



Senate

General Assembly

File No. 209

January Session, 2023

Substitute Senate Bill No. 1033

Senate, March 23, 2023

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

AN ACT CONCERNING VARIOUS REVISIONS TO THE BANKING STATUTES.

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

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 Section 36a-555 of the general statutes is repealed and the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

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

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

11 (2) "APR" means the annual percentage rate for the loan calculated
12 according to the provisions of the federal [Truth-in-Lending Act, 15 USC

13 1601 et seq.] Military Lending Act, 10 USC 987, as amended from time
14 to time, and the regulations promulgated thereunder, [, and the
15 "disclosed APR" shall mean the APR disclosed, as applicable, pursuant
16 to 12 CFR Section 1026.6 or 12 CFR Section 1026.18. If more than one
17 APR is disclosed pursuant to 12 CFR Section 1026.6, the "disclosed APR"
18 shall be the highest APR disclosed pursuant to said section] For the
19 purpose of calculating the APR, each of the following shall be deemed
20 to be a finance charge: (A) A charge set forth in 32 CFR 232.4(c)(1), as
21 amended from time to time, (B) a charge for any ancillary product,
22 membership or service sold in connection or concurrent with a small
23 loan, (C) any amount offered or agreed to by a borrower in furtherance
24 of obtaining credit or as compensation for the use of money, and (D) any
25 fee, voluntarily or otherwise, charged, agreed to or paid by a borrower
26 in connection or concurrent with a small loan;

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

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

43 (5) "Control person" means an individual that directly or indirectly
44 exercises control over another person, and includes any person that (A)
45 is a director, general partner or executive officer, [;] (B) in the case of a

46 corporation, directly or indirectly has the right to vote ten per cent or
47 more of a class of any voting security or has the power to sell or direct
48 the sale of ten per cent or more of any class of voting securities, [;] (C) in
49 the case of a limited liability company, is a managing member, [;] or (D)
50 in the case of a partnership, has the right to receive upon dissolution, or
51 has contributed, ten per cent or more of the capital. For purposes of this
52 subdivision, "control" means the power, directly or indirectly, to direct
53 the management or policies of a company, whether through ownership
54 of securities, by contract or otherwise;

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

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

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

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

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

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

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

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

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

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

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

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

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

107 (3) Engage in any other activity intended to assist a prospective

108 Connecticut borrower in obtaining a small loan, including, but not
109 limited to, generating leads;

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

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

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

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

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

125 (d) Any person who purports to act as an agent, service provider or
126 in another capacity for a person who is exempt from licensure pursuant
127 to subsection (a) or (b) of section 36a-557, as amended by this act, shall
128 require licensure pursuant to subsection (a) of this section if: (1) Such
129 person holds, acquires or maintains, directly or indirectly, the
130 predominant economic interest in a small loan; (2) such person markets,
131 brokers, arranges or facilitates the loan and holds the right, requirement
132 or right of first refusal to purchase the small loans, receivables or
133 interests in the small loans; or (3) the totality of the circumstances
134 indicate that such person is the lender and the transaction is structured
135 to evade the requirements of sections 36a-555 to 36a-573, inclusive, as
136 amended by this act. Circumstances weighing in favor of deeming a
137 person a lender who shall be licensed under sections 36a-555 to 36a-573,
138 inclusive, as amended by this act, include, but are not limited to, the

139 person: (A) Indemnifying, insuring or protecting an exempt person for
140 any costs or risks related to a small loan; (B) predominantly designing,
141 controlling or operating a small loan program; or (C) purporting to act
142 as an agent, service provider or in another capacity for an exempt person
143 in this state while acting directly as a lender in another state.

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

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

148 (1) A licensed pawnbroker;

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

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

159 (4) A person who is a passive buyer of a small loan. For purposes of
160 this subdivision, "passive buyer" means a person who: (A) Has acquired
161 a small loan for investment purposes from a person who is either
162 licensed or exempt from licensure under subdivisions (1) to (3),
163 inclusive, of subsection (b) of this section; (B) will receive the principal
164 and interest and any other moneys due under the small loan through a
165 person who is either licensed or exempt from licensure under
166 subdivisions (1) to (3), inclusive, of subsection (b) of this section; and (C)
167 has had and will have no communications of any kind with the
168 Connecticut borrower regarding the small loan it has acquired;

169 (5) A consumer reporting agency, as defined in Section 603(f) of the

170 Fair Credit Reporting Act, 15 USC 1681a, as amended from time to time,
171 when generating leads; and

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

175 (b) The following persons are exempt from the provisions of sections
176 36a-555 to 36a-573, inclusive, as amended by this act:

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

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

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

183 (c) Loans made by an exempt person described in subsection (b) of
184 this section shall be exempt from the provisions of sections 36a-555 to
185 36a-573, inclusive, as amended by this act, including, without limitation,
186 the provisions applicable to licensed persons, even if: (1) The exempt
187 person utilizes the services of a person exempt from licensing or
188 required to be licensed pursuant to section 36a-556, as amended by this
189 act, in connection with the small loans that are made or offered to be
190 made by the exempt person described in subsection (b) of this section;
191 and (2) a person exempt from licensing or required to be licensed
192 pursuant to section 36a-556, as amended by this act, engages in activities
193 intended to assist a prospective Connecticut borrower or a Connecticut
194 borrower in obtaining a small loan that is made or offered to be made
195 by an exempt person described in subsection (b) of this section. Nothing
196 in this subsection shall be construed as exempting persons required to
197 be licensed pursuant to section 36a-556, as amended by this act, from
198 the requirements to obtain and maintain a license or from the provisions
199 of sections 36a-562 to 36a-573, inclusive. Notwithstanding the foregoing,
200 no person licensed or required to be licensed under section 36a-556, as

201 amended by this act, shall engage in any of the activities described in
202 subsection (a) of section 36a-556, as amended by this act, for any small
203 loan that has [a disclosed] an APR in excess of thirty-six per cent if that
204 small loan contains any condition or provision inconsistent with the
205 requirements of subsections (d) to (g), inclusive, of section 36a-558, as
206 amended by this act. This subsection shall not apply to loans described
207 in subsection (d) of section 36a-556, as amended by this act.

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

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

213 (1) For a small loan that is under five thousand dollars, an [annual
214 percentage rate] APR that exceeds the lesser of thirty-six per cent or the
215 maximum annual percentage rate for interest that is permitted with
216 respect to the consumer credit extended under the Military Lending Act,
217 10 USC 987, [et seq.,] as amended from time to time, or for a small loan
218 that is between five thousand and [fifteen] fifty thousand dollars, an
219 [annual percentage rate] APR that exceeds twenty-five per cent;

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

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

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

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

229 (6) A prepayment penalty;

230 (7) An adjustable rate provision;

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

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

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

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

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

246 (1) For late fees, if: (A) Such fees are assessed after an installment
247 remains unpaid for ten or more consecutive days, including Sundays
248 and holidays; (B) such fees do not exceed five per cent of the outstanding
249 installment payment, excluding any previously assessed late fees, or a
250 total of twenty-five dollars per month, whichever is less; and (C) no
251 interest is charged on such fees;

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

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

258 (4) Allowing for the accrual of interest after the maturity date or the

259 deferred maturity date, provided such interest shall not exceed twelve
260 per cent per annum computed on a daily basis on the respective unpaid
261 balances;

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

264 (6) Including credit life insurance or credit accident and health
265 insurance subject to the conditions and restrictions set forth in section
266 36a-559; and

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

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

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

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

285 (3) Provide for interest to be computed on any unpaid principal
286 balance of the account in each billing cycle by one of the following
287 methods: (A) By converting the APR to a daily rate and multiplying
288 such daily rate by the daily unpaid principal balance of the account, in
289 which case the daily rate is determined by dividing the APR by three

290 hundred sixty-five; or (B) by converting the APR to a monthly rate and
291 multiplying the monthly rate by the average daily unpaid principal
292 balance of the account in the billing cycle, in which case (i) the monthly
293 rate is determined by dividing the APR by twelve, and (ii) the average
294 daily unpaid principal balance is the sum of the amount unpaid each
295 day during the cycle divided by the number of days in the cycle. In
296 either of such computations, the billing cycle shall be monthly and the
297 unpaid principal balance on any day shall be determined by adding to
298 any balance unpaid as of the beginning of such day all advances and
299 other permissible amounts charged to the borrower and deducting all
300 payments and other credits made or received that day;

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

305 (5) Not include any other fees or charges of any kind, except as
306 expressly permitted by subsection (g) of this section.

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

309 No licensee shall:

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

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

319 (3) Take any (A) confession of judgment, (B) power of attorney, (C)
320 note or promise to pay that does not state the actual amount of the loan,

321 the time period for which the loan is made and the charges for such loan,
322 or (D) instrument related to the loan in which blanks are left to be filled
323 after the loan is made;

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

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

340 Sec. 6. Subsection (c) of section 36a-770 of the general statutes is
341 repealed and the following is substituted in lieu thereof (*Effective October*
342 *1, 2023*):

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

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

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

352 installment contract.

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

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

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

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

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

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

386 (9) A retail installment contract or installment loan contract is "made
387 in this state" if: (A) An offer or agreement is made in Connecticut by a
388 retail seller or a lender to sell or extend credit to a resident retail buyer,
389 including, but not limited to, any verbal or written solicitation or
390 communication to sell or extend credit originating outside the state of
391 Connecticut but forwarded to and received in Connecticut by a resident
392 retail buyer; or (B) an offer to buy or an application for extension of
393 credit, or an acceptance of an offer to buy or to extend credit, is made in
394 Connecticut by a resident retail buyer, regardless of the situs of the
395 contract which may be specified therein, including, but not limited to,
396 any verbal or written solicitation or communication to buy or to have
397 credit extended, originating within the state of Connecticut but
398 forwarded to and received by a retail seller or a lender outside the state
399 of Connecticut. For purposes of this subdivision, a "resident retail
400 buyer" means a retail buyer who is a resident of the state of Connecticut.

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

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

415 (12) "Retail installment contract" means any security agreement, as
416 defined in subdivision (74) of subsection (a) of section 42a-9-102, made

417 in this state, including one in the form of a mortgage, conditional sale
418 contract or other instrument evidencing an agreement to pay the retail
419 purchase price of goods, or any part thereof, in installments over a
420 period of time and pursuant to which a security interest, as defined in
421 subdivision (35) of subsection (b) of section 42a-1-201, is retained or
422 taken by the retail seller for the payment of the amount of such retail
423 installment contract. For purposes of this subdivision, "retail installment
424 contract" does not include a rent-to-own agreement, as defined in
425 section 42-240.

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

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

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

446 Sec. 7. (NEW) (*Effective October 1, 2023*) (a) For purposes of this
447 section, "guaranteed asset protection waiver" or "GAP waiver" means:
448 (1) A contractual agreement, entered into on or after October 1, 2023, in
449 which a creditor agrees, with or without a separate charge, to cancel or

450 waive all or part of the amounts due from a borrower under a retail
451 installment contract or an installment loan contract in the event of a total
452 physical damage loss or an unrecovered theft of a motor vehicle, which
453 agreement is a part of, or a separate addendum to, the retail installment
454 contract or installment loan contract; and (2) an excess wear and use
455 waiver contractual agreement, entered into on or after October 1, 2023,
456 in which a creditor agrees, with or without a separate charge, to cancel
457 or waive all or part of the amounts that may become due from a
458 borrower under a motor vehicle lease agreement as a result of excessive
459 wear and use of a leased motor vehicle, including, but not limited to,
460 excess mileage, which contractual agreement is a part of, or a separate
461 addendum to, the lease agreement.

462 (b) A GAP waiver may provide, with or without a separate charge, a
463 benefit that waives an amount or provides a borrower with a credit
464 toward the purchase of a replacement motor vehicle. A GAP waiver
465 shall not be considered insurance for the purpose of refund
466 requirements set forth in section 36a-773 of the general statutes.

467 (c) A GAP waiver shall be cancellable and provide that if a borrower
468 cancels such waiver, the creditor, holder, administrator or other
469 authorized party shall provide to the borrower a pro rata refund, based
470 on monthly increments starting on the fifteenth of each month of the
471 unearned portion of the purchase price of the GAP waiver, provided no
472 benefits have been provided under such GAP waiver. In the event of full
473 satisfaction of the retail installment contract or installment loan contract
474 or repossession, the creditor, holder, administrator or other authorized
475 party shall provide, or cause the administrator or retail seller to provide,
476 not later than thirty days after termination, any refund due to a
477 borrower or a credit to be applied to the borrower's outstanding balance
478 without requiring the borrower to request cancellation of the waiver.

479 Sec. 8. Subsection (a) of section 36a-338 of the general statutes is
480 repealed and the following is substituted in lieu thereof (*Effective July 1,*
481 *2023*):

482 (a) On each call report date, each qualified public depository shall file

483 with the commissioner a written report, certified under oath unless such
484 report is filed electronically, indicating (1) the qualified public
485 depository's tier one leverage ratio and risk-based capital ratio or net
486 worth ratio, as determined in accordance with applicable federal
487 regulations and regulations adopted by the commissioner in accordance
488 with chapter 54, (2) the uninsured and total amount of public deposits
489 held by the qualified public depository other than deposits that have
490 been redeposited into the qualified public depository by another
491 insured depository institution pursuant to a reciprocal deposit
492 arrangement that makes such funds eligible for insurance coverage by
493 the Federal Deposit Insurance Corporation or the National Credit Union
494 Administration, (3) the description and market value of any eligible
495 collateral segregated and designated to secure the uninsured public
496 deposits in accordance with sections 36a-330 to 36a-338, inclusive, as
497 amended by this act, and (4) the amount and the name of the issuer of
498 any letter of credit issued pursuant to section 36a-337. Each depository
499 shall furnish a copy of its most recent report to any public depositor
500 having public funds on deposit in the depository, upon request of the
501 depositor. Any public depository which refuses or neglects to furnish
502 any report or give any information as required by this section shall no
503 longer be a qualified public depository and shall be excluded from the
504 right to receive public deposits.

505 Sec. 9. Subsection (b) of section 36a-486 of the general statutes is
506 repealed and the following is substituted in lieu thereof (*Effective October*
507 *1, 2023*):

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

517 is licensed under section 36a-489 or exempt from licensure pursuant to
518 subdivision (5) of this subsection. An individual, unless specifically
519 exempted under subdivision (2) of this subsection or acting pursuant to
520 the temporary authority provided in subsection (e) of this section, shall
521 not engage in the business of a mortgage loan originator on behalf of a
522 licensee or a person exempt under section 36a-487 with respect to any
523 residential mortgage loan without first obtaining and maintaining
524 annually a license as a mortgage loan originator under section 36a-489.
525 An individual, unless specifically exempted under subdivision (2) of
526 this subsection, shall be deemed to be engaged in the business of a
527 mortgage loan originator if such individual: (A) Acts as a mortgage loan
528 originator in connection with any residential mortgage loan on behalf of
529 a licensee or person exempt under section 36a-487; or (B) makes any
530 representation to the public through advertising or other means of
531 communication that such individual can or will act as a mortgage loan
532 originator on behalf of a licensee or person exempt under section 36a-
533 487. Each licensed mortgage loan originator and each licensed loan
534 processor or underwriter shall register with and maintain a valid unique
535 identifier issued by the system. No individual may act as a mortgage
536 loan originator for more than one person at the same time. No loan
537 processor or underwriter licensee may be sponsored by more than one
538 person at a time. The license of a mortgage loan originator or a loan
539 processor or underwriter is not effective during any period when such
540 mortgage loan originator or a loan processor or underwriter is not
541 sponsored by a licensed mortgage lender, mortgage correspondent
542 lender or mortgage broker, or by a person registered as an exempt
543 registrant under subsection (d) of section 36a-487, or during any period
544 in which the license of the mortgage lender, mortgage correspondent
545 lender or mortgage broker with whom such originator or loan processor
546 or underwriter is associated has been suspended. Either the mortgage
547 loan originator, the loan processor or underwriter or the sponsor may
548 file a notification of the termination of sponsorship with the system.

549 (2) The following are exempt from this section: (A) A registered
550 mortgage loan originator or an employee of an institution or subsidiary
551 described in section 36a-485, who is not required to be registered under

552 Section 1507 of the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC
553 Section 5101 et seq., when acting for such institution or subsidiary; (B)
554 an individual who offers or negotiates the terms of a residential
555 mortgage loan with or on behalf of an immediate family member of such
556 individual; (C) an individual who offers or negotiates the terms of a
557 residential mortgage loan secured by a dwelling that served as the
558 individual's residence, unless the context demonstrates that such
559 individual engaged in such activities with a degree of habitualness or
560 repetition; (D) a Connecticut licensed attorney who negotiates the terms
561 of a residential mortgage loan on behalf of a client as an ancillary matter
562 to the attorney's representation of the client, unless the attorney is
563 compensated by a mortgage lender, mortgage correspondent lender,
564 mortgage broker or other mortgage loan originator or by any agent of
565 such mortgage lender, mortgage correspondent lender, mortgage
566 broker or other mortgage loan originator; (E) an individual who takes a
567 residential mortgage loan application or offers or negotiates terms of a
568 residential mortgage loan as an employee of a federal, state or local
569 government agency or housing finance agency exempt from licensure
570 pursuant to section 36a-487, and who does so only pursuant to such
571 individual's official duties as an employee of such agency; (F) an
572 individual who takes a residential mortgage loan application or offers
573 or negotiates terms of a residential mortgage loan as an employee of an
574 organization that has obtained bona fide nonprofit status from the
575 commissioner and is exempt from licensure pursuant to section 36a-487,
576 and who does so only pursuant to such individual's official duties as an
577 employee of such organization; and (G) an individual who offers or
578 negotiates the terms of a residential mortgage loan secured by a
579 dwelling that is not the individual's residence but is owned by such
580 individual, unless the context demonstrates that such individual
581 engaged in such activities with a degree of habitualness or repetition.

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

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

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

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

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

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

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

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

616 (C) Any operating subsidiary where each owner of such operating

617 subsidiary is wholly owned by the same such bank or credit union;

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

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

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

627 (G) An individual employed by an affiliate of a bank or credit union
628 exempt from licensure pursuant to subparagraph (A) of this
629 subdivision, who is registered or licensed with a state or federal
630 regulator to engage in securities brokerage, investment advisory or
631 insurance sales activities and who, incidental to the performance of such
632 regulated activities, performs lead generation activities by referring one
633 or more leads to such bank or credit union. For purposes of this
634 subparagraph, "affiliate" means an entity that is controlled by or is
635 under common control with the bank or credit union, such that the bank
636 or credit union (i) directly or indirectly acting through one or more other
637 persons owns, controls or has the power to vote more than fifty per cent
638 of any class of voting securities of the affiliate, (ii) controls in any
639 manner the election of a majority of directors or trustees of the affiliate,
640 or (iii) directly or indirectly exercises a controlling influence over the
641 management or policies of the affiliate.

642 Sec. 10. Subsection (a) of section 36a-498e of the general statutes is
643 repealed and the following is substituted in lieu thereof (*Effective October*
644 *1, 2023*):

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

- 648 (1) Employ any scheme, device or artifice to defraud or mislead
649 borrowers or lenders or to defraud any person;
- 650 (2) Engage in any unfair or deceptive practice toward any person;
- 651 (3) Obtain property by fraud or misrepresentation;
- 652 (4) Solicit or enter into a contract with a borrower that provides in
653 substance that such person or individual may earn a fee or commission
654 through "best efforts" to obtain a loan even though no loan is actually
655 obtained for the borrower;
- 656 (5) Solicit, advertise or enter into a contract for specific interest rates,
657 points or other financing terms unless the terms are actually available at
658 the time of soliciting, advertising or contracting;
- 659 (6) Conduct any business as a mortgage lender, mortgage
660 correspondent lender, mortgage broker, lead generator, mortgage loan
661 originator or loan processor or underwriter without holding a valid
662 license as required under this section, sections 36a-485 to [36a-498e] ~~36a-~~
663 ~~498d~~, inclusive, 36a-498h, 36a-534a and 36a-534b or assist or aid and abet
664 any person in the conduct of business as a mortgage lender, mortgage
665 correspondent lender, mortgage broker, lead generator, mortgage loan
666 originator or loan processor or underwriter without a valid license as
667 required under said sections;
- 668 (7) Fail to make disclosures as required by this section, sections 36a-
669 485 to [36a-498e] ~~36a-498d~~, inclusive, 36a-498h, 36a-534a and 36a-534b
670 and any other applicable state or federal law including regulations
671 adopted thereunder;
- 672 (8) Fail to comply with this section, sections 36a-485 to [36a-498e] ~~36a-~~
673 ~~498d~~, inclusive, 36a-498h, 36a-534a and 36a-534b or rules or regulations
674 adopted under said sections or fail to comply with any other state or
675 federal law, including the rules and regulations adopted thereunder,
676 applicable to any business authorized or conducted under said sections;
- 677 (9) Make, in any manner, any false or deceptive statement or

678 representation including, with regard to the rates, points or other
679 financing terms or conditions for a residential mortgage loan, or engage
680 in bait and switch advertising;

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

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

694 (12) Collect, charge, attempt to collect or charge or use or propose any
695 agreement purporting to collect or charge any fee prohibited by this
696 section, sections 36a-485 to [36a-498e] 36a-498d, inclusive, 36a-498h, 36a-
697 534a and 36a-534b;

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

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

703 Sec. 11. Subsection (a) of section 36a-719 of the general statutes is
704 repealed and the following is substituted in lieu thereof (*Effective October*
705 *1, 2023*):

706 (a) The commissioner shall issue a mortgage servicer license to an
707 applicant for such license if the commissioner finds that: (1) The
708 applicant has identified a qualified individual for its main office and a

709 branch manager for each branch office where such business is
710 conducted, provided such qualified individual and branch manager
711 have supervisory authority over the mortgage servicer activities at the
712 respective office location and at least three years' experience in the
713 mortgage servicing business within the five years immediately
714 preceding the date of the application for licensure; (2) notwithstanding
715 the provisions of section 46a-80, the applicant, the control persons of the
716 applicant, the qualified individual and any branch manager have not
717 been convicted of or pled guilty or nolo contendere to, in a domestic,
718 foreign or military court, a felony during the seven-year period
719 preceding the date of the application for licensing or a felony involving
720 an act of fraud or dishonesty, a breach of trust or money laundering at
721 any time preceding the date of application, provided any pardon or
722 expungement of a conviction shall not be a conviction for purposes of
723 this subdivision; (3) the applicant demonstrates that the financial
724 responsibility, character and general fitness of the applicant, the control
725 persons of the applicant, the qualified individual and any branch
726 manager command the confidence of the community and warrant a
727 determination that the applicant will operate honestly, fairly and
728 efficiently within the purposes of sections 36a-715 to 36a-719l, inclusive;
729 (4) the applicant has met the surety bond, fidelity bond and errors and
730 omissions coverage requirement under section 36a-719c; (5) the
731 applicant, the control persons of the applicant, the qualified individual
732 and any branch manager have not made a material misstatement in the
733 application; and (6) the applicant has met any other similar
734 requirements as determined by the commissioner. If the commissioner
735 fails to make such findings, the commissioner shall not issue a license,
736 and shall notify the applicant of the denial and the reasons for such
737 denial. The commissioner may waive the requirements of subdivision
738 (1) of this subsection relating to the supervision and experience of (A) a
739 qualified individual where the applicant establishes to the satisfaction
740 of the commissioner that the applicant (i) will not conduct any activity
741 subject to licensure under sections 36a-715 to 36a-719l, inclusive, at the
742 main office, and (ii) has designated a qualified individual who is
743 responsible for the actions of the applicant; and (B) a qualified

744 individual or a branch manager where the applicant establishes to the
745 satisfaction of the commissioner that the applicant (i) holds only
746 mortgage servicing rights at the main office or branch office and
747 conducts no other activity at such office, and (ii) has designated a
748 qualified individual or branch manager at such main office or branch
749 office who is responsible for the actions of the application. No person
750 licensed as a mortgage servicer and granted a waiver by the
751 commissioner shall engage in any activity that would have precluded
752 the issuance of such waiver without first designating a qualified
753 individual or branch manager, as the case may be, who meets all
754 applicable requirements of subdivision (1) of this subsection and is
755 approved by the commissioner. For purposes of this subsection, the
756 level of offense of the crime and the status of any conviction, pardon or
757 expungement shall be determined by reference to the law of the
758 jurisdiction where the case was prosecuted. In the event such
759 jurisdiction does not use the term "felony", "pardon" or "expungement",
760 such terms shall include legally equivalent events. For purposes of
761 subdivision (1) of this subsection, "experience in the mortgage servicing
762 business" means paid experience in the (I) servicing of mortgage loans,
763 (II) accounting, receipt and processing of payments on behalf of
764 mortgagees or creditors, or (III) supervision of such activities, or any
765 other relevant experience as determined by the commissioner. [, and "at
766 the respective office location" may be established if the qualified
767 individual or branch manager resides not more than one hundred miles
768 from the location of the office or otherwise demonstrates to the
769 satisfaction of the commissioner an ability to provide full-time, in-
770 person supervision of the office.]

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

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

777 Sec. 13. Subsection (e) of section 36a-318 of the general statutes is
778 repealed and the following is substituted in lieu thereof (*Effective October*
779 *1, 2023*):

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

790 (2) The notice requirements set forth in subdivision (1) of this
791 subsection shall not apply if: (A) The financial institution closes the
792 deposit account because of the financial institution's reasonable belief
793 that the deposit account is being used for fraudulent or other illegal
794 purposes or that one or more depositors are engaging in fraudulent or
795 other illegal activity; (B) the financial institution closes the deposit
796 account because of information it receives indicating that a local, state,
797 or federal law enforcement or regulatory agency is investigating
798 whether any fraudulent or other illegal activity involving the deposit
799 account or any depositor has occurred; (C) the financial institution is
800 asked or directed by any court or local, state or federal law enforcement
801 or regulatory agency to refrain from providing information pertaining
802 to the closing of the deposit account to the depositor; (D) the financial
803 institution is prohibited by state or federal law or regulation from
804 providing such notice; (E) the financial institution has a reasonable
805 belief that providing such notice may put any employee of the financial
806 institution at risk of physical or emotional harm caused by a depositor;
807 [or] (F) the financial institution complies with any state or federal law
808 that requires the financial institution to provide notice to one or more
809 depositors of the closing of the account; (G) the depositor or the
810 depositor's agent, including the depositor's estate representative, closes

811 the deposit account; (H) the deposit account is closed by the financial
812 institution after escheating the balance of the deposit account to the State
813 Treasurer pursuant to part III of chapter 32; (I) the deposit account is
814 closed by a beneficiary or the financial institution after title to the
815 deposit account vests in such beneficiary pursuant to section 36a-296; or
816 (J) the financial institution closes the deposit account in accordance with
817 a notice the financial institution provides to the depositor prior to the
818 closing of the deposit account stating the reason the deposit account will
819 be closed and the time period after which the deposit account will be
820 closed.

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

824 (a) For purposes of this section:

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

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

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

839 [(3)] (4) "Consumer transaction account" means a demand deposit
840 account, negotiable order of withdrawal account, share draft account or
841 similar account used primarily for personal, family or household

842 purposes.

843 (b) Except as otherwise provided in this section, on and after July 1,
844 2023, each banking institution shall make available to consumers
845 residing in the state a basic banking account as described in subsections
846 (c) to (e), inclusive, of this section. No banking institution shall be
847 required to make such basic banking account available at any branch or
848 other office such banking institution maintains outside of the state.

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

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

872 (e) (1) A banking institution that posts, in the public area of its
873 branches and offices in the state, notice of the availability of its consumer
874 transaction accounts other than its basic banking accounts [,] shall also

875 post equally conspicuous notice, in the same public areas of its branches
876 and offices in the state and in the same manner, of the availability of its
877 basic banking accounts. A banking institution that makes available in
878 the public area of its branches and offices in the state material describing
879 the terms of its other consumer transaction accounts, other than its basic
880 banking accounts, shall also make comparable descriptive material
881 available, in the same such public area of its branches and offices in the
882 state and in the same manner, for its basic banking account.

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

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

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

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

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

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

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

905 (5) "Bank and trust company" means an institution chartered or
906 organized under the laws of this state as a bank and trust company;

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

911 (7) "Capital and surplus" has the same meaning as provided in 12 CFR
912 1.2, as amended from time to time;

913 ~~[(7)]~~ (8) "Capital stock" when used in conjunction with any bank or
914 out-of-state bank means a bank or out-of-state bank that is authorized
915 to accumulate funds through the issuance of its capital stock;

916 ~~[(8)]~~ (9) "Client" means a beneficiary of a trust for whom the
917 Connecticut bank acts as trustee, a person for whom the Connecticut
918 bank acts as agent, custodian or bailee, or other person to whom a
919 Connecticut bank owes a duty or obligation under a trust or other
920 account administered by such Connecticut bank, regardless of whether
921 such Connecticut bank owes a fiduciary duty to the person;

922 ~~[(9)]~~ (10) "Club deposit" means deposits to be received at regular
923 intervals, the whole amount deposited to be withdrawn by the owner or
924 repaid by the bank in not more than fifteen months from the date of the
925 first deposit, and upon which no interest or dividends need to be paid;

926 ~~[(10)]~~ (11) "Commissioner" means the Banking Commissioner and,
927 with respect to any function of the commissioner, includes any person
928 authorized or designated by the commissioner to carry out that
929 function;

930 ~~[(11)]~~ (12) "Company" means any corporation, joint stock company,
931 trust, association, partnership, limited partnership, unincorporated
932 organization, limited liability company or similar organization, but does
933 not include (A) any corporation the majority of the shares of which are
934 owned by the United States or by any state, or (B) any trust which by its
935 terms shall terminate within twenty-five years or not later than twenty-

936 one years and ten months after the death of beneficiaries living on the
937 effective date of the trust;

938 [(12)] (13) "Connecticut bank" means a bank and trust company,
939 savings bank or savings and loan association chartered or organized
940 under the laws of this state;

941 [(13)] (14) "Connecticut credit union" means a cooperative, nonprofit
942 financial institution that (A) is organized under chapter 667 and the
943 membership of which is limited as provided in section 36a-438a, as
944 amended by this act, (B) operates for the benefit and general welfare of
945 its members with the earnings, benefits or services offered being
946 distributed to or retained for its members, and (C) is governed by a
947 volunteer board of directors elected by and from its membership;

948 [(14)] (15) "Connecticut credit union service organization" means a
949 credit union service organization that is (A) incorporated under the laws
950 of this state, located in this state and established by at least one
951 Connecticut credit union, or (B) wholly owned by a credit union that
952 converted into a Connecticut credit union pursuant to section 36a-469b;

953 [(15)] (16) "Consolidation" means a combination of two or more
954 institutions into a new institution; all institutions party to the
955 consolidation, other than the new institution, are "constituent"
956 institutions; the new institution is the "resulting" institution;

957 [(16)] (17) "Control" has the meaning given to that term in 12 USC
958 Section 1841(a), as amended from time to time;

959 [(17)] (18) "Credit union service organization" means an entity
960 organized under state or federal law to provide credit union service
961 organization services primarily to its members, to Connecticut credit
962 unions, federal credit unions and out-of-state credit unions other than
963 its members, and to members of any such other credit unions;

964 [(18)] (19) "Customer" means any person using a service offered by a
965 financial institution;

966 [(19)] (20) "Demand account" means an account into which demand
967 deposits may be made;

968 [(20)] (21) "Demand deposit" means a deposit that is payable on
969 demand, a deposit issued with an original maturity or required notice
970 period of less than seven days or a deposit representing funds for which
971 the bank does not reserve the right to require at least seven days' written
972 notice of the intended withdrawal, but does not include any time
973 deposit;

974 [(21)] (22) "Deposit" means funds deposited with a depository;

975 [(22)] (23) "Deposit account" means an account into which deposits
976 may be made;

977 [(23)] (24) "Depositor" includes a member of a mutual savings and
978 loan association;

979 [(24)] (25) "Director" means a member of the governing board of a
980 financial institution;

981 [(25)] (26) "Equity capital" means the excess of a Connecticut bank's
982 total assets over its total liabilities, as defined in the instructions of the
983 federal Financial Institutions Examination Council for consolidated
984 reports of condition and income;

985 [(26)] (27) "Executive officer" means every officer of a Connecticut
986 bank who participates or has authority to participate, otherwise than in
987 the capacity of a director, in major policy-making functions of such
988 bank, regardless of whether such officer has an official title or whether
989 that title contains a designation of assistant and regardless of whether
990 such officer is serving without salary or other compensation. The
991 president, vice president, secretary and treasurer of such bank are
992 deemed to be executive officers, unless, by resolution of the governing
993 board or by such bank's bylaws, any such officer is excluded from
994 participation in major policy-making functions, otherwise than in the
995 capacity of a director of such bank, and such officer does not actually
996 participate in such policy-making functions;

997 [(27)] (28) "Federal agency" has the meaning given to that term in 12
998 USC Section 3101, as amended from time to time;

999 [(28)] (29) "Federal bank" means a national banking association,
1000 federal savings bank or federal savings and loan association having its
1001 principal office in this state;

1002 [(29)] (30) "Federal branch" has the meaning given to that term in 12
1003 USC Section 3101, as amended from time to time;

1004 [(30)] (31) "Federal credit union" means any institution chartered or
1005 organized as a federal credit union pursuant to the laws of the United
1006 States having its principal office in this state;

1007 [(31)] (32) "Fiduciary" means a person undertaking to act alone or
1008 jointly with others primarily for the benefit of another or others in all
1009 matters connected with its undertaking and includes a person acting in
1010 the capacity of trustee, executor, administrator, guardian, assignee,
1011 receiver, conservator, agent, custodian under the Connecticut Uniform
1012 Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting
1013 in any other similar capacity;

1014 [(32)] (33) "Financial institution" means any Connecticut bank,
1015 Connecticut credit union, or other person whose activities in this state
1016 are subject to the supervision of the commissioner, but does not include
1017 a person whose activities are subject to the supervision of the
1018 commissioner solely pursuant to chapter 672a, 672b or 672c or any
1019 combination thereof;

1020 [(33)] (34) "Foreign bank" has the meaning given to that term in 12
1021 USC Section 3101, as amended from time to time;

1022 [(34)] (35) "Foreign country" means any country other than the United
1023 States and includes any colony, dependency or possession of any such
1024 country;

1025 [(35)] (36) "Governing board" means the group of persons vested with
1026 the management of the affairs of a financial institution irrespective of

1027 the name by which such group is designated;

1028 [(36)] (37) "Holding company" means a bank holding company or a
1029 savings and loan holding company, except, as used in sections 36a-180
1030 to 36a-191, inclusive, "holding company" means a company that controls
1031 a bank;

1032 [(37)] (38) "Insured depository institution" has the meaning given to
1033 that term in 12 USC Section 1813, as amended from time to time;

1034 [(38)] (39) "Licensee" means any person who is licensed or required
1035 to be licensed pursuant to the applicable provisions of this title;

1036 [(39)] (40) "Loan" includes any line of credit or other extension of
1037 credit;

1038 [(40)] (41) "Loan production office" means an office of a bank or out-
1039 of-state bank, other than a foreign bank, whose activities are limited to
1040 loan production and solicitation;

1041 [(41)] (42) "Merger" means the combination of one or more
1042 institutions with another which continues its corporate existence; all
1043 institutions party to the merger are "constituent" institutions; the
1044 merging institution which upon the merger continues its existence is the
1045 "resulting" institution;

1046 [(42)] (43) "Mutual" when used in conjunction with any institution
1047 that is a bank or out-of-state bank means any such institution without
1048 capital stock;

1049 [(43)] (44) "Mutual holding company" means a mutual holding
1050 company organized under sections 36a-192 to 36a-199, inclusive, and
1051 unless otherwise indicated, a subsidiary holding company controlled by
1052 a mutual holding company organized under sections 36a-192 to 36a-199,
1053 inclusive;

1054 [(44)] (45) "Out-of-state" includes any state other than Connecticut
1055 and any foreign country;

1056 [(45)] (46) "Out-of-state bank" means any institution that engages in
1057 the business of banking, but does not include a bank, Connecticut credit
1058 union, federal credit union or out-of-state credit union;

1059 [(46)] (47) "Out-of-state credit union" means any credit union other
1060 than a Connecticut credit union or a federal credit union;

1061 [(47)] (48) "Out-of-state trust company" means any company
1062 chartered to act as a fiduciary but does not include a company chartered
1063 under the laws of this state, a bank, an out-of-state bank, a Connecticut
1064 credit union, a federal credit union or an out-of-state credit union;

1065 [(48)] (49) "Person" means an individual, company, including a
1066 company described in subparagraphs (A) and (B) of subdivision [(11)]
1067 (12) of this section, or any other legal entity, including a federal, state or
1068 municipal government or agency or any political subdivision thereof;

1069 [(49)] (50) "Point of sale terminal" means a device located in a
1070 commercial establishment at which sales transactions can be charged
1071 directly to the buyer's deposit, loan or credit account, but at which
1072 deposit transactions cannot be conducted;

1073 [(50)] (51) "Prepayment penalty" means any charge or penalty for
1074 paying all or part of the outstanding balance owed on a loan before the
1075 date on which the principal is due and includes computing a refund of
1076 unearned interest by a method that is less favorable to the borrower than
1077 the actuarial method, as defined by Section 933(d) of the Housing and
1078 Community Development Act of 1992, 15 USC 1615(d), as amended
1079 from time to time;

1080 [(51)] (52) "Reorganized savings bank" means any savings bank
1081 incorporated and organized in accordance with sections 36a-192 and
1082 36a-193;

1083 [(52)] (53) "Reorganized savings and loan association" means any
1084 savings and loan association incorporated and organized in accordance
1085 with sections 36a-192 and 36a-193;

1086 [(53)] (54) "Reorganized savings institution" means any reorganized
1087 savings bank or reorganized savings and loan association;

1088 [(54)] (55) "Representative office" has the meaning given to that term
1089 in 12 USC Section 3101, as amended from time to time;

1090 [(55)] (56) "Reserves for loan and lease losses" means the amounts
1091 reserved by a Connecticut bank against possible loan and lease losses as
1092 shown on the bank's consolidated reports of condition and income;

1093 [(56)] (57) "Retail deposits" means any deposits made by individuals
1094 who are not "accredited investors", as defined in 17 CFR 230.501(a);

1095 [(57)] (58) "Satellite device" means an automated teller machine which
1096 is not part of an office of the bank, Connecticut credit union or federal
1097 credit union which has established such machine;

1098 [(58)] (59) "Savings account" means a deposit account, other than an
1099 escrow account established pursuant to section 49-2a, into which
1100 savings deposits may be made and which account must be evidenced
1101 by periodic statements delivered at least semiannually or by a passbook;

1102 [(59)] (60) "Savings and loan association" means an institution
1103 chartered or organized under the laws of this state as a savings and loan
1104 association;

1105 [(60)] (61) "Savings bank" means an institution chartered or organized
1106 under the laws of this state as a savings bank;

1107 [(61)] (62) "Savings deposit" means any deposit other than a demand
1108 deposit or time deposit on which interest or a dividend is paid
1109 periodically;

1110 [(62)] (63) "Savings and loan holding company" has the meaning
1111 given to that term in 12 USC Section 1467a, as amended from time to
1112 time;

1113 [(63)] (64) "Share account holder" means a person who maintains a
1114 share account in a Connecticut credit union, federal credit union or out-

1115 of-state credit union that maintains in this state a branch, as defined in
1116 section 36a-435b;

1117 [(64)] (65) "State" means any state of the United States, the District of
1118 Columbia, any territory of the United States, Puerto Rico, Guam,
1119 American Samoa, the trust territory of the Pacific Islands, the Virgin
1120 Islands and the Northern Mariana Islands;

1121 [(65)] (66) "State agency" has the meaning given to that term in 12 USC
1122 Section 3101, as amended from time to time;

1123 [(66)] (67) "State branch" has the meaning given to that term in 12 USC
1124 Section 3101, as amended from time to time;

1125 [(67)] (68) "Subsidiary" has the meaning given to that term in 12 USC
1126 Section 1841(d), as amended from time to time;

1127 [(68)] (69) "Subsidiary holding company" means a stock holding
1128 company, controlled by a mutual holding company, that holds one
1129 hundred per cent of the stock of a reorganized savings institution;

1130 [(69)] (70) "Supervisory agency" means: (A) The commissioner; (B) the
1131 Federal Deposit Insurance Corporation; (C) the Resolution Trust
1132 Corporation; (D) the Office of Thrift Supervision; (E) the National Credit
1133 Union Administration; (F) the Board of Governors of the Federal
1134 Reserve System; (G) the United States Comptroller of the Currency; (H)
1135 the Bureau of Consumer Financial Protection; and (I) any successor to
1136 any of the foregoing agencies or individuals;

1137 [(70)] (71) "System" means the Nationwide Mortgage Licensing
1138 System and Registry, NMLS, NMLSR or such other name or acronym as
1139 may be assigned to the multistate system developed by the Conference
1140 of State Bank Supervisors and the American Association of Residential
1141 Mortgage Regulators and owned and operated by the State Regulatory
1142 Registry, LLC, or any successor or affiliated entity, for the licensing and
1143 registration of persons in the mortgage and other financial services
1144 industries;

1145 [(71)] (72) "Time account" means an account into which time deposits
1146 may be made;

1147 [(72)] (73) "Time deposit" means a deposit that the depositor or share
1148 account holder does not have a right and is not permitted to make
1149 withdrawals from within six days after the date of deposit, unless the
1150 deposit is subject to an early withdrawal penalty of at least seven days'
1151 simple interest on amounts withdrawn within the first six days after
1152 deposit, subject to those exceptions permissible under 12 CFR Part 204,
1153 as amended from time to time;

1154 [(73)] (74) "Trust bank" means a Connecticut bank organized to
1155 function solely in a fiduciary capacity; and

1156 [(74)] (75) "Uninsured bank" means a Connecticut bank that does not
1157 accept retail deposits and for which insurance of deposits by the Federal
1158 Deposit Insurance Corporation or its successor agency is not required.

1159 Sec. 16. Subsection (a) of section 36a-250 of the general statutes is
1160 repealed and the following is substituted in lieu thereof (*Effective October*
1161 *1, 2023*):

1162 (a) Except as otherwise provided in subsection (b) of this section, a
1163 Connecticut bank may:

1164 (1) Transact a general banking business and exercise by its governing
1165 board or duly authorized officers or agents, subject to applicable law, all
1166 such incidental powers as are necessary thereto. The express powers
1167 authorized for a Connecticut bank under subdivisions (2) to (41),
1168 inclusive, of this subsection do not preclude the existence of additional
1169 powers deemed to be incidental to the transaction of a general banking
1170 business pursuant to this subdivision;

1171 (2) (A) Receive deposits as authorized by and subject to the
1172 provisions of sections 36a-290 to 36a-305, inclusive, section 36a-307,
1173 sections 36a-315 to 36a-323, inclusive, and sections 36a-330 to 36a-338,
1174 inclusive, as amended by this act, including: (i) Savings deposits; (ii)
1175 time deposits; (iii) demand deposits; (iv) public funds or money held in

1176 a fiduciary capacity; (v) school savings funds; and (vi) club deposits; and
1177 (B) pay interest or dividends thereon;

1178 (3) Act as a depository of court and trust funds;

1179 (4) Purchase and sell coins and bullion;

1180 (5) Receive for safekeeping or otherwise all kinds of personal
1181 property, including papers, documents and evidences of indebtedness;

1182 (6) Conduct a safe deposit business on its banking premises;

1183 (7) Act (A) as guardian or conservator of the estate of any person, but
1184 not of the person, (B) as a trustee, receiver, executor or administrator, or
1185 (C) in any other fiduciary capacity, all without bond unless a bond is
1186 ordered by the court;

1187 (8) Act as agent or attorney in fact for the holders of securities or the
1188 owners of real estate;

1189 (9) Act as transfer agent or registrar of stocks and bonds;

1190 (10) Execute and deliver signature guaranties as may be incidental or
1191 usual in the transfer of investment securities;

1192 (11) Act as agent, fiscal agent or trustee for any corporation or for
1193 holders of bonds, notes or other securities, and pledge assets to secure
1194 deposits in its banking department when (A) made by it as trustee under
1195 a trust indenture for the holders of revenue bonds issued by this state,
1196 any municipality, district, municipal corporation or authority or
1197 political subdivision thereof, and the express provisions of the authority
1198 or its political subdivision, and the express provisions of the trust
1199 indenture require the deposit to be so secured, (B) made by it as fiscal
1200 agent for a housing authority in connection with a federally-assisted
1201 housing project and federal regulations or other requirements call for
1202 the deposits to be so secured, or (C) made by it to secure deposits in
1203 individual retirement accounts and qualified retirement plan accounts,
1204 established in accordance with the applicable provisions of the Internal

1205 Revenue Code of 1986, or any prior or subsequent corresponding
1206 internal revenue code of the United States, as from time to time
1207 amended, where such deposits exceed the maximum of federal deposit
1208 insurance available for such accounts;

1209 (12) Act as fiscal agent for this state or any of its political subdivisions
1210 when authorized by the executive head of this state or of the political
1211 subdivision;

1212 (13) Act as agent (A) in the collection of taxes for any qualified
1213 treasurer of any taxing district or qualified collector of taxes, or (B) for
1214 any electric distribution, gas, water or telephone company operating
1215 within this state in receiving moneys due that company for utility
1216 services furnished by it;

1217 (14) Act as agent for the sale, issue and redemption of obligations of
1218 the United States and pledge assets to the United States or to the proper
1219 federal reserve bank for its obligations as that agent;

1220 (15) (A) Act as agent for an insured depository institution affiliate in
1221 receiving deposits, renewing time deposits, closing loans, servicing
1222 loans and receiving payments on loans and other obligations, and in so
1223 doing shall not be considered to be a branch of such affiliate;

1224 (B) A Connecticut bank may not conduct any activity as an agent
1225 under subparagraph (A) of this subdivision which such bank is
1226 prohibited from conducting as a principal;

1227 (16) Act as treasurer of any organization exempt from federal income
1228 taxation under Section 501 of the Internal Revenue Code of 1986, or any
1229 subsequent corresponding internal revenue code of the United States,
1230 as from time to time amended;

1231 (17) Establish a charitable fund, either in the form of a charitable trust
1232 or a nonprofit corporation to assist in making charitable contributions,
1233 provided (A) the trust or nonprofit corporation is exempt from federal
1234 income taxation and may accept charitable contributions under Section
1235 501 of the Internal Revenue Code of 1986, or any subsequent

1236 corresponding internal revenue code of the United States, as from time
1237 to time amended, (B) the trust or nonprofit corporation's operations
1238 shall be disclosed fully to the commissioner upon request, and (C) the
1239 trust department of the bank or one or more directors or officers of the
1240 bank act as trustees or directors of the fund;

1241 (18) In the discretion of a majority of its governing board, make
1242 contributions or gifts to or for the use of any corporation, trust or
1243 community chest, fund or foundation created or organized under the
1244 laws of the United States or of this state and organized and operated
1245 exclusively for charitable, educational or public welfare purposes, or of
1246 any hospital which is located in this state and which is exempt from
1247 federal income taxes and to which contributions are deductible under
1248 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent
1249 corresponding internal revenue code of the United States, as from time
1250 to time amended;

1251 (19) Discount, purchase and sell accounts receivable, negotiable and
1252 nonnegotiable promissory notes, drafts, bills of exchange and other
1253 forms of indebtedness;

1254 (20) (A) Accept for payment at future dates drafts drawn upon it, and
1255 (B) except as provided in section 36a-299, sell or issue without charge
1256 negotiable checks or drafts drawn by or on the bank. Negotiable checks
1257 or drafts drawn, sold or issued by a bank may be drawn on that bank or
1258 be payable by or through another bank or out-of-state bank;

1259 (21) Make secured and unsecured loans and issue letters of credit as
1260 authorized by and subject to section 36a-260, as amended by this act;

1261 (22) (A) Issue credit cards and debit cards and enter into card
1262 agreements with the bank's card holders and with other card issuers, (B)
1263 lend money to individuals, honor drafts and similar orders drawn or
1264 accepted, whether by written instrument or electronic transmission, and
1265 pay and agree to pay obligations incurred in connection with those
1266 agreements, (C) become affiliated with any credit card corporation or
1267 association, and (D) subject to sections 36a-155 to 36a-159, inclusive,

1268 where applicable, provide electronic fund transfer facilities and services
1269 and enter into agreements with customers and other persons regarding
1270 the provision of such facilities;

1271 (23) Provide virtual banking services to customers as provided in
1272 section 36a-170;

1273 (24) Contract for and pay the premiums upon life insurance in the
1274 amount of the unpaid balance due on loans;

1275 (25) Borrow money and pledge assets therefor, and pledge assets to
1276 secure trust funds on deposit awaiting investment;

1277 (26) Enter into leases of personal property acquired upon the specific
1278 request of and for the use of a prospective lessee;

1279 (27) Make investments as authorized by this title;

1280 (28) Sell to any person, including any state or federal agency or
1281 instrumentality, any loan or group of loans legally owned by the bank,
1282 repurchase any such loan or group of loans, and act as collecting,
1283 remitting and servicing agent in connection with any such loans and
1284 charge for its acts as agent. Any such bank is authorized to purchase the
1285 minimum amount of capital stock of the applicable agency or
1286 instrumentality if required by that entity to be purchased in connection
1287 with the assignment of loans to that entity and to hold and dispose of
1288 that stock;

1289 (29) With the approval of the commissioner, deal in and underwrite,
1290 to the same extent as is permitted to a national banking association,
1291 obligations of: (A) The United States or any of its agencies; (B) any state
1292 or any political subdivision or instrumentality of the state; or (C)
1293 Canada, any province of Canada or any political subdivision of Canada;

1294 (30) Issue and sell securities which (A) are guaranteed by the Federal
1295 National Mortgage Association or any other agency or instrumentality
1296 authorized by state or federal law to create a secondary market with
1297 respect to loans of the type originated by the bank, or (B) subject to the

1298 approval of the commissioner, relate to loans originated by the bank and
1299 are guaranteed or insured by a financial guaranty insurance company
1300 or comparable private entity;

1301 (31) Subject to the approval of the commissioner, authorize the
1302 issuance and sale of evidences of indebtedness, including debentures,
1303 debt instruments of all maturities and capital notes, at such times, in
1304 such amount and upon such terms as are determined by the governing
1305 board, provided the issuance of such evidences of indebtedness which
1306 are payable on demand or mature within five years of their issuance or
1307 which are effected in the ordinary course of business do not require the
1308 approval of the commissioner. The proceeds of such evidences of
1309 indebtedness which mature after five years of their issuance which are
1310 subordinate to the claims of depositors upon liquidation of the bank
1311 shall be considered part of its capital for the purpose of computing any
1312 loan, deposit or investment limitation under this title;

1313 (32) With the approval of and upon such conditions and under such
1314 regulations as may be prescribed or adopted by the commissioner,
1315 establish and maintain one or more mutual funds and offer to the public
1316 shares or participations therein;

1317 (33) (A) With the written approval of the commissioner, acquire, alter
1318 or improve real estate for present or future use in the business of the
1319 bank. Such approval shall not be required in case of the alteration or
1320 improvement of real estate already owned or leased by the bank or a
1321 corporation controlled by it as provided in subsection (d) of section 36a-
1322 276, as amended by this act, if the expenditure for such purposes does
1323 not in any one calendar year exceed five per cent of the bank's [equity
1324 capital and reserves for loan and lease losses] capital and surplus or
1325 seven hundred fifty thousand dollars, whichever is less;

1326 (B) With the written approval of the commissioner, purchase real
1327 estate adjoining any parcel of real estate then owned by it and acquired
1328 in the usual course of business, provided the aggregate of all
1329 investments and loans authorized in this subparagraph and in
1330 subparagraph (A) of this subdivision and in the equipment used by such

1331 bank in its operations, together with the amount of any indebtedness
1332 incurred by any corporation holding real estate of the bank and such
1333 bank's proportionate share, computed according to stock ownership, of
1334 any indebtedness incurred by any service corporation, does not exceed
1335 fifty per cent of the [equity capital and reserves for loan and lease losses]
1336 capital and surplus of the bank, unless the commissioner finds that the
1337 rental income from any part of the premises not occupied by the bank
1338 will be sufficient to warrant larger investment;

1339 (34) Convey any real estate owned by it at the price and upon such
1340 terms of payment as its governing board or an authorized committee
1341 thereof determines and sets forth in the bank's records. If any such sale
1342 is wholly or partly for credit, a note secured by a first mortgage on the
1343 real estate may evidence that credit. With the written approval of the
1344 commissioner, the bank may accept other real estate in whole or in part
1345 for any such conveyance;

1346 (35) Establish and maintain an international banking facility, as
1347 defined in regulations adopted by the Board of Governors of the Federal
1348 Reserve System, subject to such regulations as the commissioner may
1349 adopt, in accordance with chapter 54, to specify, and impose restrictions
1350 upon, the types of activities in which the international banking facility
1351 may engage;

1352 (36) Join the Federal Reserve System;

1353 (37) With the approval of the commissioner, join the Federal Home
1354 Loan Bank System and borrow funds as provided under federal law;

1355 (38) Even if not expressly authorized to exercise fiduciary powers, act
1356 as trustee or custodian of a plan which qualifies as part of a retirement
1357 plan for self-employed individuals or an individual retirement account
1358 under the provisions of the Internal Revenue Code of 1986, or any
1359 subsequent corresponding internal revenue code of the United States,
1360 as from time to time amended, if the governing instrument limits the
1361 investment of the funds held pursuant to such plan to the following
1362 investments: (A) Savings deposits and time deposits; and (B) with

1363 respect to retirement plans for self-employed individuals, notes of
1364 members in such plans which evidence the indebtedness of such
1365 members for funds borrowed from the plans. Funds held pursuant to
1366 any plan which so qualifies may be deposited in any Connecticut bank
1367 without regard to any statutory limit on the amount which such bank
1368 may have on deposit from one depositor;

1369 (39) Sell insurance and fixed and variable annuities directly, sell
1370 insurance and such annuities indirectly through a subsidiary, or enter
1371 into arrangements with third-party marketing organizations for the sale
1372 by such third-party marketing organizations of insurance or such
1373 annuities on the premises of the Connecticut bank or to customers of the
1374 Connecticut bank; provided (A) such insurance and annuities are issued
1375 or purchased by or from an insurance company licensed in accordance
1376 with section 38a-41, and (B) the Connecticut bank, subsidiary or third-
1377 party marketing organization, and any officer or employee thereof, shall
1378 be licensed as required by section 38a-769 before engaging in any of the
1379 activities authorized by this subdivision. As used in this subdivision,
1380 "annuities" and "insurance" have the same meanings as set forth in
1381 section 38a-1, except that "insurance" does not include title insurance.
1382 The provisions of this subdivision do not authorize a Connecticut bank
1383 or a subsidiary of a Connecticut bank to underwrite insurance or
1384 annuities;

1385 (40) With the prior written approval of the commissioner, engage in
1386 closely related activities, unless the commissioner determines that any
1387 such activity shall be conducted by a subsidiary of the Connecticut bank,
1388 utilizing such organizational, structural or other safeguards as the
1389 commissioner may require, in order to protect the Connecticut bank
1390 from exposure to loss. As used in this subdivision, "closely related
1391 activities" means those activities that are closely related to the business
1392 of banking, are convenient and useful to the business of banking, are
1393 reasonably related to the operation of a Connecticut bank or are
1394 financial in nature including, but not limited to, business and
1395 professional services, data processing, courier and messenger services,
1396 credit-related activities, consumer services, services related to real

1397 estate, financial consulting, tax planning and preparation, community
1398 development activities, any activities reasonably related to such
1399 activities, or any activity permitted under the Bank Holding Company
1400 Act of 1956, 12 USC Section 1841 et seq., as from time to time amended,
1401 or the Home Owners' Loan Act of 1933, 12 USC Section 1461 et seq., as
1402 from time to time amended, or the regulations promulgated under such
1403 acts as from time to time amended;

1404 (41) Engage in any activity that a federal bank or an out-of-state bank
1405 may be authorized to engage in under federal or state law, provided the
1406 Connecticut bank shall file with the commissioner prior written notice
1407 of its intention to engage in such activity. Such notice shall include a
1408 description of the activity, a description of the financial impact of the
1409 activity on the Connecticut bank, citation of the legal authority to engage
1410 in the activity under federal or state law, a description of any limitations
1411 or restrictions imposed on such activity under federal or state law, and
1412 any other information that the commissioner may require. The
1413 Connecticut bank may engage in such activity unless the commissioner
1414 disapproves such activity not later than thirty days after the notice is
1415 filed. The commissioner may adopt regulations in accordance with
1416 chapter 54 to ensure that any such activity is conducted in a safe and
1417 sound manner with adequate consumer protections. The provisions of
1418 this subdivision do not authorize a Connecticut bank or a subsidiary of
1419 a Connecticut bank to sell title insurance; and

1420 (42) Act as trustee or custodian of a manufacturing reinvestment
1421 account established pursuant to section 32-9zz.

1422 Sec. 17. Subsection (c) of section 36a-260 of the general statutes is
1423 repealed and the following is substituted in lieu thereof (*Effective October*
1424 *1, 2023*):

1425 (c) The governing board of each Connecticut bank shall adopt a loan
1426 review policy that is designed to ensure that all material loans made by
1427 the Connecticut bank pursuant to this section and sections [36a-260] 36a-
1428 261 to 36a-266, inclusive, as amended by this act, are reviewed. The
1429 policy shall establish appropriate standards, consistent with prudent

1430 risk management principles, for the review to address the bank's
1431 compliance with the loan policy adopted pursuant to subsection (b) of
1432 this section and the need for plans to implement special collection,
1433 workout, divestiture or other means of bringing such loans into
1434 compliance with the loan policy. The loan review policy shall be
1435 appropriate to the size of the Connecticut bank, its financial condition
1436 and the nature and scope of its activities. The governing board shall also
1437 adopt, as part of the loan review policy, standards for determining
1438 which loans are material for purposes of this subsection. When adopting
1439 the materiality standards, the governing board shall consider, where
1440 appropriate, the inclusion of standards based on the size of the loan in
1441 relation to the Connecticut bank's [total capital and reserves for loan and
1442 lease losses] capital and surplus, and such other factors that may present
1443 material risks to the institution. The loan review policy and any loan
1444 reviewed pursuant to such policy shall be subject to the examination of
1445 the commissioner concerning safe and sound banking practices. At least
1446 semiannually, the governing board of each Connecticut bank or a
1447 committee designated by such board shall conduct an assessment of the
1448 loan reviews. The minutes of the meeting of such governing board or
1449 committee shall recite the results of the assessment of the loan reviews.

1450 Sec. 18. Subsections (b) to (i), inclusive, of section 36a-261 of the
1451 general statutes are repealed and the following is substituted in lieu
1452 thereof (*Effective October 1, 2023*):

1453 (b) (1) The assets of Connecticut banks may be invested in mortgage
1454 loans, subject to the general limitations set forth in this section.

1455 (2) Any such mortgage loan shall be secured either by (A) a first
1456 mortgage which is a first lien or (B) a mortgage which is subordinate to
1457 another mortgage or other mortgages, provided, in the case of a loan
1458 secured by a mortgage which is subordinate to another mortgage or
1459 other mortgages, which other mortgage or mortgages are held by a
1460 person other than the Connecticut bank, the real estate securing such
1461 loan is (i) residential real estate, or (ii) nonresidential real estate
1462 provided the loan does not exceed, at the time of origination, a loan-to-

1463 value ratio of fifty per cent, or (iii) nonresidential real estate in a loan
1464 transaction which, at the time of origination, exceeds a loan-to-value
1465 ratio of fifty per cent, provided the aggregate amount of all such loans
1466 made pursuant to this subparagraph (B)(iii) does not exceed, at the time
1467 of origination, twenty-five per cent of the [equity capital and reserves
1468 for loan and lease losses] capital and surplus of the Connecticut bank. A
1469 loan which was included within the aggregate limit of subparagraph
1470 (B)(iii) of this subdivision subsequently may be excluded if the loan is
1471 repaid or if the applicable loan-to-value ratio is reduced to fifty per cent
1472 or below because of a reduction in principal or senior liens, additional
1473 contributions of real estate collateral, or an increase in equity value
1474 substantiated by a current suitable appraisal or evaluation.

1475 (c) "Real estate", as used in this section, includes refrigerating
1476 equipment, dishwashing equipment, stoves and clothes washing
1477 machines, hereinafter called "household equipment", used on the
1478 premises at the time of execution of the mortgage or substituted after
1479 the mortgage is executed if such equipment is specifically declared in
1480 the mortgage deed to be used as a part of the mortgaged realty, and if
1481 such mortgage declares that household equipment substituted for the
1482 original household equipment mentioned in such mortgage shall be part
1483 of the mortgaged realty.

1484 (d) The real estate shall be unencumbered, except to the extent that
1485 prior mortgages are permitted by subdivision (2) of subsection (b) of this
1486 section. A satisfactory certificate of title or other suitable form of title
1487 review issued by a suitable person approved by such Connecticut bank,
1488 or a satisfactory policy of title insurance, shall be filed with the lending
1489 bank until the loan is paid or until the loan is sold. The following are not
1490 encumbrances within the meaning of this section: (1) Reservations to the
1491 United States of America of fissionable materials, (2) leases, provided
1492 the impact of the lease is adequately reflected in the appraisal or
1493 evaluation required by subsection (e) of this section, and (3) easements,
1494 restrictions, interests and other rights (A) which do not materially
1495 adversely affect the marketability of the real estate, (B) which are
1496 otherwise adequately reflected in the appraisal or evaluation required

1497 by subsection (e) of this section, (C) where the attendant risks are
1498 satisfactorily insured under an acceptable policy of title insurance, or
1499 (D) which the bank otherwise reasonably determines do not present a
1500 material adverse risk after consideration of the relevant underwriting
1501 risks for the loan or class of loans. Connecticut banks shall adopt and
1502 implement a real estate lending policy which reflects, in accordance
1503 with safe and sound banking principles, consideration of acceptable
1504 standards for title review and title insurance.

1505 (e) The real estate shall be appraised or otherwise suitably evaluated,
1506 before any loan is made on its security, by one or more suitable persons
1507 who are familiar with real estate values in the community where the real
1508 estate is located. Such persons shall be approved by the governing board
1509 of the Connecticut bank making the loan, or by a management
1510 committee, board committee or agent appropriately designated by such
1511 governing board in accordance with the appraisal policy required by
1512 this subsection, provided, if the loan under consideration is a loan to be
1513 insured or guaranteed by a governmental agency, the appraiser may be
1514 one who appraised the property for the governmental agency. Such
1515 appraisal or evaluation shall be in writing, shall state the amount at
1516 which the property has been appraised or evaluated and shall be filed
1517 with the Connecticut bank until the loan is paid or until the loan is sold.
1518 Connecticut banks shall adopt and implement an appraisal policy which
1519 reflects, in accordance with safe and sound banking principles,
1520 consideration of appraiser qualifications, procedures for the approval
1521 and selection of appraisers, appraisal and evaluation standards, and the
1522 bank's administration of the appraisal and evaluation process.

1523 (f) Notwithstanding the provisions of subdivision (2) of subsection
1524 (h) of this section, the Connecticut bank, in its discretion and for such a
1525 period as it deems advisable, may excuse the borrower on a mortgage
1526 loan from amortization of the principal of such loan, provided the
1527 governing board of the Connecticut bank, or a management committee
1528 or board committee appropriately designated by such governing board,
1529 has reviewed the particular mortgage loan and has determined such
1530 action to be prudent under the circumstances.

1531 (g) Loans not exceeding fifty per cent of the value of the real estate
1532 may be made without further restriction than is set forth in subsections
1533 (a) to (f), inclusive, of this section. The requirements of this section
1534 relating to the relationship between the loan amount and the value of
1535 the real estate shall be calculated on the basis of the aggregate amount
1536 of such loan plus the unpaid amount of any obligation secured by any
1537 prior mortgages or liens and the amount of any advancements
1538 permissible under any loan secured by such prior mortgage or
1539 mortgages in relation to the value of the real estate interest.

1540 (h) Loans not exceeding ninety per cent of the value of the real estate
1541 may be made subject to the following additional limitations set forth in
1542 subdivisions (1) and (2) of this subsection. (1) No loan shall be made
1543 until the person or persons liable on the note have filed with the bank a
1544 satisfactory financial statement which shall be kept on file. (2) All such
1545 loans shall require repayment of principal and payment of interest in at
1546 least consecutive semiannual installments of principal and interest, such
1547 payments to be sufficient to pay the loan in full not later than forty-two
1548 years from the date of the first payment and the first payment to be
1549 made within twenty-four months of the date of the note. The
1550 requirements for semiannual principal payments pursuant to this
1551 subdivision are not applicable to: (A) Consumer revolving loan
1552 agreements made pursuant to subsection (c) of section 49-2, (B)
1553 alternative mortgage loans made pursuant to section 36a-265, (C) loans
1554 which may be demanded at any time and which are secured by
1555 residential real estate, and (D) any other loan or class of loans
1556 determined by the commissioner not to be subject to such requirements.

1557 (i) The following mortgage loans may be made without regard to the
1558 ninety per cent loan-to-value limit set forth in subsection (h) of this
1559 section:

1560 (1) Loans guaranteed or insured by the United States government or
1561 its agencies, provided the amount of the guaranty or insurance is at least
1562 equal to the portion of the loan that exceeds the applicable loan-to-value
1563 limit.

1564 (2) Loans backed by the full faith and credit of a state government,
1565 provided the amount of the assurance is at least equal to the portion of
1566 the loan that exceeds the applicable loan-to-value limit.

1567 (3) Loans guaranteed or insured by a state, municipal or local
1568 government, or its agency, provided (A) the amount of the guaranty or
1569 insurance is at least equal to the portion of the loan that exceeds the
1570 applicable loan-to-value limit, and (B) the bank has determined that the
1571 guarantor or insurer has the financial capacity and willingness to
1572 perform under the terms of the guaranty or insurance agreement.

1573 (4) Loans that are renewed, refinanced, or restructured without the
1574 advancement of new funds or an increase in a line of credit, except for
1575 reasonable closing costs.

1576 (5) Loans that are renewed, refinanced, or restructured in connection
1577 with a workout situation, either with or without the advancement of
1578 new funds, where such action is consistent with safe and sound banking
1579 practices and is a part of a clearly defined and well documented
1580 program to achieve orderly liquidation of the debt, reduce risk of loss or
1581 maximize recovery of the loan.

1582 (6) Loans that facilitate the sale of real estate acquired by the
1583 Connecticut bank in the ordinary course of collecting a debt previously
1584 contracted in good faith.

1585 (7) Loans where the Connecticut bank does not rely principally on the
1586 real estate as security.

1587 (8) Loans where all or part of such loan is made in primary reliance
1588 upon the mortgage insurance policy of a private mortgage guaranty
1589 company, licensed by the Insurance Commissioner to do business in this
1590 state and approved by the commissioner.

1591 (9) Loans or loan programs which are determined by the governing
1592 board of the Connecticut bank, or by a management committee or board
1593 committee appropriately designated by such governing board, to be
1594 prudent under the circumstances after consideration of the relevant

1595 underwriting risks, provided (A) the aggregate amount of all such loans,
1596 calculated at the time of origination of each such loan, does not exceed
1597 one hundred per cent of the bank's [equity capital and reserves for loan
1598 and lease losses] capital and surplus, (B) the aggregate amount of all
1599 such loans, calculated at the time of origination of each such loan, other
1600 than loans secured by one-to-four-family residential property, does not
1601 exceed thirty per cent of the bank's [equity capital and reserves for loan
1602 and lease losses] capital and surplus, (C) the aggregate amount of all
1603 such loans is included in the percentage of assets limitation specified in
1604 subsection (s) of this section, and (D) the bank makes a notation of such
1605 determination and the reasons therefor in the applicable loan file. A loan
1606 which is included within the aggregate limits of this subsection may
1607 subsequently be excluded if the applicable loan-to-value limit is
1608 satisfied because of a reduction in principal or senior liens, additional
1609 contribution of real estate collateral or increases in equity value
1610 substantiated by a current suitable appraisal or evaluation.

1611 Sec. 19. Section 36a-262 of the general statutes is repealed and the
1612 following is substituted in lieu thereof (*Effective October 1, 2023*):

1613 (a) Except as otherwise provided in this section, the total direct or
1614 indirect liabilities of any one obligor that are not fully secured, however
1615 incurred, to any Connecticut bank, exclusive of such bank's investment
1616 in the investment securities of such obligor, shall not exceed at the time
1617 incurred fifteen per cent of the [equity capital and reserves for loan and
1618 lease losses] capital and surplus of such bank. The total direct or indirect
1619 liabilities of any one obligor that are fully secured, however incurred, to
1620 any Connecticut bank, exclusive of such bank's investment in the
1621 investment securities of such obligor, and except as otherwise provided
1622 in subsection (l) of this section, shall not exceed at the time incurred ten
1623 per cent of the [equity capital and reserves for loan and lease losses]
1624 capital and surplus of such bank, provided this limitation shall be
1625 separate from and in addition to the limitation on liabilities that are not
1626 fully secured. Notwithstanding any provision of this [subsection]
1627 section, the limitation on the liabilities of any one obligor shall take into
1628 account the credit exposure to such obligor arising from a derivative

1629 transaction. The commissioner shall have the authority to establish the
1630 method for determining the credit exposure and the extent to which the
1631 credit exposure shall be taken into account. As used in this section, an
1632 obligor shall not include any person who is a guarantor or indemnitor
1633 of a direct or indirect liability when (1) in the case of a liability where
1634 the primary obligor is not a natural person, the bank seeks repayment
1635 of any such liability out of the operations of the business of the primary
1636 obligor, (2) the bank relies primarily on the primary obligor's general
1637 credit standing and, in the case of a liability where the primary obligor
1638 is not a natural person, the forecast of operation of the primary obligor's
1639 business, (3) there is no aspect of the loan that is being made as an
1640 exception to the bank's lending policies, and (4) such guarantor or
1641 indemnitor is not an obligor with respect to such liability pursuant to
1642 the direct benefit or common enterprise tests set forth in subsection (b)
1643 of this section. As used in this subsection, (A) "primary obligor" means
1644 a person who is named as a borrower or debtor, but not a guarantor or
1645 indemnitor, in a direct or indirect liability, (B) "guarantor" means a
1646 person who is obligated to pay a direct or indirect liability when the
1647 primary obligor has defaulted on such liability pursuant to the terms of
1648 the liability, (C) "indemnitor" means a person who becomes obligated to
1649 pay a direct or indirect liability pursuant to an indemnity agreement,
1650 and (D) "derivative transaction" includes any transaction that is a
1651 contract, agreement, swap, warrant, note or option that is based, in
1652 whole or in part, on the value of any interest in, or any quantitative
1653 measure or the occurrence of any event relating to, one or more
1654 commodities, securities, currencies, interest or other rates, indices or
1655 other assets. The commissioner may adopt regulations in accordance
1656 with the provisions of chapter 54 establishing the method for
1657 determining credit exposure to derivative transactions and the extent to
1658 which the credit exposure shall be taken into account. For purposes of
1659 this section, a liability shall be considered to be fully secured if it is
1660 secured by readily marketable collateral, [having a market value, as
1661 determined by reliable and continuously available price quotations] as
1662 defined in 12 CFR 32.2, at least equal to the amount of the liability. For
1663 purposes of determining the limitations of this section, in computing the

1664 liabilities of an obligor, a liability is incurred at the time of the closing of
1665 the transaction, unless such closing is preceded by a legally binding
1666 written commitment to enter into the transaction, in which case such
1667 liability is incurred at the time of commitment and is net of any liabilities
1668 of the obligor to such bank that will be paid with the proceeds of the
1669 commitment at the time of closing. The limitations provided for in this
1670 [subsection] section may be exceeded for a period of time not to exceed
1671 six hours if at the closing of any transaction at which such obligor incurs
1672 such liabilities to a Connecticut bank in excess of such limitations, such
1673 bank immediately assigns or participates out to one or more other
1674 persons an amount that constitutes not less than the excess over the
1675 applicable limitation. Obligations as endorser or guarantor of negotiable
1676 or nonnegotiable installment consumer paper which carry an agreement
1677 to repurchase on default, unless the bank's sole recourse is to an agreed
1678 reserve held by it, in which case the liability shall be excluded, a full
1679 recourse endorsement or an unconditional guarantee by the person,
1680 partnership, association or corporation transferring the same, shall,
1681 except as otherwise provided in subsection (l) of this section, be subject
1682 under this section to a limitation of fifteen per cent of the bank's [equity
1683 capital and reserves for loan and lease losses] capital and surplus in
1684 addition to the applicable limitations of this section with respect to the
1685 makers of such obligations; provided, upon certification by an officer of
1686 the bank designated for that purpose by the governing board that the
1687 responsibility of each maker of such obligations has been evaluated and
1688 the bank is relying primarily upon each such maker for the payment of
1689 such obligations, the limitations of this section as to the obligations of
1690 each maker shall be the sole applicable loan limitation; and provided
1691 such certification shall be in writing and shall be retained as part of the
1692 records of such bank.

1693 (b) Liabilities of one obligor shall be attributed to another person and
1694 each such person shall be deemed to be an obligor when proceeds of a
1695 loan are to be used for the direct benefit of the other person, to the extent
1696 of the proceeds to be so used, or a common enterprise is deemed to exist
1697 between such persons. For purposes of this section, the proceeds of a
1698 loan to an obligor shall be deemed to be used for the direct benefit of

1699 another person and shall be attributed to the person when the proceeds,
1700 or assets purchased with the proceeds, are transferred to another
1701 person, other than in a bona fide arm's length transaction where the
1702 proceeds are used to acquire property, goods or services. For purposes
1703 of this section, a common enterprise shall be deemed to exist and
1704 liabilities of separate obligors shall be aggregated:

1705 (1) When the expected source of repayment for each liability is the
1706 same for each obligor and neither obligor has another source of income
1707 from which the liability, together with the obligor's other liabilities, may
1708 be fully repaid. An employer shall not be treated as a source of
1709 repayment under this subdivision because of wages and salaries paid to
1710 an employee, unless the standards of subdivision (2) of this subsection
1711 are met;

1712 (2) When loans are made (A) to obligors who are related directly or
1713 indirectly through common control, including where one obligor is
1714 directly or indirectly controlled by another obligor; and (B) substantial
1715 financial interdependence exists between or among the obligors.
1716 Substantial financial interdependence is deemed to exist when fifty per
1717 cent or more of one obligor's gross receipts or gross expenditures, on an
1718 annual basis, are derived from transactions with the other obligor. Gross
1719 receipts and expenditures include gross revenues, expenses,
1720 intercompany loans, dividends, capital contributions, and similar
1721 receipts or payments;

1722 (3) When separate persons borrow from a Connecticut bank to
1723 acquire a business enterprise of which such obligors will own more than
1724 fifty per cent of the voting securities or voting interests, in which case a
1725 common enterprise is deemed to exist between the obligors for purposes
1726 of combining the acquisition loans; or

1727 (4) When the commissioner determines, based upon an evaluation of
1728 the facts and circumstances of particular transactions, that a common
1729 enterprise exists.

1730 (c) Loans to an obligor and its subsidiary, or to different subsidiaries

1731 of an obligor shall not be aggregated unless either the direct benefit or
1732 the common enterprise test is met. For purposes of this subsection, a
1733 corporation or a limited liability company is a subsidiary of an obligor
1734 if the obligor owns or beneficially owns directly or indirectly more than
1735 fifty per cent of the voting securities or voting interests of the
1736 corporation or company.

1737 (d) Loans to a partnership, joint venture, limited liability company or
1738 association shall be deemed to be loans to each member of the
1739 partnership, joint venture, limited liability company or association. This
1740 provision shall not apply to limited partners in limited partnerships or
1741 to members of joint ventures, limited liability companies or associations
1742 unless the partners or members, by the terms of the partnership or
1743 membership agreement, are held generally liable for the debts or actions
1744 of the partnership, joint venture, limited liability company or
1745 association, and such terms are valid under applicable law. Loans to
1746 partners or members of a partnership, joint venture, limited liability
1747 company or association are not attributed to the partnership, joint
1748 venture, limited liability company or association unless either the direct
1749 benefit or the common enterprise test is met. Both the direct benefit and
1750 common enterprise tests are met between a partner or member of a
1751 partnership, joint venture, limited liability company or association and
1752 such partnership, joint venture, limited liability company or association,
1753 when loans are made to the partner or member to purchase an interest
1754 in the partnership, joint venture, limited liability company or
1755 association. Loans to partners or members of a partnership, joint
1756 venture, limited liability company or association are not attributed to
1757 other members of the partnership, joint venture, limited liability
1758 company or association unless either the direct benefit or the common
1759 enterprise test is met.

1760 (e) Loans to foreign governments and their agencies and
1761 instrumentalities shall be aggregated only if the loans fail to meet either
1762 the means test or the purpose test at the time the loan is made. The
1763 means test is met if the obligor has resources or revenue of its own
1764 sufficient to service its debt obligations. If the government's support,

1765 excluding guarantees by a central government of the obligor's debt,
1766 exceeds the obligor's annual revenues from other sources, it shall be
1767 presumed that the means test has not been satisfied. The purpose test is
1768 met if the purpose of the loan is consistent with the purposes of the
1769 obligor's general business. In order to show that the means test or the
1770 purpose test has been satisfied, a Connecticut bank shall, at a minimum,
1771 retain in its files the following items:

1772 (1) A statement, accompanied by supporting documentation,
1773 describing the legal status and the degree of financial and operational
1774 autonomy of the borrowing entity;

1775 (2) Financial statements for the borrowing entity for a minimum of
1776 three years prior to the date the loan or extension of credit was made or
1777 for each year that the borrowing entity has been in existence, if less than
1778 three;

1779 (3) Financial statements for each year the loan is outstanding;

1780 (4) The bank's assessment of the obligor's means of servicing the loan,
1781 including specific reasons in support of that assessment. The assessment
1782 shall include an analysis of the obligor's financial history, its present and
1783 projected economic and financial performance, and the significance of
1784 any financial support provided to the obligor by third parties, including
1785 the obligor's central government; and

1786 (5) A loan agreement or other written statement from the obligor
1787 which clearly describes the purpose of the loan. The written
1788 representation shall ordinarily constitute sufficient evidence that the
1789 purpose test has been satisfied. However, when, at the time the funds
1790 are disbursed, the bank knows or has reason to know of other
1791 information suggesting the obligor will use the proceeds in a manner
1792 inconsistent with the written representation, it may not, without further
1793 inquiry, accept the representation.

1794 (f) Obligations of the United States or this state, or of any town, city,
1795 borough or legally established district in this state which has the power

1796 to levy taxes for the payment of such obligations, shall not be subject to
1797 any limitation based upon such [equity capital and reserves for loan and
1798 lease losses] capital and surplus.

1799 (g) Obligations of any one obligor, with the exception of loans
1800 secured by mortgage of real estate and insured by the Federal Housing
1801 Administrator, which are secured or covered by guaranties, or by
1802 commitments or agreements to take over or to purchase, made by the
1803 United States or the Federal Reserve Bank or by any department,
1804 bureau, board, commission or establishment of the United States,
1805 including any corporation wholly owned, directly or indirectly by the
1806 United States, which, at the time of making such guaranty or
1807 commitment or agreement to take over or purchase, is authorized by
1808 law to enter into contracts with any financing institution guaranteeing
1809 such financing institution against loss of principal and interest on loans,
1810 taxes or advances or agreeing to take over or purchase the same, shall
1811 not be subject to any limitation based upon such [equity capital and
1812 reserves for loan and lease losses] capital and surplus.

1813 (h) Obligations of any one obligor secured by the pledge of direct or
1814 fully guaranteed obligations of the United States, except as otherwise
1815 provided in subsection (l) of this section, shall be limited to fifty per cent
1816 of such [equity capital and reserves for loan and lease losses] capital and
1817 surplus; except that obligations secured by the pledge of direct or fully
1818 guaranteed obligations of the United States which will mature in not
1819 more than eighteen months shall not be subject under this section to any
1820 limitation based upon such [equity capital and reserves for loan and
1821 lease losses] capital and surplus, except as otherwise provided in
1822 subsection (l) of this section.

1823 (i) Any Connecticut bank may accept drafts or bills of exchange
1824 drawn upon it having not more than six months' sight to run, exclusive
1825 of days of grace, which grow out of transactions involving the
1826 importation or exportation of goods, or which grow out of transactions
1827 involving the domestic shipment of goods, provided shipping
1828 documents conveying or securing title are attached at the time of

1829 acceptance, or which are secured at the time of acceptance by a
1830 warehouse receipt or other such document conveying or securing title
1831 covering readily marketable staples. No Connecticut bank shall accept
1832 such bills to an amount equal at any time in the aggregate to more than
1833 one-half of its [equity capital and reserves for loan and lease losses]
1834 capital and surplus, except as otherwise provided in subsection (l) of
1835 this section; provided the commissioner may authorize any Connecticut
1836 bank to accept such bills to an amount not exceeding at any time in the
1837 aggregate one hundred per cent of its [equity capital and reserves for
1838 loan and lease losses] capital and surplus, except as otherwise provided
1839 in subsection (l) of this section; provided further, the aggregate of
1840 acceptances growing out of domestic transactions shall in no event
1841 exceed fifty per cent of such [equity capital and reserves for loan and
1842 lease losses] capital and surplus, except as otherwise provided in
1843 subsection (l) of this section.

1844 (j) The following, except as otherwise provided in subsection (l) of
1845 this section, shall not be subject under this section to any limitation
1846 based upon such [equity capital and reserves for loan and lease losses]
1847 capital and surplus: (1) Obligations in the form of bankers' acceptances
1848 of other banks, provided such acceptances have at the time of discount
1849 not more than six months' sight, exclusive of days of grace, and are
1850 endorsed by at least one other bank; (2) obligations resulting from the
1851 purchase of securities subject to a resale agreement; and (3) the rental
1852 obligation of a lessee of real or personal property under a lease made or
1853 held by such bank.

1854 (k) Obligations of any one obligor which are secured by a first
1855 mortgage on real estate, except as otherwise provided in subsection (l)
1856 of this section, shall be limited to fifty per cent of such [equity capital
1857 and reserves for loan and lease losses] capital and surplus, provided the
1858 total obligations to any one obligor to which this subsection and
1859 subsection (a) of this section apply, except as otherwise provided in
1860 subsection (l) of this section, shall not exceed fifty per cent of such
1861 [equity capital and reserves for loan and lease losses] capital and
1862 surplus. Loans made to manufacturing, industrial or commercial

1863 borrowers when the bank looks for repayment out of the operations of
1864 the borrowers' business, relying primarily on the borrowers' general
1865 credit standing and forecast of operation, shall not be considered to be
1866 secured by a mortgage on real estate for purposes of this subsection,
1867 even though such loan may be secured by a mortgage on real estate.

1868 (l) (1) Not later than January 1, 2024, a Connecticut bank may,
1869 provided the Connecticut bank notifies the commissioner of such
1870 election, in writing, not later than said date, elect to use equity capital
1871 and adjusted allowances for credit losses, instead of capital and surplus,
1872 for the purposes of: (A) Calculating the limitations established in
1873 subsection (a) of this section on liabilities of any one obligor; (B)
1874 calculating the limitations established in subsection (a) of this section on
1875 obligations as endorser or guarantor of negotiable or nonnegotiable
1876 installment consumer paper which carry an agreement to repurchase on
1877 default; (C) calculating the limitations on any one obligor established in
1878 subsection (h) of this section; (D) calculating the limitations established
1879 in subsection (i) of this section on the amount of bills of exchange a
1880 Connecticut bank may accept; (E) determining the exceptions from
1881 limitations on obligations established in subsection (j) of this section;
1882 and (F) calculating the limitations established in subsection (k) of this
1883 section on obligations which are secured by a first mortgage on real
1884 estate.

1885 (2) Any Connecticut bank that makes the election as provided in
1886 subdivision (1) of this subsection may subsequently elect, provided such
1887 Connecticut bank notifies the commissioner, in writing, that such
1888 Connecticut bank has made such subsequent election, to use capital and
1889 surplus, instead of equity capital and adjusted allowances for credit
1890 losses, for the purposes of: (A) Calculating the limitations established in
1891 subsection (a) of this section on liabilities of any one obligor; (B)
1892 calculating the limitations established in subsection (a) of this section on
1893 obligations as endorser or guarantor of negotiable or nonnegotiable
1894 installment consumer paper which carry an agreement to repurchase on
1895 default; (C) calculating the limitations on any one obligor established in
1896 subsection (h) of this section; (D) calculating the limitations established

1897 in subsection (i) of this section on the amount of bills of exchange a
1898 Connecticut bank may accept; (E) determining the exceptions from
1899 limitations on obligations established in subsection (j) of this section;
1900 and (F) calculating the limitations established in subsection (k) of this
1901 section on obligations which are secured by a first mortgage on real
1902 estate.

1903 (3) Any Connecticut bank that makes the subsequent election as
1904 provided in subdivision (2) of this subsection may elect to use equity
1905 capital and adjusted allowances for credit losses, instead of capital and
1906 surplus, for the purposes of: (A) Calculating the limitations established
1907 in subsection (a) of this section on liabilities of any one obligor; (B)
1908 calculating the limitations established in subsection (a) of this section on
1909 obligations as endorser or guarantor of negotiable or nonnegotiable
1910 installment consumer paper which carry an agreement to repurchase on
1911 default; (C) calculating the limitations on any one obligor established in
1912 subsection (h) of this section; (D) calculating the limitations established
1913 in subsection (i) of this section on the amount of bills of exchange a
1914 Connecticut bank may accept; (E) determining the exceptions from
1915 limitations on obligations established in subsection (j) of this section;
1916 and (F) calculating the limitations established in subsection (k) of this
1917 section on obligations which are secured by a first mortgage on real
1918 estate.

1919 Sec. 20. Section 36a-275 of the general statutes is repealed and the
1920 following is substituted in lieu thereof (*Effective October 1, 2023*):

1921 (a) As used in this section, the term "debt securities" means (1) any
1922 marketable obligation evidencing indebtedness of any person in the
1923 form of direct, assumed or guaranteed bonds, notes or debentures or
1924 any security that has attributes similar to such marketable obligations;
1925 (2) any obligation identified by certificates of participation in
1926 investments described in subdivision (1) of this subsection in which a
1927 Connecticut bank could invest directly; or (3) repurchase agreements,
1928 and the term "debt mutual fund" means a partnership interest in, shares
1929 of stock of, units of beneficial interest in or other ownership interest in

1930 any one investment company registered under the Investment
1931 Company Act of 1940, as from time to time amended, commonly
1932 described as mutual funds, money market funds, investment trusts or
1933 business trusts, provided the portfolios of such investment companies
1934 consist solely of investments described in subdivision (1) of this
1935 subsection.

1936 (b) In addition to other investments authorized by this part, any
1937 Connecticut bank may purchase or hold for its own account debt
1938 securities and debt mutual funds without regard to any other liability to
1939 the Connecticut bank of the maker, obligor, guarantor or issuer of such
1940 debt securities and debt mutual funds, provided: (1) The debt securities
1941 and debt mutual funds are rated in the three highest rating categories
1942 by a rating service of such securities recognized by the commissioner or,
1943 if not so rated, are determined by the bank's governing board to be a
1944 prudent investment; (2) unless the bank obtains the prior approval of
1945 the commissioner, and except as otherwise provided in subsection (e) of
1946 this section, the total amount of the debt securities and debt mutual
1947 funds of any one maker, obligor or issuer purchased or held by a
1948 Connecticut bank or for a Connecticut bank's account may not exceed,
1949 at any time, twenty-five per cent of its [total equity capital and reserves
1950 for loan and lease losses] capital and surplus; and (3) the total amount
1951 of any debt securities and debt mutual funds purchased or held by a
1952 Connecticut bank or for a Connecticut bank's account pursuant to this
1953 subsection may not exceed at any time twenty-five per cent of its assets.

1954 (c) In addition to other investments authorized by this part, any
1955 Connecticut bank may purchase or hold for its own account the
1956 following debt securities and debt mutual funds without regard to any
1957 other liability to the Connecticut bank of the maker, obligor, guarantor
1958 or issuer of such debt securities and debt mutual funds, provided (1) the
1959 debt securities and debt mutual funds are rated in the three highest
1960 rating categories by a rating service recognized by the commissioner, or,
1961 if not so rated, determined by the bank's governing board to be a
1962 prudent investment; (2) unless the bank obtains the prior approval of
1963 the commissioner, and except as otherwise provided in subsection (e) of

1964 this section, the total amount of the debt securities and debt mutual
1965 funds of any one maker, obligor or issuer purchased or held by a
1966 Connecticut bank or for a Connecticut bank's account may not exceed,
1967 at any time, seventy-five per cent of its [total equity capital and reserves
1968 for loan and lease losses] capital and surplus; and (3) the total amount
1969 of any debt securities and debt mutual funds purchased or held by a
1970 Connecticut bank or for a Connecticut bank's account pursuant to this
1971 subsection may not exceed at any time fifty per cent of its assets:

1972 (A) General obligations of any agency of the United States, including
1973 government sponsored enterprises, which are not guaranteed fully as to
1974 principal and interest by the United States or for which the full faith and
1975 credit of the United States is not pledged for the payment of principal
1976 and interest;

1977 (B) Residential mortgage pass-through securities and other
1978 residential mortgage-backed securities, including collateralized
1979 mortgage obligations and real estate investment conduits that are issued
1980 or guaranteed by the Federal National Mortgage Association or the
1981 Federal Home Loan Mortgage Corporation, provided said association
1982 or corporation is operating at the time of issuance or guarantee under
1983 the conservatorship or receivership of the Federal Housing Finance
1984 Agency; and

1985 (C) Debt mutual funds, provided the portfolios of the investment
1986 companies consist solely of investments described in subparagraphs (A)
1987 and (B) of this subdivision.

1988 (d) In addition to other investments authorized by this part, any
1989 Connecticut bank may purchase or hold for its own account the
1990 following debt securities and debt mutual funds without regard to any
1991 other liability to the Connecticut bank of the maker, obligor, guarantor
1992 or issuer of such debt securities and debt mutual funds, provided the
1993 debt securities and debt mutual funds are rated in the three highest
1994 rating categories by a rating service recognized by the commissioner or,
1995 if not so rated, determined by the bank's governing board to be a
1996 prudent investment:

- 1997 (1) The general obligations of the United States or this state;
- 1998 (2) Securities which are guaranteed fully as to principal and interest
1999 by the United States or this state or for which the full faith and credit of
2000 the United States or this state is pledged for the payment of principal
2001 and interest;
- 2002 (3) Securities, including repurchase agreements, the principal and
2003 interest of which are irrevocably secured by securities described in
2004 subdivisions (1) and (2) of this subsection; and
- 2005 (4) Debt mutual funds, provided the portfolios of the investment
2006 companies consist solely of investments described in subdivisions (1) to
2007 (3), inclusive, of this subsection.
- 2008 (e) (1) Not later than January 1, 2024, a Connecticut bank may,
2009 provided the Connecticut bank notifies the commissioner of such
2010 election, in writing, not later than said date, elect to use equity capital
2011 and adjusted allowances for credit losses, instead of capital and surplus,
2012 for the purposes of calculating the limitations established in subsections
2013 (b) and (c) of this section on the total amount of the debt securities and
2014 debt mutual funds of any one maker, obligor or issuer purchased or held
2015 by a Connecticut bank or for a Connecticut bank's account.
- 2016 (2) Any Connecticut bank that makes the election as provided in
2017 subdivision (1) of this subsection may subsequently elect, provided such
2018 Connecticut bank notifies the commissioner, in writing, that such
2019 Connecticut bank has made such subsequent election, to use capital and
2020 surplus, instead of equity capital and adjusted allowances for credit
2021 losses, for the purposes of calculating the limitations established in
2022 subsections (b) and (c) of this section on the total amount of the debt
2023 securities and debt mutual funds of any one maker, obligor or issuer
2024 purchased or held by a Connecticut bank or for a Connecticut bank's
2025 account.
- 2026 (3) Any Connecticut bank that makes the subsequent election as
2027 provided in subdivision (2) of this subsection may elect to use equity

2028 capital and adjusted allowances for credit losses, instead of capital and
2029 surplus, for the purposes of calculating the limitations established in
2030 subsections (b) and (c) of this section on the total amount of the debt
2031 securities and debt mutual funds of any one maker, obligor or issuer
2032 purchased or held by a Connecticut bank or for a Connecticut bank's
2033 account.

2034 Sec. 21. Section 36a-276 of the general statutes is repealed and the
2035 following is substituted in lieu thereof (*Effective October 1, 2023*):

2036 (a) As used in this section: (1) "Equity security" means any stock or
2037 similar security, certificate of interest or participation in any profit-
2038 sharing agreement, preorganization certificate or subscription,
2039 transferable share, voting trust certificate or certificate of deposit for an
2040 equity security, limited partnership interest, interest in a joint venture
2041 or certificate of interest in a business trust; or any security convertible,
2042 with or without consideration, into such a security, or carrying any
2043 warrant or right to subscribe to or purchase such a security; or any such
2044 warrant or right; or any put, call, straddle or other option or privilege of
2045 buying such a security from or selling such a security to another without
2046 being bound to do so, but excludes a debt mutual fund, as defined in
2047 section 36a-275, as amended by this act, and an equity mutual fund; and
2048 (2) "equity mutual fund" means a partnership interest in, shares of stock
2049 of, units of beneficial interest in or other ownership interest in any one
2050 investment company which is registered under the Investment
2051 Company Act of 1940, as from time to time amended, commonly
2052 described as mutual funds, money market funds, investment trusts or
2053 business trusts, but excludes a debt mutual fund, as defined in section
2054 36a-275, as amended by this act.

2055 (b) In addition to other investments authorized by sections 36a-275 to
2056 36a-277, inclusive, as amended by this act, and 36a-280, any Connecticut
2057 bank may purchase or hold for its own account equity securities and
2058 equity mutual funds, without regard to any other liability to the
2059 Connecticut bank of the issuer of such equity securities and equity
2060 mutual funds, provided: (1) The total amount of equity securities and

2061 equity mutual funds of any one issuer purchased or held by a
2062 Connecticut bank or for a Connecticut bank's account, except as
2063 otherwise provided in subsection (f) of this section, may not exceed, at
2064 any time, twenty-five per cent of its [total equity capital and reserves for
2065 loan and lease losses] capital and surplus; and (2) the total amount of
2066 any equity securities and equity mutual funds purchased or held by a
2067 Connecticut bank or for a Connecticut bank's account pursuant to this
2068 subsection may not exceed, at any time, twenty-five per cent of its assets.

2069 (c) In addition to other investments authorized by sections 36a-275 to
2070 36a-277, inclusive, as amended by this act, and 36a-280, any Connecticut
2071 bank may purchase or hold for its own account, without regard to any
2072 other liability to the Connecticut bank of the issuer, ten per cent or more
2073 of the equity securities, including convertible securities, of a bank, out-
2074 of-state bank or holding company in accordance with law.

2075 (d) In addition to other investments authorized by sections 36a-275 to
2076 36a-277, inclusive, as amended by this act, and 36a-280, any Connecticut
2077 bank, with the approval of the commissioner, may purchase or hold for
2078 its own account, without regard to any other liability to the Connecticut
2079 bank of the issuer, a controlling interest in a corporation or other entity,
2080 the functions of which are limited to one or more of the functions which
2081 the bank may carry on directly in the exercise of its express or incidental
2082 powers. For purposes of this subsection and subsection (e) of this
2083 section, a "controlling interest" means at least fifty-one per cent of the
2084 equity securities issued by the corporation or other entity, unless the
2085 commissioner determines that under the circumstances, a lesser
2086 percentage constitutes effective working control of the corporation or
2087 other entity.

2088 (e) The bank shall notify the commissioner, in writing, twenty-four
2089 hours prior to making any investment under subsections (b) and (c) of
2090 this section which would result in such bank having invested in the
2091 aggregate in twenty-five per cent or more of the equity securities of a
2092 corporation. Notwithstanding the provisions of this subsection, any
2093 investment in a controlling interest in a corporation or other entity, the

2094 functions of which are limited to one or more of the functions that the
2095 bank may carry on directly in the exercise of its express or incidental
2096 powers, shall be made in accordance with subsection (d) of this section.

2097 (f) (1) Not later than January 1, 2024, a Connecticut bank may,
2098 provided the Connecticut bank notifies the commissioner of such
2099 election, in writing, not later than said date, elect to use equity capital
2100 and adjusted allowances for credit losses, instead of capital and surplus,
2101 for the purpose of calculating the limitation established in subsection (b)
2102 of this section on the total amount of equity securities and equity mutual
2103 funds of any one issuer purchased or held by a Connecticut bank or for
2104 a Connecticut bank's account.

2105 (2) Any Connecticut bank that makes the election as provided in
2106 subdivision (1) of this subsection may subsequently elect, provided such
2107 Connecticut bank notifies the commissioner, in writing, that such
2108 Connecticut bank has made such subsequent election, to use capital and
2109 surplus, instead of equity capital and adjusted allowances for credit
2110 losses, for the purpose of calculating the limitation established in
2111 subsection (b) of this section on the total amount of equity securities and
2112 equity mutual funds of any one issuer purchased or held by a
2113 Connecticut bank or for a Connecticut bank's account.

2114 (3) Any Connecticut bank that makes the subsequent election as
2115 provided in subdivision (2) of this subsection may elect to use equity
2116 capital and adjusted allowances for credit losses, instead of capital and
2117 surplus, for the purpose of calculating the limitation established in
2118 subsection (b) of this section on the total amount of equity securities and
2119 equity mutual funds of any one issuer purchased or held by a
2120 Connecticut bank or for a Connecticut bank's account.

2121 Sec. 22. Section 36a-277 of the general statutes is repealed and the
2122 following is substituted in lieu thereof (*Effective October 1, 2023*):

2123 (a) In addition to other investments authorized by sections 36a-275,
2124 as amended by this act, and 36a-276, as amended by this act, this section
2125 and section 36a-280, any Connecticut bank may purchase or hold for its

2126 own account the following securities, without regard to any other
2127 liability to the Connecticut bank of the obligor, maker, guarantor or
2128 issuer of such securities, provided the total amount of the securities of
2129 any one maker, obligor or issuer held by a Connecticut bank or for a
2130 Connecticut bank's account may not exceed, at any time, and except as
2131 provided in subsection (b) of this section, ten per cent of its [equity
2132 capital and reserves for loan and lease losses] capital and surplus:

2133 (1) Equity securities, as defined in section 36a-276, as amended by this
2134 act, and debt securities, as defined in section 36a-275, as amended by
2135 this act, of companies licensed or that have applied to be licensed as
2136 "small business investment companies", under the federal Small
2137 Business Investment Act of 1958, 15 USC Section 661 et seq., as from time
2138 to time amended, and which qualify as companies financing
2139 disadvantaged persons under 15 USC Section 681(d), as from time to
2140 time amended;

2141 (2) Equity securities, as defined in section 36a-276, as amended by this
2142 act, and debt securities, as defined in section 36a-275, as amended by
2143 this act, of companies licensed or that have applied to be licensed as
2144 "small business investment companies", under the federal Small
2145 Business Investment Act of 1958, 15 USC Section 661 et seq., as from time
2146 to time amended;

2147 (3) Debt securities issued by corporations certified by the
2148 commissioner to be organized and operated solely for the purpose of
2149 providing assistance which will contribute to the public welfare by
2150 facilitating the acquisition and maintenance of ownership of homes by
2151 individuals whose ability to own their own homes is hampered because
2152 of social or economic disadvantages, which debt securities are backed
2153 by mortgage loans made by the issuing corporations;

2154 (4) Shares of stock and debt securities issued by the National
2155 Corporation for Housing Partnerships or by any other corporation
2156 created pursuant to Title IX of the Housing and Urban Development Act
2157 of 1968; limited partnership interests in The National Housing
2158 Partnership or in any other limited partnership formed pursuant to

2159 Section 907(a) of that act; and any partnership, limited partnership, or
2160 joint venture formed pursuant to Section 907(c) of that act;

2161 (5) Shares of stock and debt securities of corporations, and equity
2162 interests in and debt securities of, partnerships and limited
2163 partnerships, engaged solely in acquiring and rehabilitating housing;

2164 (6) Debt securities or equity securities of a corporation, all the equity
2165 securities of which corporation are to be owned by one or more
2166 Connecticut banks and which corporation is organized and operated for
2167 the purpose of developing, and stimulating and assisting the
2168 development of, by any means and in any capacity, by itself or jointly
2169 with others, low and moderate income housing in this state;

2170 (7) Debt securities or equity securities of closed-end investment
2171 companies which provide capital to racial or ethnic minority-owned
2172 businesses and institutions;

2173 (8) Debt securities or equity securities of development corporations
2174 or similar organizations organized to promote the business prosperity
2175 and economic welfare of this state and to encourage the location and
2176 development of new business, industry and commerce at least in part
2177 within the municipality where the main office or a branch of such bank
2178 is located; and

2179 (9) Debt securities or equity securities that are social purpose
2180 investments, provided before making any such investment, the bank
2181 shall obtain the certification of the commissioner that the investment is
2182 a social purpose investment. For purposes of this section, a "social
2183 purpose investment" means an investment which contributes to the
2184 public welfare by facilitating the provision of a service or facility needed
2185 by residents of the area in which an office of the bank making the
2186 investment is located.

2187 (b) (1) Not later than January 1, 2024, a Connecticut bank may,
2188 provided the Connecticut bank notifies the commissioner of such
2189 election, in writing, not later than said date, elect to use equity capital

2190 and adjusted allowances for credit losses, instead of capital and surplus,
2191 for the purpose of calculating the limitation established in subsection (a)
2192 of this section on the total amount of the securities of any one maker,
2193 obligor or issuer held by a Connecticut bank or for a Connecticut bank's
2194 account.

2195 (2) Any Connecticut bank that makes the election as provided in
2196 subdivision (1) of this subsection may subsequently elect, provided such
2197 Connecticut bank notifies the commissioner, in writing, that such
2198 Connecticut bank has made such subsequent election, to use capital and
2199 surplus, instead of equity capital and adjusted allowances for credit
2200 losses, for the purpose of calculating the limitation established in
2201 subsection (a) of this section on the total amount of the securities of any
2202 one maker, obligor or issuer held by a Connecticut bank or for a
2203 Connecticut bank's account.

2204 (3) Any Connecticut bank that makes the subsequent election as
2205 provided in subdivision (2) of this subsection may elect to use equity
2206 capital and adjusted allowances for credit losses, instead of capital and
2207 surplus, for the purpose of calculating the limitation established in
2208 subsection (a) of this section on the total amount of the securities of any
2209 one maker, obligor or issuer held by a Connecticut bank or for a
2210 Connecticut bank's account.

2211 Sec. 23. Subsection (f) of section 36a-285 of the general statutes is
2212 repealed and the following is substituted in lieu thereof (*Effective October*
2213 *1, 2023*):

2214 (f) Any savings bank may invest not more than five per cent of its
2215 [equity] capital and surplus in stocks, obligations or other securities of
2216 The Savings Bank Life Insurance Company. Such investment may
2217 include advances to the surplus of the company.

2218 Sec. 24. Section 36a-438a of the general statutes is repealed and the
2219 following is substituted in lieu thereof (*Effective October 1, 2023*):

2220 (a) (1) Except as provided in subdivision (2) of this subsection, the

2221 field of membership of a Connecticut credit union is limited to: (A) [a]
2222 A single common bond membership; [] (B) a multiple common bond
2223 membership; [or] and (C) persons within a well-defined community,
2224 neighborhood or rural district.

2225 (2) The field of membership of a Connecticut credit union may
2226 include: (A) [members] Members of the immediate family or household
2227 of all persons included under subparagraphs (A), (B) and (C) of
2228 subdivision (1) of this subsection; [] (B) organizers and employees of
2229 such credit union; [] (C) the surviving spouse of a deceased member of
2230 such credit union; [and] (D) notwithstanding any change in
2231 employment, occupation, residence or other condition initially
2232 controlling the eligibility for membership in any Connecticut credit
2233 union, any person properly admitted to membership in a Connecticut
2234 credit union, [Such] and such person may continue membership
2235 therein during such person's lifetime; (E) partnerships in which the
2236 majority of the partners are individuals who are members of such credit
2237 union; (F) corporations in which the majority of shareholders are
2238 individuals who are members of such credit union; (G) organizations of
2239 individuals who are members of such credit union; and (H) associations
2240 and their members, provided such associations were formed to serve a
2241 purpose other than expanding the field of membership of such credit
2242 union. The commissioner shall, in determining whether to approve the
2243 inclusion of an association in the field of membership of a Connecticut
2244 credit union, consider the public interest and benefit of such inclusion
2245 and, in determining whether an association was formed to serve a
2246 purpose other than expanding the field of membership of a Connecticut
2247 credit union, consider the totality of the circumstances, including, but
2248 not limited to, the following factors: (i) Whether the association provides
2249 opportunities for members to participate in furthering the goals of the
2250 association; (ii) whether the association maintains a membership list;
2251 (iii) whether the association sponsors activities; (iv) whether the
2252 association's membership eligibility requirements are limited to the
2253 association's stated purpose; (v) whether the members of the association
2254 pay dues; (vi) whether the members of the association have voting rights
2255 in the association; (vii) the extent of meetings and member engagement

2256 on topics related to the association's core purposes; and (viii) the degree
2257 of separation between the association and the credit union.

2258 [(3) The field of membership of a Connecticut credit union under
2259 subparagraphs (A) and (B) of subdivision (1) of this subsection may
2260 include associations and organizations of individuals who are members
2261 of such credit union, partnerships in which the majority of the partners
2262 are individuals who are members of such credit union, and corporations
2263 in which the majority of whose shareholders are individuals who are
2264 members of such credit union.]

2265 [(4)] (3) The field of membership of a Connecticut credit union under
2266 subparagraph (C) of subdivision (1) of this subsection may include
2267 groups located outside of the well-defined community, neighborhood
2268 or rural district such credit union serves that were within such credit
2269 union's field of membership at the time it converted from a field of
2270 membership specified in subparagraph (A) or (B) of said subdivision (1),
2271 provided such credit union's continuing relationships with such groups
2272 are not exclusive and, if authorized under this chapter, other
2273 Connecticut credit unions may also provide services to such groups. The
2274 commissioner may not approve an amendment to the bylaws of such a
2275 credit union under this subdivision unless the commissioner determines
2276 in writing that any potential harm that the expansion of the field of
2277 membership of such credit union may have on any other Connecticut
2278 credit union and its members is clearly outweighed in the public interest
2279 by the probable beneficial effect of the expansion in meeting the
2280 convenience and needs of the members of the group proposed to be
2281 included in the field of membership.

2282 (b) [Notwithstanding the provisions of subsection (a) of this section,
2283 the] The commissioner may authorize a Connecticut credit union with a
2284 multiple common bond membership to include in its field of
2285 membership any person within a well-defined community,
2286 neighborhood or rural district if:

2287 (1) The commissioner determines that the well-defined community,
2288 neighborhood or rural district is: (A) [an] An investment area, as defined

2289 in Section 103(16) of the Community Development Banking and
2290 Financial Institutions Act of 1994, 12 USC Section 4702(16), and meets
2291 any additional requirements that the commissioner may impose; and (B)
2292 underserved by other depository institutions, as defined in Section
2293 19(b)(1)(A) of the Federal Reserve Act, 12 USC Section 461(b), based on
2294 data of the commissioner and federal supervisory agencies; and

2295 (2) The Connecticut credit union establishes and maintains a main
2296 office or branch in the well-defined community, neighborhood or rural
2297 district at which credit union services are available.

2298 (c) Any Connecticut credit union that is so authorized to expand its
2299 field of membership under subsection (b) of this section continues as a
2300 Connecticut credit union whose field of membership is limited to a
2301 multiple common bond membership.

2302 (d) (1) The commissioner may not approve an amendment to the
2303 bylaws of a Connecticut credit union with a multiple common bond
2304 membership to expand its field of membership to add a group of five
2305 hundred or more potential members, excluding individuals who are
2306 potentially eligible as members of the immediate family or household of
2307 a potential member, or persons within a well-defined community,
2308 neighborhood or rural district, unless the commissioner determines in
2309 writing that: (A) ~~[the]~~ The Connecticut credit union has not engaged in
2310 any material unsafe or unsound practice during the one-year period
2311 preceding the date on which the proposed amendment is filed with the
2312 commissioner; (B) the Connecticut credit union is adequately
2313 capitalized; (C) the Connecticut credit union has the administrative
2314 capability to serve the proposed membership group and the financial
2315 resources to meet the need for additional staff and assets to serve the
2316 new membership group; (D) any potential harm that the expansion
2317 of the field of membership of the Connecticut credit union may have on
2318 any other Connecticut credit union and its members is clearly
2319 outweighed in the public interest by the probable beneficial effect of the
2320 expansion in meeting the convenience and needs of the members of the
2321 group proposed to be included in the field of membership; and (E)

2322 formation of a separate credit union by the group proposed to be
2323 included is not practicable and consistent with reasonable safety and
2324 soundness standards. A Connecticut credit union whose field of
2325 membership is limited to a single common bond membership or
2326 multiple common bond membership that acquires as potential members
2327 persons within a well-defined community, neighborhood or rural
2328 district, other than the well-defined community, neighborhood or rural
2329 district specified in subdivision (1) of subsection (b) of this section, by
2330 merger, expansion or otherwise, shall become a Connecticut credit
2331 union whose field of membership is limited to persons within a well-
2332 defined community, neighborhood or rural district.

2333 (2) The commissioner may withhold or condition an approval of an
2334 amendment to the bylaws sought by a community credit union, as
2335 defined in section 36a-37, under this subsection pursuant to the
2336 provisions of section 36a-37d.

2337 (3) The commissioner may approve an amendment to the bylaws of
2338 a Connecticut credit union to change the field of membership without
2339 regard for the common bond whenever the commissioner determines
2340 that continued operation of the Connecticut credit union without the
2341 proposed amendment may result in liquidation or merger of such credit
2342 union.

2343 Sec. 25. (NEW) (*Effective October 1, 2023*) (a) For purposes of this
2344 section:

2345 (1) "Connecticut bank" has the same meaning as provided in section
2346 36a-2 of the general statutes, as amended by this act;

2347 (2) "Connecticut credit union" has the same meaning as provided in
2348 section 36a-2 of the general statutes, as amended by this act;

2349 (3) "Federal credit union" has the same meaning as provided in
2350 section 36a-2 of the general statutes, as amended by this act;

2351 (4) "Financial institution" has the same meaning as provided in
2352 section 36a-41 of the general statutes;

2353 (5) "Out-of-state bank" has the same meaning as provided in section
2354 36a-2 of the general statutes, as amended by this act; and

2355 (6) "Out-of-state credit union" has the same meaning as provided in
2356 section 36a-2 of the general statutes, as amended by this act.

2357 (b) The Banking Commissioner shall, within available
2358 appropriations, designate a Bank Merger Ombudsman within the
2359 Department of Banking.

2360 (c) The Bank Merger Ombudsman, in consultation with the Banking
2361 Commissioner, shall:

2362 (1) Provide timely assistance to any person holding an account at a
2363 financial institution concerning any matter relating to the financial
2364 institution following the financial institution's merger with another
2365 financial institution;

2366 (2) Receive and review complaints by persons holding accounts at a
2367 financial institution following the financial institution's merger with
2368 another financial institution, and if any financial institution that is a
2369 party to such merger is a Connecticut bank or Connecticut credit union,
2370 investigate such complaints;

2371 (3) Communicate complaints concerning a financial institution,
2372 following a merger involving the financial institution, to the primary
2373 regulator of such financial institution if such financial institution is an
2374 out-of-state bank, out-of-state credit union or federal credit union;

2375 (4) Compile and analyze data concerning the complaints the Bank
2376 Merger Ombudsman receives under subdivision (2) of this subsection;

2377 (5) Assist persons who submit complaints under subdivision (2) of
2378 this subsection to understand their rights and responsibilities
2379 concerning such complaints;

2380 (6) Provide information to the public, state agencies, legislators and
2381 other persons regarding the problems and concerns of persons who

2382 submit complaints under subdivision (2) of this subsection, and make
2383 recommendations to resolve such problems and concerns;

2384 (7) Analyze and monitor the development and implementation of
2385 federal, state and local laws, regulations and policies relating to financial
2386 institutions and the merger of financial institutions, and recommend
2387 any changes to such laws, regulations or policies the Bank Merger
2388 Ombudsman deems necessary;

2389 (8) Review information relating to complaints submitted under
2390 subdivision (2) of this subsection, for any person who provides written
2391 consent for such review;

2392 (9) Disseminate information concerning the Bank Merger
2393 Ombudsman's availability for assisting persons holding accounts at
2394 financial institutions with their concerns relating to financial institution
2395 mergers; and

2396 (10) Take any other action the Bank Merger Ombudsman deems
2397 necessary to fulfill the ombudsman's duties under this subsection.

2398 (d) On or before January 1, 2025, and annually thereafter, the Banking
2399 Commissioner shall submit a report, in accordance with the provisions
2400 of section 11-4a of the general statutes, to the joint standing committee
2401 of the General Assembly having cognizance of matters relating to
2402 banking. Each report shall disclose: (1) Information concerning
2403 implementation of this section and the overall effectiveness of the Bank
2404 Merger Ombudsman; and (2) any additional steps that need to be taken
2405 for the Department of Banking to address the complaints described in
2406 subdivision (2) of subsection (c) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2023	36a-555
Sec. 2	October 1, 2023	36a-556
Sec. 3	October 1, 2023	36a-557
Sec. 4	October 1, 2023	36a-558(d) to (f)

Sec. 5	October 1, 2023	36a-560
Sec. 6	October 1, 2023	36a-770(c)
Sec. 7	October 1, 2023	New section
Sec. 8	July 1, 2023	36a-338(a)
Sec. 9	October 1, 2023	36a-486(b)
Sec. 10	October 1, 2023	36a-498e(a)
Sec. 11	October 1, 2023	36a-719(a)
Sec. 12	October 1, 2023	36a-492(d)(5)
Sec. 13	October 1, 2023	36a-318(e)
Sec. 14	July 1, 2023	36a-309(a) to (e)
Sec. 15	October 1, 2023	36a-2
Sec. 16	October 1, 2023	36a-250(a)
Sec. 17	October 1, 2023	36a-260(c)
Sec. 18	October 1, 2023	36a-261(b) to (i)
Sec. 19	October 1, 2023	36a-262
Sec. 20	October 1, 2023	36a-275
Sec. 21	October 1, 2023	36a-276
Sec. 22	October 1, 2023	36a-277
Sec. 23	October 1, 2023	36a-285(f)
Sec. 24	October 1, 2023	36a-438a
Sec. 25	October 1, 2023	New section

Statement of Legislative Commissioners:

In Section 1(2), "[Truth-in-Lending Act, 15 USC 1601] Military Lending Act, 10 USC 987 et seq.," was changed to "[Truth-in-Lending Act, 15 USC 1601 et seq.] Military Lending Act, 10 USC 987," for accuracy; in Section 2(d)(2), "the person" was changed to "such person" for consistency; in Section 4(d)(1), "Military Lending Act, 10 USC 987 et seq.," was changed to "Military Lending Act, 10 USC 987, [et seq.]," for accuracy; in Section 4(e)(6), "and" was added after the semicolon for consistency; in Section 6(c), "sections 36a-770 to 36a-788, inclusive, as amended by this act," was changed to "this section and sections [36a-770] 36a-771 to 36a-788, inclusive," for consistency with standard drafting conventions; in Section 7(a)(1), "an" was added before "installment" and "unrecovered" for clarity; in Section 10(a) and Subdivs. (6) to (8), inclusive, and (12), "sections 36a-485 to 36a-498e, inclusive, as amended by this act," was changed to "this section, sections 36a-485 to [36a-498e] 36a-498d, inclusive," for consistency with standard drafting conventions; in Section 10(a)(7) and (8) "adopted" was added before "thereunder" for consistency; in Section 17(c), "sections 36a-260" was changed to "this section and sections [36a-260]" for consistency with standard drafting conventions; in Sections 19(l)(1), 20(e)(1), 21(f)(1) and 22(b)(1), "instead

of equity capital and surplus," was changed to "instead of capital and surplus," for accuracy and consistency; and in Section 25(a)(1) to (3), inclusive, (5) and (6), ", as amended by this act" was inserted after "statutes" for consistency with standard drafting conventions.

BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Banking Dept.	BF - Potential Revenue Gain	See Below	See Below
Banking Dept.	BF - Potential Cost	See Below	See Below

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill makes various revisions and changes to the banking statutes resulting in the potential cost and revenue gain to the Banking Fund described below.

Sections 9-10 prohibit licensed mortgage lenders from using the services of an unlicensed lead generator. To the extent that this bill encourages unlicensed lead generators to apply for licenses, there is a potential revenue gain. Currently, there are only two lead generators licensed by the state. The initial and annual renewal fee for the lead generator license is \$500.

Section 25 requires the Banking Commissioner to designate a Bank Merger Ombudsman within the Department of Banking. The potential impact to the state will vary widely by fiscal year depending on the following factors: (1) the number of bank mergers that occur in a given fiscal year, if any, (2) the number of banks and credit unions involved in each merger, (3) whether or not the banks and credit unions involved are chartered in the state of Connecticut, (4) the total number of customers affected by the merger, (5) the extent to which individual

customers are adversely affected, and (6) the number of durational staff the department requires to manage the volume of complaints received for any given merger.

The bill also makes various revisions and definitional changes to the banking statutes, which are not anticipated to result in a fiscal impact to the state.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of licenses issued, the number of bank mergers, and inflation.

Sources: Department of Banking website

OLR Bill Analysis**sSB 1033****AN ACT CONCERNING VARIOUS REVISIONS TO THE BANKING STATUTES.**

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§ 24 — CREDIT UNION MEMBERSHIP

Expands Connecticut credit unions' eligible membership by allowing them to (1) have a field of membership that includes both a common bond and a geographic community and (2) add associations, beyond those of members

§ 25 — BANK MERGER OMBUDSMAN

Requires the DOB commissioner to designate a bank merger ombudsman, within available appropriations, to help people with accounts at financial institutions when there are issues about the institution's merger with another financial institution

SUMMARY

This bill generally makes the following unrelated changes to banking statutes:

1. raises the small loan limit from \$15,000 to \$50,000, redefines "annual percentage rate" (APR), and requires small loan licensure of an exempt lender's agent or service provider under certain circumstances (§§ 1-5);
2. increases the maximum value of retail installment or installment loan contracts for consumer goods and equipment (§ 6);
3. allows for borrowers to cancel a guaranteed asset protection

- (GAP) waiver and receive a pro rata refund (§ 7);
4. prohibits certain licensed mortgage professionals from (a) using an unlicensed lead generator unless the lead generator is exempt from licensure or (b) helping a lead generator conduct business without a valid license to do so (§§ 9 & 10);
 5. eliminates the requirement that mortgage servicer supervisors generally live within 100 miles of a branch office (§ 11);
 6. expands the circumstances under which a financial institution does not need to provide notice of a deposit account's closure (§ 13);
 7. limits the required advertising and availability of basic bank accounts to banking institution branches and other offices in Connecticut (§ 14);
 8. generally applies a "capital and surplus" calculation to certain investment decision making of Connecticut banks (e.g., liabilities of borrowers, debt and equity securities, debt and equity mutual funds, social purpose investments, and mortgage lending) (§§ 15-23);
 9. expands Connecticut credit unions' eligible membership by allowing them to (a) have a field of membership that includes both a common bond and a geographic community and (b) add non-member associations (§ 24); and
 10. requires the Department of Banking (DOB) commissioner, within available appropriations, to designate a bank merger ombudsman within the department (§ 25).

The bill makes numerous technical and conforming changes.

EFFECTIVE DATE: October 1, 2023, except as provided below.

§§ 1-5 — SMALL LOAN LENDING

Raises the small loan limit from \$15,000 to \$50,000; redefines APR; and requires small loan licensure of an exempt lender's agent or service provider under certain circumstances

Small Loan Amount

The bill increases the maximum small loan amount from \$15,000 to \$50,000. As under existing law, under the bill, these loans of between \$5,000 and \$50,000 have an APR capped at 25%.

APR Calculation

The bill also shifts, from the Truth-in-Lending Act to the Military Lending Act (MLA), the federal law used to calculate APR for purposes of these loans. It deems the following finance charges for APR calculation purposes:

1. certain premiums or fees specified under MLA regulations (e.g., credit insurance premiums or fees, consumer credit application fees, or debt cancellation or suspension fees);
2. a charge for an ancillary product, membership, or service that is sold in connection or concurrent with a small loan;
3. an amount offered or agreed to by a borrower to obtain credit or to compensate for the use of money; and
4. a fee charged, agreed to, or paid by a borrower that is related to a small loan.

Small Loan Licensure

The law has several exemptions to small loan licensure, such as for banks or credit unions, their subsidiaries, and their servicers under certain conditions; licensed pawnbrokers; consumer collection agencies; passive buyers of small loans; and retail sellers.

The bill requires anyone who alleges to act as an agent, service provider, or in any other capacity for one of the small loan law's exempt entities to be licensed in the following situations:

1. the person holds, acquires, or maintains the predominant economic interest in the loan;

2. the person markets, brokers, arranges, or facilitates the loan and holds the right, requirement, or right of first refusal to purchase the loan, receivables, or interests; or
3. the total circumstances indicate that the person is the lender, and the transaction is structured to avoid small loan regulation.

Under the bill, the following circumstances support the position that a person should be licensed as a small loan lender:

1. indemnifying, insuring, or protecting an exempt lender for any of the loan's costs or risks;
2. predominantly designing, controlling, or operating a small loan program; and
3. purporting to act as an agent, service provider, or in another capacity for an exempt lender in Connecticut and directly acting as a lender elsewhere.

§ 6 — RETAIL INSTALLMENT CONTRACTS

Increases the maximum value of retail installment or installment loan contracts for consumer goods and equipment to \$75,000 and \$25,000, respectively

The bill increases the maximum value of retail installment or installment loan contracts for consumer goods (including motor vehicles) and equipment. Currently, the maximum value is \$50,000 for consumer goods and \$16,000 for equipment. The bill increases these amounts to \$75,000 and \$25,000 respectively, and by raising these limits, the law will apply to more consumers.

The bill also makes a conforming change to the definition of "sales finance company" to include any person engaging in Connecticut in the business of receiving payments (principal and interest) from a retail buyer under a retail installment or installment loan contract. This is the existing definition for these companies under their licensing statutes (see CGS § 36a-535).

§ 7 — GUARANTEED ASSET PROTECTION WAIVER

Allows borrowers to cancel a GAP waiver and receive a pro-rata refund

The bill requires “guaranteed asset protection” (GAP) waivers to be cancellable and, if cancelled, provide a pro rata refund to the borrower from the creditor, holder, administrator, or other authorized party, as applicable. The refund is (1) available only if no benefits were provided under the waiver and (2) based on monthly increments, starting on the 15th day of each month.

Under the bill, if a vehicle is fully paid for under its retail installment or installment loan contract or repossessed, the creditor, holder, administrator, or other authorized party must provide (or have the administrator or retail seller provide) the borrower with any required refund or apply a credit to the borrower’s outstanding balance, as applicable. This must be done within 30 days of the event and without a borrower’s request to cancel the waiver.

A GAP waiver is generally a debt cancellation or waiver agreement of the remaining loan balance, absolving someone from paying the difference between what is owed on a motor vehicle and what the vehicle is worth. Specifically, under the bill, it is:

1. a contractual agreement that is part of, or an addendum to, a retail installment or installment loan contract in which a creditor agrees to cancel or waive some or all of the amount a borrower owes if there is a total loss of a motor vehicle from damage or theft or
2. an excess wear and use waiver contractual agreement that is part of, or an addendum to, a motor vehicle lease agreement in which a creditor agrees to cancel or waive all or part of the amount a borrower owes from excessive wear and use of a leased vehicle, such as from excess mileage.

The bill allows these waivers to (1) be made with or without a separate charge and (2) provide borrowers with a credit toward purchasing a replacement vehicle, also with or without a separate charge. It specifies that these waivers are not considered insurance for

purposes of refund requirements after a repossession.

The bill's provisions apply to agreements entered into on or after October 1, 2023.

§ 8 — ELECTRONIC CALL REPORT FILINGS

Eliminates the requirement for public deposit reports to be notarized if they are submitted electronically to DOB

The bill allows qualified public depositories (i.e., institutions allowed to hold public funds such as banks and credit unions) to submit their written reports to DOB on each call report date without notarization (i.e., certified under oath) if they are submitted electronically. Current law requires notarization of all these reports.

EFFECTIVE DATE: July 1, 2023

§§ 9 & 10 — PROHIBITED ACTS OF CERTAIN MORTGAGE LICENSEES

Prohibits certain licensed mortgage professionals from (1) using an unlicensed lead generator unless the lead generator is exempt from licensure or (2) helping a lead generator conduct business without a valid license

The bill prohibits licensed mortgage lenders, correspondent lenders, brokers, and loan originators from using the services of a lead generator unless the lead generator is licensed or exempt from licensure (e.g., a federally insured bank or credit union or a subsidiary of the institution). It also prohibits licensed mortgage professionals from assisting or aiding and abetting a person in the conduct of lead generator business without a license.

A lead generator is a person who, for or with the expectation of compensation or gain (1) sells, assigns, or transfers information that identifies a potential residential mortgage loan customer (a lead); (2) generates or adds to a lead for another person; or (3) directs a consumer to a person for a residential mortgage loan through marketing services (CGS § 36a-485).

§ 11 — MORTGAGE SERVICER SUPERVISORS

Eliminates the requirement that certain supervisors of mortgage servicers generally live within 100 miles of a branch office

Under current law, a mortgage servicer must have a qualified individual for its main office and a branch manager for each branch, each of whom must live within 100 miles of the respective location or show that he or she is otherwise able to provide full-time, in person supervision. The bill eliminates this geographic and alternative full-time, in person requirement.

§ 12 — TECHNICAL CHANGE

Makes a technical change to a banking statute

The bill makes a technical change to a banking statute.

§ 13 — DEPOSIT ACCOUNT CLOSURE NOTICE

Expands the circumstances under which a financial institution does not need to provide notice of a deposit account's closure

By law, financial institutions must generally send notices to customers within 10 days after they close a customer's account, which must include the reason for closure.

The bill expands the circumstances under which a financial institution does not need to provide this notice. Currently, it is not required if, among other things, the institution (1) believes the account is being used for illegal or fraudulent activity, (2) learns that law enforcement is investigating activity involving the account, or (3) is prohibited by state or federal law from providing it. Under the bill, notice is also not required in the following circumstances:

1. the depositor, or the depositor's agent (e.g., estate representative), closes the account;
2. the institution closed the account after escheating its balance to the treasurer (i.e., the account is presumed abandoned);
3. a beneficiary or the institution closes the account after title to it vests in the beneficiary; or
4. the institution already notified the depositor that the account would be closed after a certain date and the reason for closure, and that date has passed.

§ 14 — BASIC BANKING ACCOUNTS

Limits the required advertising and availability of basic bank accounts to banking institution branches and other offices that are located in Connecticut

By law, state and federally chartered financial institutions doing business in Connecticut must make a “basic banking account” available to Connecticut residents beginning July 1, 2023. Among other things, these accounts have low minimum initial deposit and balance requirements and are restricted in their permissible fees.

The bill limits the required availability of basic banking accounts to branches or other offices in the state and correspondingly makes the advertising (i.e., certain posted information) of these accounts only required at locations in Connecticut.

EFFECTIVE DATE: July 1, 2023

§§ 15-23 — CAPITAL AND SURPLUS REQUIREMENTS

Generally applies a “capital and surplus” calculation to certain investment decision making of Connecticut banks (i.e., liabilities of borrowers, debt and equity securities, debt and equity mutual funds, social purpose investments, savings banks life insurance, mortgage lending, and real estate for the banks’ business)

Definition — Capital and Surplus

Under the bill, “capital and surplus” is as defined by the Office of the Comptroller of the Currency (OCC) regulations, which apply to federally chartered banks.

For qualifying community banking organizations that chose to use the OCC community bank leverage ratio framework, capital and surplus is the bank’s (1) tier 1 capital (e.g., common voting stock and retained earnings) and (2) allowance for loan and lease losses or adjusted allowances for credit losses reported in its call report. (A bank leverage ratio shows financial position regarding debt and capital or assets.)

And for all other banks, it is a bank’s (1) tier 1 and tier 2 (e.g., loan and lease loss allowance, qualifying preferred stock, or subordinated debt) capital, calculated under OCC risk-based capital standards, that it reports in its call report and (2) allowance for loan or lease losses or

adjusted allowances for credit losses not included in the tier 2 capital, that it uses to calculate risk-based capital in the call report.

Applying Capital and Surplus

The bill generally applies the use of capital and surplus, instead of equity capital and reserves for loan and lease losses, to its calculations for holding the liabilities of any one obligor (debtor), debt securities and debt mutual funds, equity securities and equity mutual funds, and social purpose investments (but see exceptions, below).

For example, under the bill, the total liabilities of any one obligor that are not fully secured to a Connecticut bank (not counting any investment in the obligor's investment securities), cannot exceed 15% of the bank's capital and surplus, instead of equity capital and reserves for loan and lease losses, at the time of the obligation. Existing law, unchanged by the bill, imposes various percentage thresholds for determining the ability to hold the above investments.

The bill also prohibits a savings bank from investing more than 5% of its capital and surplus, rather than equity capital, in stocks, obligations, or other securities of The Savings Bank Life Insurance Company.

Capital and Surplus Exception Choice. The bill allows a Connecticut bank, by January 1, 2024, and if it notifies the DOB commissioner of this choice by that date, to choose to use equity capital and adjusted allowances for credit losses (instead of capital and surplus) for the following calculations related to the liability of any one obligor:

1. limits on the liability;
2. limits on obligations as an endorser or guarantor of negotiable or nonnegotiable installment consumer paper, which have an agreement to repurchase upon default;
3. limits on the amount of bills of exchange the bank may accept;
4. determining exceptions from obligation limits; and

5. limits on obligations secured by first mortgages on real estate.

The bill allows a bank that makes the above choice to subsequently use capital and surplus for the calculations if it notifies the DOB commissioner in writing that it has chosen to do so. But it also allows the bank, after choosing to use capital and surplus, to use equity capital and adjusted allowances for credit losses for the same purposes, without further notice to the commissioner (§ 19).

For investments in debt securities and debt mutual funds, the bill allows a Connecticut bank to use equity capital and adjusted allowances for credit losses to calculate limits on the total amount of debt securities and debt mutual funds of any one maker, obligor, or issuer purchased or held by the bank or for the bank's account (§ 20). It similarly allows a bank to do this to calculate the limit on the total amount of (1) equity securities and equity mutual funds of any one issuer purchased or held by the bank or for the bank's account (§ 21) or (2) securities that are considered social purpose investments of any one maker, obligor, or issuer held by the bank or for the bank's account (§ 22). These choices are also subject to the January 1, 2024, election and DOB notification requirements described above for single obligor investments.

Lending Decisions: Loan Policies, Mortgage Issuance, and Bank Property

The bill requires Connecticut banks to use capital and surplus, rather than total capital and reserves for loan and lease losses, when deciding standards for material loans (i.e., standards based on the size of the loan in relation to the bank's capacity and risks) (§ 17). It correspondingly applies capital and surplus, rather than equity capital and reserves for loan and lease losses, to decision making for investing in mortgage loans (§ 18).

The bill similarly applies capital and surplus to the calculation of whether a Connecticut bank may (1) without DOB commissioner approval, change or improve real estate used for the bank's business or (2) purchase adjoining real estate (§ 16).

§ 24 — CREDIT UNION MEMBERSHIP

Expands Connecticut credit unions' eligible membership by allowing them to (1) have a field of membership that includes both a common bond and a geographic community and (2) add associations, beyond those of members

The bill expands Connecticut credit unions' eligible membership. Under current law, the membership of Connecticut credit unions is limited to either common bonds or people in a well-defined community, neighborhood, or rural district. The bill (1) allows credit unions to have a field of membership that includes both a common bond and a geographic community and (2) broadens the scope of associations that are eligible common bonds beyond those of existing credit union members.

Under the bill, the new associations eligible for credit union membership must exist for a purpose other than expanding membership. The bill requires the DOB commissioner, when deciding whether to approve an association for a credit union's field of membership, to consider the public interest and benefit from inclusion. And when deciding if an association was formed to serve a purpose other than membership expansion, he must consider all circumstances, including at least the following:

1. opportunities for members to participate in furthering the association's goals;
2. association membership eligibility requirements, including if eligibility is limited to the association's stated purpose, and the maintenance of a membership list;
3. association membership dues and member voting rights;
4. association sponsored activities and the number of meetings and member participation on topics concerning the association's core purposes; and
5. the amount of separation between the credit union and the association.

Background — Common Bond Memberships

By law, a “single common bond membership” is a field of membership consisting of one group that has a common bond of occupation or association (e.g., employees of a company). A “multiple common bond membership” consists of more than one group that has a common bond of occupation or association within each group (CGS § 36a-435b).

§ 25 — BANK MERGER OMBUDSMAN

Requires the DOB commissioner to designate a bank merger ombudsman, within available appropriations, to help people with accounts at financial institutions when there are issues about the institution’s merger with another financial institution

Designation and Responsibilities

The bill requires the DOB commissioner, within available appropriations, to designate a bank merger ombudsman within the department. Under the bill, the ombudsman must, in consultation with the commissioner, do the following:

1. timely help financial institution account holders with issues related to a merger with another financial institution and disseminate information about the ombudsman’s availability to help;
2. receive and review complaints from account holders at a financial institution that merged with another financial institution and investigate the complaints if one of the institutions is a Connecticut bank or Connecticut credit union;
3. review information related to complaints from account holders who provide written consent to the review and help account holders who submit complaints to understand their associated rights and responsibilities;
4. communicate complaints about a financial institution after its merger to its primary regulator if it is an out-of-state bank, out-of-state credit union, or a federal credit union;
5. compile and analyze data about the complaints it receives;

- 6. provide information to the public, state agencies, legislators, and others about the problems and concerns of people who submit complaints and recommend ways to resolve them; and
- 7. analyze and monitor the development and implementation of laws, regulations, and policies concerning financial institutions and their mergers and recommend any necessary changes to them.

The bill also requires the ombudsman to take any other necessary actions to fulfill the position’s duties. By law, “financial institutions” include banks, Connecticut and federal credit unions, and out-of-state banks and credit unions with a branch or office, respectively, in the state (CGS § 36a-41).

Annual Report

By January 1, 2025, the bill requires the ombudsman to begin annually reporting to the banking commissioner (1) information related to implementing the bill’s requirements and (2) any additional steps DOB needs to take to address bank merger complaints.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute
 Yea 12 Nay 0 (03/07/2023)