
OLR Bill Analysis

sHB 5216

AN ACT CONCERNING LOW-COST BANK ACCOUNTS.

SUMMARY

This bill requires certain banking institutions to offer consumers a “basic banking account.” These accounts must:

1. offer checks, a debit card, ATM access, deposits, check cashing, and electronic monthly statements at no additional charge and
2. not charge fees for overdraft, nonsufficient funds, account activation, closure, dormancy or inactivity, or low balance.

Additionally, the accounts must meet minimum guidelines that the Banking Commissioner must prescribe by regulation. These regulations must include the maximum (1) initial deposit amount, (2) minimum balance to maintain the account, and (3) charge per periodic cycle (e.g., month) to use the account. Financial institutions must generally publicize the availability of these accounts in the same way they do for other accounts they offer.

Under the bill, the basic banking account must be a demand deposit account, negotiable order of withdrawal account, share draft account, or similar person, family, or household account (e.g., non-commercial checking or savings accounts).

The bill applies to all “banking institutions,” which are Federal Deposit Insurance Corporation insured banks, trust companies, savings banks, savings and loan associations, credit unions, or foreign bank branches. However, federal law may preempt the application of this bill to federally chartered institutions (see COMMENT).

EFFECTIVE DATE: October 1, 2022

BASIC BANKING ACCOUNTS

Under the bill, these accounts may be offered subject to the same rules, conditions, and terms normally applicable to other consumer transaction accounts the financial institution offers (i.e., noncommercial demand deposit, negotiable, share draft account, or similar accounts used primarily for personal, family, or household purposes).

Disclosures

The bill requires a banking institution that publicly posts notices that it offers consumer transaction accounts other than basic banking accounts must post equally conspicuous notices, in the same area and manner, indicating that it offers basic banking accounts as well. Similarly, the banking institutions must make descriptive material about basic banking accounts available in same manner and public area as it does for its other consumer transaction accounts. Finally, a banking institution that must post these notices must also post, in an equally conspicuous way and in the same public area and manner, the Department of Banking's toll-free consumer hotline telephone number that can be used to file customer complaints.

Alternative Accounts

In lieu of the basic banking account, the bill allows a banking institution to offer any banking or other account that the commissioner deems is at least as advantageous to consumers. Additionally, any bank that offers an account providing the core features in the Bank On National Account Standards is deemed in compliance with the bill.

COMMENT

National Bank Act (NBA) Preemption

Federal law defines a "state consumer financial law," as a state law that (1) does not discriminate against national banks and (2) directly regulates the manner, content, or terms and conditions of certain consumer financial transactions (12 U.S.C. § 25b(a)(2)). These state laws are preempted if, among other things, they significantly interfere with a national bank's exercise of its powers (12 U.S.C. § 25b(b), *Barnett Bank of Marion County, N.A. v. Nelson, Florida Insurance Commissioner, et. al.* 517

U.S. 25, 33 (1996)). Specifically, the NBA authorizes national banks to charge consumers non-interest charges and fees, including deposit account service charges (12 C.F.R. § 7.4002). State laws that attempt to limit or prohibit these charges and fees are subject to preemption as determined by the Office of the Comptroller of the Currency (OCC) (12 C.F.R. § 7.4002(d)).

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/08/2022)