



2023 Acts Affecting Banking

By: George Miles, Associate Legislative Attorney
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Notice to Readers

This report provides summaries of new laws (public acts) significantly affecting the banking industry enacted during the 2023 legislative session. OLR's other Acts Affecting reports are, or will soon be, available on OLR's website: <https://www.cga.ct.gov/olr/actsaffecting.asp>.

Each summary indicates the public act (PA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden. Complete summaries of public acts are, or will soon be, available on OLR's website: <https://www.cga.ct.gov/olr/olrpasums.asp>.

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, House Clerk's Office, or General Assembly's website: <http://www.cga.ct.gov>.

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Assistance Programs

Business and Industrial Development Corporations Funding

The FY 24-25 bond act authorizes up to \$15 million in state general obligation bonds for eligible business and industrial development corporations (BIDCOs) whose primary purposes are to (1) provide financing and management assistance to minority- and women-owned small businesses that serve or seek to serve underserved or minority communities, (2) provide education and training to these businesses and communities, and (3) work collaboratively with similar organizations and lenders to promote economic development and growth in these communities. Under the act, the Department of Economic and Community Development may award grants up to \$5 million per BIDCO or applicant for BIDCO licensure. Grantees may use up to 10% of the grant award for operational costs and to fund a loan loss reserve fund ([PA 23-205](#), § 93, effective July 1, 2023).

Community Banking Program

A new law makes several changes to the state's community banking program, which invests state funds with community banks and credit unions. In general, the act (1) increases the maximum amount of state funds available for the program from \$100 million to \$300 million; (2) raises the asset eligibility threshold for the program; and (3) limits the institutions eligible to participate to only those organized under Connecticut laws ([PA 23-126](#), §§ 27 & 28, effective July 1, 2023).

Connecticut Housing Finance Authority Existing Homeownership Loan Program Changes

New legislation makes several changes to the existing homeownership loan program that the Connecticut Housing Finance Authority (CHFA) administers. This includes (1) allowing the program's deferred loans to defer both principal and interest payments, instead of only principal; (2) requiring homeowners' payments made to CHFA to be used by the authority for making additional loans unless the Office of Policy and Management secretary directs them to be deposited into the General Fund; and (3) allowing CHFA, in its terms and conditions, to establish interest rates, repayment terms, and loan forgiveness terms ([PA 23-45](#), §§ 5-8, effective October 1, 2023).

Connecticut Housing Finance Authority New Small Multifamily Lending Program

A new law requires CHFA, within bonding resources allocated to the Department of Housing, to establish a small multifamily lending program. The program must have a revolving loan fund for community development financial institutions and other comparable institutions CHFA deems eligible to provide acquisition, construction, rehabilitation, and permanent financing for small

multifamily properties. Properties eligible for this program are generally those with two to 20 units. CHFA must create guidelines for issuing these loans by January 1, 2024 ([PA 23-45](#), § 9, July 1, 2023).

Mobile Manufactured Home Ownership Working Group

A new law creates a nine-member working group to study ways to increase access to loans for buying mobile manufactured homes. The working group must submit a report with its findings and recommendations to the Banking and Housing committees by January 1, 2024 ([PA 23-45](#), § 10, effective upon passage).

Department of Banking

Financial Institution Merger Concerns

A new law requires the Department of Banking (DOB) commissioner to help financial institution account holders with matters related to their institution's merger with another financial institution. This assistance includes, among other things, receiving and reviewing complaints, communicating complaints to out-of-state regulators, and analyzing and monitoring the development and implementation of merger-related laws, regulations, and policies. Beginning by January 1, 2025, the commissioner must annually report to the Banking Committee on its analysis of merger laws, regulations, and policies, and any recommended changes to them ([PA 23-126](#), § 25, effective October 1, 2023).

Office of the Student Loan Ombudsman

The budget implementer act includes a provision establishing an Office of the Student Loan Ombudsman and requiring the DOB commissioner to appoint an ombudsman to head the office. Under prior law, the commissioner had to appoint a Student Loan Ombudsman within DOB, but only within available appropriations. Generally, the act correspondingly assigns to the office the responsibilities that were set in law for the prior ombudsman (e.g., helping student loan borrowers and providing information about student loan issues) ([PA 23-204](#), § 167, effective October 1, 2023).

Financial Accounts

Basic Banking Accounts

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

permissible fees. New legislation requires banks to offer these accounts only at their in-state offices and branches, and correspondingly makes the advertising (i.e., certain posted information) of these accounts only required at locations in Connecticut ([PA 23-126](#), § 14, effective July 1, 2023).

Deposit Account Closure Notices

A new law expands the circumstances under which a financial institution does not need to provide notice of a deposit account's closure to include, among other things, instances when the depositor closes the account, the account is closed after its balance escheats to the treasurer, or the institution already notified the depositor of its forthcoming closure. Under existing law and absent an exception, this notice must generally be sent to customers within 10 days after the account's closure ([PA 23-126](#), § 13, effective October 1, 2023).

Execution Against Financial Institution Accounts

The legislature made several changes in the laws on service of process. By law, a person who has a court judgment against a debtor may apply to the court clerk to have an execution served on a financial institution (e.g., a state or federal bank or credit union) for payment of the debt from the debtor's deposit account. A new law requires financial institutions to respond to the serving officer about the execution by the seventh business day after the execution is served and provide certain specified information. Among other things, the act also allows institutions to notify judgment debtors who are natural persons that funds were removed using electronic records, but prohibits them from displaying or giving the debtor the serving officer's name or contact information ([PA 23-23](#), effective October 1, 2023).

Financial Institutions' Periodic Statements

A new law explicitly requires financial institutions to comply with certain provisions in three federal and state laws that apply to them regarding periodic statements to consumers. This includes (1) only providing periodic statements in electronic form to consumers after the consumers consent to receive them in that format; (2) allowing consumers to withdraw their consents; and (3) providing paper copies of any electronic statements when requested by consumers ([PA 23-161](#), § 6, effective October 1, 2023).

Financial Exploitation

Financial Exploitation of Seniors

This session, the legislature enacted a law that addresses the financial exploitation of state residents ages 60 or older by authorizing related disclosures and other processes, including

temporary account holds, by broker-dealers, investment advisors, and financial institutions (e.g., banks and credit unions). The act shields entities that make authorized disclosures from liability in certain cases. It also creates specific procedures and limits on account holds, including on extensions, and a way to petition the probate courts to remove them ([PA 23-161](#), §§ 1-4, effective July 1, 2024).

Joint Bank Account Ownership

New legislation lowers the evidentiary standard used for determining when ownership of a joint account at a bank or credit union would not vest to the surviving account owners. Prior law required someone challenging the survivor's right to account ownership to show clear and convincing contrary evidence or that there was fraud or undue influence. The act replaces the clear and convincing evidentiary standard with preponderance of the evidence ([PA 23-161](#), § 5, effective October 1, 2023).

Mortgages and Real Property

Credit Card Access to Home Equity Lines of Credit

State law allows a consumer revolving loan (e.g., home equity line of credit) secured by an open-end mortgage to have the same priority as the mortgage over the rights of others to a property the mortgage is attached to if specific conditions concerning the loan and mortgage are met. New legislation changes prior law's conditions on the consumer revolving loans to allow mortgagors (borrowers) to access the proceeds from these loans by certain credit cards, credit plates, or other similar payment methods, if offered by their mortgagees (lenders). Generally, it permits their use if loans allow access, through a card or similar instrument, by single advancements of at least \$1,000 ([PA 23-78](#), effective October 1, 2023).

Mortgage Modifications Under the Foreclosure Mediation Program

A new law requires a mortgagee that agrees to modify a mortgage under the state's foreclosure mediation program to send the modification to the mortgagor at least 15 business days before the first modified payment is due. Failing to do so is subject to sanctions authorized under the program ([PA 23-45](#), § 1, effective October 1, 2023).

Mortgage Payments and Releases

New legislation requires a mortgagee to accept, as payment to satisfy a mortgage, any payment federal law authorizes, including a bank or certified check, wire transfer, or a title insurance company or attorney's client's funds check. It also requires that, when a mortgage is paid off or in other specified situations, a mortgage release must be delivered to the (1) town clerk of the town

where the property is located or (2) mortgagor or the mortgagor's designated representative if either requests it in writing ([PA 23-45](#), §§ 2 & 3, effective October 1, 2023).

Mortgage Professionals

Provisions in an omnibus banking act prohibit certain licensed mortgage professionals from (1) using an unlicensed lead generator unless the generator is exempt from licensure or (2) helping a lead generator conduct business without a valid license. This requirement applies to mortgage lenders, correspondent lenders, brokers, and loan originators. Another provision in this act eliminates the requirement that a mortgage servicer must have a qualified individual for its main office and a branch manager for each branch who live within 100 miles of the respective location or show that there is full-time, in person supervision ([PA 23-126](#), §§ 9-11, effective October 1, 2023).

Notice to Lienholder Related to Property Maintenance Violations

Under prior law, a blanket provision required municipalities to notify a lienholder about any notice or order to a property owner to dispose of real estate or make it safe and sanitary. Municipalities had to similarly inform lienholders when they (1) incur costs to dispose of the property or make it safe and sanitary or (2) record a lien for these costs on the land records. A new law eliminates the requirements for the notices about making a property safe and sanitary but not for those about disposing of it ([PA 23-33](#), § 8, effective October 1, 2023).

Remote Notarization

A new law allows a notary public, under specified conditions, to notarize a document for a person who is not in the notary's physical presence (i.e., remote notarization). It also allows a notary to refuse to perform remote notarization, excludes certain records from eligibility for remote notarization (including real estate closing documents), and creates penalties for notaries who use the remote process to acknowledge ineligible documents. Additionally, the act (1) allows out-of-state and international remote notarization using a Connecticut notary for certain records and (2) authorizes the secretary of the state to adopt regulations for the remote notarization process ([PA 23-28](#), effective October 1, 2023).

Tenement Rent Receivership Proceedings

Existing law allows courts to establish a rent receivership after finding that certain conditions affecting health or safety exist in a tenement (i.e., a building with at least three rental units). If established, the rent receiver uses the property's rental income to pay for correcting the cited conditions or reimburse the municipality for correcting them. New legislation eliminates prior law's requirement that, when a municipal authority (as opposed to the tenants) requests a rent

receivership, mortgagees and lienholders must be included in proceedings to determine whether a receiver should be appointed ([PA 23-33](#), § 9, effective October 1, 2023).

Other Financial Entities and Products

Capital and Surplus Requirements

The legislature passed a new law generally applying a “capital and surplus” calculation to how Connecticut banks make certain investment decisions (e.g., calculating liabilities of borrowers, debt and equity securities, social purpose investments, and mortgage lending). The act allows a Connecticut bank, under certain conditions, to choose to use equity capital and adjusted allowances for credit losses (instead of capital and surplus) for certain calculations related to the liability of any one obligor (i.e., borrower) ([PA 23-126](#), §§ 15-23, effective October 1, 2023).

Credit Union Membership Expansion

A provision in a banking omnibus act expands Connecticut credit unions’ eligible membership. Under prior law, the membership of Connecticut credit unions was limited to either those with a “common bond” (i.e., a common occupation or association, such as employees of a company) or in a “geographic community” (i.e., in a well-defined community, neighborhood, or rural district). The act (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 ([PA 23-126](#), § 24, effective October 1, 2023).

Electronic Call Report Filings

A new law 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. Prior law required notarization of all these reports ([PA 23-126](#), § 8, effective July 1, 2023).

Federal Student Loan Subservicer Registration

The budget implementer act extends existing law’s registration requirement for federal student loan servicers to cover subservicers of these loans. It also requires these subservicers to notify the DOB commissioner in writing when a U.S. Department of Education awarded contract expires or is revoked or terminated ([PA 23-204](#), §§ 168 & 169, effective October 1, 2023).

Money Transmission Exemption for Uninsured State Banks

New legislation exempts uninsured banks organized as required under state law from licensure as a money transmitter under the state’s Money Transmission Act. Generally, the law already exempts financial institutions such as federally insured banks, federal credit unions, Connecticut banks, Connecticut credit unions, and out-of-state banks or credit unions ([PA 23-126](#), § 26, effective July 1, 2023).

Motor Vehicle GAP Waivers and Excess Wear and Use Waivers

This session, the legislature passed a new law containing a provision setting requirements for motor vehicle guaranteed asset protection (GAP) waivers and excess wear and use waivers offered by entities other than a bank or credit union (collectively, “debt waivers”). Among other things, it (1) sets the refund amount available (i.e., full, partial, or none) and the terms when a debt waiver is cancelled and (2) caps any applicable debt waiver cancellation fee at \$50 ([PA 23-126](#), § 7, effective October 1, 2023, and applicable to debt waivers entered into on or after January 1, 2024).

Private Education Lenders and Creditors

The budget implementer act includes a requirement for private education lenders and creditors to register with DOB and annually submit certain loan information. The information the lenders and creditors must provide includes things such as the schools their borrowers attend, amount of loans provided, and default rates. DOB must publish a summary of the information on a public website, including registrant contact information, and lender model loan documents ([PA 23-204](#), § 166, effective October 1, 2023).

Sales-Based Financing Regulation

New legislation requires lenders offering, generally, sales-based financing of \$250,000 or less to annually register with DOB starting by October 1, 2024. Among other things, it requires them to also give applicants for this financing certain disclosures, including the financing amount, finance charges, the total repayment amount, the term, payment amounts, other potential fees, any prepayment costs, and any collateral requirements. Violations of the act’s provisions are subject to the existing civil penalties for other violations of the state’s banking laws under which the DOB commissioner may seek injunctive relief and impose a fine of up to \$100,000 per violation ([PA 23-201](#), effective July 1, 2024).

Small Loan Lending and Retail Installment Sales Financing

Provisions in an omnibus banking act increase the maximum dollar amount for loans subject to the state’s small loan lending laws from \$15,000 to \$50,000, thus capping the maximum interest rate

on these loans at 25%. The act also raises the maximum value of retail installment contracts and installment loan contracts that are subject to the state’s retail installment sales financing laws from \$50,000 to \$75,000 for ones involving consumer goods (e.g., motor vehicles) and from \$16,000 to \$25,000 for those concerning equipment (i.e., goods other than inventory, farm products, or consumer goods) ([PA 23-126](#), §§ 1-6, effective October 1, 2023).

Virtual Currency Regulation

A new law allows the DOB commissioner to adopt regulations, forms, and orders governing the business use of “digital assets” (e.g., virtual currencies and stablecoins) by, generally, state-chartered banks and credit unions. The act also (1) explicitly subjects virtual currency kiosk owners and operators to licensing and other existing requirements under the state’s Money Transmission Act and (2) imposes several disclosure and receipt requirements on them. Additionally, it caps daily transaction limits at \$2,500 for each virtual currency kiosk customer and allows the commissioner to establish a schedule of maximum kiosk fees ([PA 23-82](#), effective upon passage, except that the virtual currency kiosk provisions take effect October 1, 2023).

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