



Substitute House Bill No. 5405

Public Act No. 18-117

AN ACT CONCERNING CONNECTICUT CREDIT UNIONS.

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

Section 1. Section 36a-251a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

The commissioner shall submit an annual report to the joint standing committee of the General Assembly having cognizance of matters relating to banks and credit unions no later than January first. The report shall summarize the commissioner's actions taken pursuant to section 36a-70, 36a-139a, [or] subdivisions (40) and (41) [and (42)] of subsection (a) of section 36a-250 or subdivisions (22) and (23) of section 36a-455a, as amended by this act.

Sec. 2. Subsection (a) of section 36a-448a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The governing board of a Connecticut credit union shall be charged with and have control over the general management of the operations, funds, committee actions and records of the credit union. Except to the extent the governing board is otherwise authorized to delegate such authority or unless such action would be detrimental to

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the financial integrity of the Connecticut credit union, the governing board shall: (1) Establish and adopt written policies necessary to implement the powers of the credit union, which policies shall be approved and reviewed [on at least an annual basis] when amended or as otherwise required by the Connecticut Credit Union Act, including policies governing: (A) Lending in accordance with sections 36a-457a, as amended by this act, 36a-457b, as amended by this act, and 36a-458a, (B) investments in accordance with subsection (a) of section 36a-459a, as amended by this act, (C) employment and personnel, (D) funds management, (E) collections, (F) charge-offs, (G) conditions of membership, and expulsion of members in accordance with subsection (b) of section 36a-439a, (H) charitable contributions, and (I) conflicts of interest in accordance with sections 36a-454b and 36a-458a; (2) make adequate provision for an allowance for investment losses account in accordance with generally accepted accounting principles and for an allowance for a loan and lease losses account in accordance with generally accepted accounting principles and section 36a-441a; (3) declare dividends in accordance with sections 36a-441a and 36a-456c; (4) authorize interest refunds to members; (5) determine the maximum amount of shares that a member may own; (6) establish different classes of share accounts, including special purpose accounts, classified according to different rights and restrictions; (7) appoint and authorize members of senior management to conduct and supervise the business of the Connecticut credit union and to approve all usual expenditures incident to the conduct of the business of the Connecticut credit union; (8) cause to be obtained and maintained in full force and effect at all times the bond required by subsection (e) of section 36a-437a, and subsection (b) of section 36a-442a; (9) approve loans in accordance with the bylaws of the Connecticut credit union and cause to be prepared each month and maintained on file in the main office of the Connecticut credit union a list of all delinquent loans; (10) authorize any extraordinary expenditures necessary or appropriate for the conduct of the business of the Connecticut credit union; (11) establish a

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supervisory committee and appoint its members and may establish and appoint members to other committees consistent with its bylaws to carry out the business of the credit union, which committees shall keep complete minutes of all actions taken; (12) fill any vacancies that may arise among the directors, senior management or members of board-appointed committees, in accordance with this section and in the manner provided in the bylaws; and (13) exercise such other authority and perform such other duties as prescribed by sections 36a-435a to 36a-472a, inclusive, and the bylaws.

Sec. 3. Section 36a-440a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) A Connecticut credit union shall hold an annual meeting as provided in its bylaws. Special meetings of members shall be held as provided in the bylaws and shall be called by the governing board at the request of a majority of the governing board, at the written request of the supervisory committee, or ten per cent of the members of the credit union or such lesser percentage of such members as provided in the bylaws.

(b) Notice of each annual or special meeting shall be given to each member in writing, which may include electronic means, by the secretary at least ten days prior to the annual or special meeting. In the case of a special meeting, the notice shall clearly state the purpose of the meeting and the matters that will be considered.

(c) (1) Each member in good standing shall have a single vote at all meetings notwithstanding the number of shares or number of accounts that such member holds.

(2) A member may not vote or hold office if the member is less than eighteen years of age.

(3) Unless provided otherwise in the bylaws, a member entitled to

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vote may vote in person, by proxy, by electronic means or by mail ballot.

Sec. 4. Section 36a-455a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

A Connecticut credit union may:

(1) Transact a general credit union business and exercise by its governing board or duly authorized members of senior management, subject to applicable law, all such incidental powers as are consistent with its purposes. The express powers authorized for a Connecticut credit union under this section do not preclude the existence of additional powers deemed to be incidental to the transaction of a general credit union business pursuant to this subdivision;

(2) (A) Issue shares to its members and receive payments on shares from its members and from those nonmembers specified in subsection (e) of section 36a-456a, subject to the provisions of sections 36a-290 to 36a-297, inclusive, 36a-330 to 36a-338, inclusive, and 36a-456a, (B) receive deposits of members and nonmembers subject to provisions of sections 36a-456a and 36a-456b, (C) reduce the amount of its member and nonmember shares and deposits, (D) expel members and cancel shares in accordance with section 36a-439a, and (E) provide check cashing and wire and electronic transfer services to nonmembers who are within such credit union's field of membership;

(3) Make and use its best efforts to make secured and unsecured loans and other extensions of credit to its members in accordance with section 36a-265 and sections 36a-457a, as amended by this act, 36a-457b, as amended by this act, and 36a-458a;

(4) Invest its funds in accordance with section 36a-459a, as amended by this act;

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(5) Declare and pay dividends in accordance with sections 36a-441a and 36a-456c, and pay interest refunds to borrowers;

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

(7) Borrow money to an amount not exceeding fifty per cent of the total assets of the Connecticut credit union provided the credit union shall give prior notice to the commissioner in writing of its intention to borrow amounts in excess of thirty-five per cent of its total assets;

(8) Act as fiscal agent for the federal government, this state or any agency or political subdivision thereof;

(9) Provide loan processing, loan servicing, member check and money order cashing services, disbursement of share withdrawals and loan proceeds, money orders, internal audits, automated teller machine services, ACH and wire transfer services, prepaid debit cards,

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payroll cards, digital wallet services, coin and currency services, remote deposit capture services, electronic banking and other similar services to other Connecticut credit unions, federal credit unions, federally insured financial institutions and out-of-state credit unions;

(10) Provide finder services to its members, including the offering of third party products and services through the sale of advertising space on its web site, account statements and receipts, and the sale of statistical or consumer financial information to outside vendors in accordance with sections 36a-40 to 36a-45, inclusive, in order to facilitate the sale of such products to the members of such Connecticut credit union;

(11) With the prior approval of the commissioner, exercise fiduciary powers;

(12) Maintain and rent safe deposit boxes within suitably constructed vaults, provided the Connecticut credit union has adequate insurance coverage for losses related to such rental;

(13) Provide certification services, including notary services, signature guaranties, certification of electronic signatures and share draft certifications;

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

(15) Issue and sell securities which (A) are guaranteed by the Federal National Mortgage Association or any other agency or instrumentality authorized by state or federal law to create a secondary market with respect to extensions of credit of the type originated by the Connecticut credit union, or (B) subject to the

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approval of the commissioner, relate to extensions of credit originated by the Connecticut credit union and are guaranteed or insured by a financial guaranty insurance company or comparable private entity;

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

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

(18) Subject to the provisions of section 36a-455b, sell, pledge or assign any or all of its outstanding extensions of credit to any other lending institution, credit union service organization or quasi-governmental entity and any government-sponsored enterprise, and act as collecting, remitting and servicing agent in connection with any such extension of credit and charge for its acts as agent. Any such credit union may purchase the minimum amount of capital stock of

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such entity or enterprise if required by that entity or enterprise to be purchased in connection with the sale, pledge or assignment of extensions of credit to that entity or enterprise and may hold and dispose of such stock, provided that with respect to purchases of stock of a credit union service organization, the Connecticut credit union shall not exceed the limitations of section 36a-459a, as amended by this act. A Connecticut credit union may purchase one or more outstanding extensions of credit from any other lending institution and any federally-recognized Native American tribe, provided there exists a formal written agreement with tribal government to permit the credit union to service and collect on such extensions of credit;

(19) Subject to the provisions of section 36a-455b, sell a participating interest in any or all of its outstanding extensions of credit to and purchase a participating interest in any or all of the outstanding extensions of credit of any financial institution or credit union service organization pursuant to an appropriate written participation and servicing agreement to be signed by all parties involved in such transaction;

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

(21) Subject to the provisions of section 36a-455b, sell all or part of its assets, other than extensions of credit, to other lending institutions, purchase all or part of the assets, other than extensions of credit, of other lending institutions, and assume all or part of the shares and the liabilities of any other credit union or out-of-state credit union;

(22) With the prior written approval of the commissioner, engage in closely related activities, unless the commissioner determines that any such activity shall be conducted by a credit union service organization of the Connecticut credit union, utilizing such organizational, structural or other safeguards as the commissioner may require, in

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order to protect the Connecticut credit union from exposure to loss. As used in this subdivision, "closely related activities" means those activities that are closely related, convenient and necessary to the business of a Connecticut credit union, are reasonably related to the operation of a Connecticut credit union or are financial in nature including, but not limited to, business and professional services, data processing, courier and messenger services, credit-related activities, consumer services, services related to real estate, financial consulting, tax planning and preparation, community development activities, or any activities reasonably related to such activities;

(23) [With the approval of the commissioner, engage] Engage in any activity that a federal credit union or out-of-state credit union may be authorized to engage in under state or federal law, [. The application for such approval shall be in writing and] provided the Connecticut credit union file with the commissioner prior written notice of its intention to engage in such activity. Such notice shall include a description of the activity, a description of the financial impact of the activity on the Connecticut credit union, citation of the legal authority to engage in the activity under state or federal law, a description of any limitations or restrictions imposed on such activity under state or federal law, and any other information that the commissioner may require. The Connecticut credit union may engage in any such activity unless the commissioner [shall approve or disapprove] disapproves such activity not later than thirty days after the [application] notice is filed. [is complete.] The commissioner may [impose any limitations or conditions] adopt regulations in accordance with chapter 54 to ensure that any such activity is conducted in a safe and sound manner with adequate consumer protections. The provisions of this subdivision do not authorize a Connecticut credit union or a Connecticut credit union service organization to sell title insurance.

Sec. 5. Subsection (a) of section 36a-457b of the 2018 supplement to

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the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Subject to the requirements of this section, a Connecticut credit union may make one or more mortgage loans to its members. As used in this section, the term "mortgage loan" means a closed-end loan or line of credit secured wholly or substantially by a lien on or interest in real estate, including a leasehold interest, and which is secured by a one-to-four family residence that is [the primary] used as a personal residence of a member. [or by any other real estate provided the aggregate of the loans made by the credit union to such mortgagor that are secured by such other real estate do not exceed fifty thousand dollars.] As used in this section and section 36a-458a, the term "real estate" includes land and any structure and other improvement or equipment that is permanently attached to such land or structure. The term "mortgage loan" shall not include a member business loan, as defined in section 36a-458a.

Sec. 6. Subsection (c) of section 36a-459a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(c) A Connecticut credit union may invest its funds, which are not committed to loans to members in: (1) Securities, obligations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by the United States or any of its agencies or instrumentalities, or in any trusts established for investing directly or collectively in such instruments; (2) general obligations and revenue obligations of any state or territory of the United States, or any political subdivision thereof, provided such obligations are rated in the three highest rating categories by a rating service of such obligations recognized by the commissioner and no more than ten per cent of total assets may be invested in any one issuer; (3) obligations or other instruments or securities of the Student Loan Marketing Association; (4) federal funds,

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shares, share certificates or other share deposits of any other Connecticut credit union, federal credit union or out-of-state credit union whose share accounts or deposits are insured by the National Credit Union Administration, or its successor agency; (5) loans not exceeding twenty per cent of the lending credit union's total assets to any other Connecticut credit union, federal credit union or out-of-state credit union; (6) federal funds of or deposit accounts with a Connecticut bank, federal bank or out-of-state bank the accounts of which are insured by the Federal Deposit Insurance Corporation or its successor agency; (7) shares of, deposits with or loans to any federal reserve bank or any central liquidity facility established under state or federal law; (8) shares of, deposits with or loans to any corporate Connecticut credit union, corporate federal credit union or corporate out-of-state credit union; (9) shares of stock or obligations of or loans to a national or state credit union association or credit union corporation of which the credit union is a member, provided such investment does not constitute a controlling interest in such association or corporation or does not in the aggregate exceed one per cent of the total assets of the credit union; (10) real estate and improvements thereon, furniture, fixtures and equipment for the present or future use of the Connecticut credit union, provided such investment may not in the aggregate exceed ~~[five]~~ twenty per cent of the total assets of the Connecticut credit union without the written approval of the commissioner; (11) debt mutual funds and equity mutual funds, provided the portfolios of such mutual funds consist solely of investments described in subdivisions (1) to (3), inclusive, of this subsection; (12) fixed or variable rate asset-backed securities, collateralized mortgage obligations and real estate mortgage investment conduits, except stripped mortgage-backed securities, residual interests, mortgage servicing rights, commercial mortgage related securities or small business-related securities; (13) money market funds rated in the three highest rating categories by a rating service of such funds recognized by the commissioner; (14) repurchase

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agreements and reverse repurchase agreements provided (A) the underlying securities are legal investments for Connecticut credit unions, (B) the Connecticut credit union receives a daily assessment of the market value of the underlying securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the underlying securities and the term of the agreement, and (C) the Connecticut credit union has entered into signed contracts with all approved counterparties; and (15) Yankee dollar deposits, Eurodollar deposits, banker's acceptances, deposit notes and bank notes with original weighted average maturities of less than five years and issued by a Connecticut bank, federal bank or out-of-state bank.

Sec. 7. Subsection (a) of section 36a-457a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) [A] At least once a year, the governing board of each Connecticut credit union shall adopt [and implement] a written loan policy [that requires] governing loans made pursuant to sections 36a-457a to 36a-458a, inclusive, as amended by this act. The governing board of each Connecticut credit union shall develop and implement internal controls that are reasonably designed to ensure compliance with such loan policy. The loan policy shall require written applications for all extensions of credit [, and addresses] and address the categories and types of secured and unsecured extensions of credit offered by the credit union, the manner in which mortgage loans, member business loans and insider loans will be made and approved, underwriting guidelines and collateral requirements, and₂ [which addresses,] in accordance with safety and soundness, acceptable standards for title review, title insurance and appraiser qualifications, procedures for the approval and selection of appraisers, appraisal and evaluation standards, and the credit union's administration of the appraisal and evaluation process. The commissioner may review a Connecticut credit

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union's loan policy and may order changes to be made to ensure safe and sound lending practices.

Sec. 8. Subsection (a) of section 36a-459a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) [The] At least once a year, the governing board of [a] each Connecticut credit union shall adopt [and implement] a written investment policy governing investments made pursuant to this section and securities trading, if any. No Connecticut credit union shall make any investment pursuant to this section unless the purchase and holding of such investment is consistent with such policy. The policy shall establish standards for the making of prudent investments which shall include (1) the rating of individual investments by nationally recognized rating services, if any, and (2) standards for diversification of the credit union's investment portfolio among industry categories. The policy shall provide for the frequent and periodic review by the credit union of investments made pursuant to the policy and shall provide for the reasonable and expeditious divestiture of investments which the governing board, upon its review, no longer deems prudent or consistent with the credit union's investment policy. The investment policy and any investment made pursuant to the policy shall be subject to the supervision of the commissioner concerning safe and sound credit union practices.

Approved June 6, 2018