaning as provided in section 36a-41 of the general statutes;

(5) "Out-of-state bank" has the same meaning as provided in section 36a-2 of the general statutes, as amended by this act; and

(6) "Out-of-state credit union" has the same meaning as provided in section 36a-2 of the general statutes, as amended by this act.

(b) The Banking Commissioner shall:

(1) Provide timely assistance to any person holding an account at a financial institution concerning any matter relating to the financial institution following the financial institution's merger with another financial institution;

(2) Receive and review complaints by persons holding accounts at a financial institution following the financial institution's merger with another financial institution, and if any financial institution that is a party to such merger is a Connecticut bank or Connecticut credit union, investigate such complaints;

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(3) Communicate complaints concerning a financial institution, following a merger involving the financial institution, to the primary regulator of such financial institution if such financial institution is an out-of-state bank, out-of-state credit union or federal credit union;

(4) Assist persons who submit complaints under subdivision (2) of this subsection to understand their rights and responsibilities concerning such complaints;

(5) Provide information to the public, state agencies, legislators and other persons regarding the problems and concerns of persons who submit complaints under subdivision (2) of this subsection, and make recommendations to resolve such problems and concerns;

(6) Analyze and monitor the development and implementation of federal, state and local laws, regulations and policies relating to financial institutions and the merger of financial institutions, and recommend any changes to such laws, regulations or policies the Banking Commissioner deems necessary;

(7) Review information relating to complaints involving Connecticut banks and Connecticut credit unions submitted under subdivision (2) of this subsection, for any person who provides written consent for such review;

(8) Disseminate information on the Department of Banking's Internet web site concerning the availability of the department's personnel for assisting persons holding accounts at financial institutions with their concerns relating to financial institution mergers; and

(9) Take any other action the Banking Commissioner deems necessary to fulfill the commissioner's duties under this subsection.

(c) On or before January 1, 2025, and annually thereafter, the Banking Commissioner shall submit a report, in accordance with the provisions

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of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to banking. Each report shall: (1) Summarize the analysis conducted by the Banking Commissioner pursuant to subdivision (6) of subsection (b) of this section for the preceding calendar year; and (2) recommend any changes to federal, state and local laws, regulations and policies relating to the merger of financial institutions the Banking Commissioner deems necessary.

Sec. 26. Section 36a-609 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

The provisions of sections 36a-597 to 36a-607, inclusive, and sections 36a-611 and 36a-612 shall not apply to:

(1) Any federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such institution does not engage in the business of money transmission in this state through any person who is not (A) a federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, (B) a person licensed pursuant to sections 36a-595 to 36a-612, inclusive, or an authorized delegate acting on behalf of such licensed person, or (C) a person exempt pursuant to [subdivision (2) or (3)] subdivisions (2) to (4), inclusive, of this section;

(2) Any Connecticut bank that is an uninsured bank organized pursuant to subsection (t) of section 36a-70;

[(2)] (3) The United States Postal Service and any contractor that engages in the business of money transmission in this state on behalf of the United States Postal Service; and

[(3)] (4) A person whose activity is limited to the electronic funds transfer of governmental benefits for or on behalf of a federal, state or

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other governmental agency, quasi-governmental agency or government sponsored enterprise.

Sec. 27. Section 3-24j of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

As used in this section and sections 3-24k and 3-24l, as amended by this act:

(1) "Community bank" means a bank [that is domiciled in this state and has assets of not more than one billion dollars;] and trust company, savings bank or savings and loan association chartered or organized under the laws of this state; and

(2) "Community credit union" means a [federal credit union, as defined in section 36a-2, the membership of which is limited to persons or organizations within a well-defined local community, neighborhood or rural district as provided in the Federal Credit Union Act, 12 USC Section 1759(b)(3), as from time to time amended, that has assets of not more than one billion dollars or a state credit union that has assets of not more than one billion dollars; and] cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited as provided in section 36a-438a, as amended by this act, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership.

[(3) "State credit union" means a cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited to persons within a well-defined community, neighborhood or rural district as provided in section 36a-438a, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for

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its members, and (C) is governed by a volunteer board of directors elected by and from its membership.]

Sec. 28. Section 3-24k of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

(a) The State Treasurer may establish a program under which the State Treasurer may, based on cash availability, make available a pool of funds not exceeding [one] three hundred million dollars for investment with eligible community banks and community credit unions. Such funds shall be obtained from the state's operating cash managed by the State Treasurer.

(b) (1) The State Treasurer shall establish eligibility criteria for any program established under subsection (a) of this section. Such eligibility criteria shall include, at a minimum, an asset limit for community banks and community credit unions to participate in such program. Such asset limit shall provide that: (A) During the period beginning July 1, 2023, and ending September 29, 2024, no community bank or community credit union with assets exceeding two billion dollars may participate in such program; and (B) beginning September 30, 2024, no community bank or community credit union may participate in such program if such community bank's or community credit union's assets exceed the sum of (i) the preceding asset limit established by the State Treasurer, and (ii) the median percentage loan growth of community banks and community credit unions eligible for the program at the time when the State Treasurer establishes such asset limit. As used in this subsection, "median percentage loan growth" means the middle value representing the percentage increase or decrease, as the case may be, in loan assets over a period of time reflected on the balance sheet of a specified group of lenders.

(2) Not later than July 1, 2024, and annually thereafter, the State Treasurer shall provide to the Department of Banking a list of the

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community banks and community credit unions that are eligible to participate in such program at the time when the State Treasurer provides each such list to the department. Not later than August 31, 2024, and annually thereafter, the Department of Banking shall provide to the State Treasurer the median percentage loan growth of each such community bank and community credit union.

[(b)] (c) The State Treasurer shall establish a schedule for making such investments with such banks and credit unions.

[(c)] (d) The State Treasurer shall establish a competitive bidding procedure under which such banks and credit unions may compete for investment-related services under said program.

[(d)] (e) The State Treasurer may establish capital standards for such banks and credit unions wishing to participate in said program.

Sec. 29. Section 4 of public act 23-45 is repealed. (*Effective July 1, 2023*)

Approved June 29, 2023