O F F I C E O F L E G I S L A T I V E R E S E A R C H
P U B L I C A C T S U M M A R Y

PA 18-117—sHB 5405
Banking Committee

AN ACT CONCERNING CONNECTICUT CREDIT UNIONS

SUMMARY: This act expands the authority of credit unions by allowing them to do the following:

1. engage in any activity that a federal or out-of-state credit union may do, unless the Department of Banking (DOB) commissioner timely disapproves of it;
2. make mortgage loans secured by a member's one-to-four family personal residence, even if it is not his or her primary residence;
3. invest up to 20%, rather than 5%, of a credit union's total asset value in real estate and improvements (e.g., furniture, fixtures, and equipment) without needing the commissioner's approval; and
4. provide specific additional services such as wire transfer services, prepaid debit cards, and digital wallet services.

The act decreases how often a credit union's governing board must approve and review its written policies that implement the credit union's powers, from at least annually to only when the policies are amended or as otherwise required by state law. But it increases, to at least annually, the frequency that boards must adopt specific written policies on making loans and investments.

The act also allows credit union members to (1) receive electronic notice of a credit union's annual or special meeting and (2) vote electronically unless the credit union's bylaws prevent it.

Lastly, it (1) modifies the content of an annual report the commissioner provides to the Banking Committee and (2) makes various technical and conforming changes.

EFFECTIVE DATE: October 1, 2018

§§ 4-6 — EXPANDED CREDIT UNION AUTHORITY

Additional Activities (§ 4)

The act generally allows credit unions to engage in activities that are available to federal or out-of-state credit unions under state or federal law, without the commissioner's preapproval that prior law required.

Instead of preapproval, the act permits credit unions to engage in these activities if they give the commissioner prior written notice. Identical to prior law's application content requirements, the notice must (1) describe the activity and its financial impact on the credit union, (2) cite the legal authority to engage in the activity, (3) describe any restrictions the law imposes on the activity, and (4) include any other information the commissioner requires.

Under the act, the commissioner has 30 days after a credit union files its notice to disapprove of the activity.

The act allows the commissioner to adopt associated regulations to address consumer protections related to these activities. Prior law instead authorized him to impose limitations or conditions on them.

Mortgage Loans (§ 5)

The act allows credit unions to make mortgage loans to members secured by any one-to-four family residence that the member uses as a personal residence. Prior law limited credit union mortgage loans by requiring that they be secured by (1) a one-to-four family residence that was the member's primary residence or (2) other real estate if the total loan amount was not greater than $50,000.

Consequently, the act expands credit unions' lending authority by allowing mortgage loans to be secured by such things as secondary homes or vacation residences.

Additional Services (§ 4)

The act adds the following to the list of services a credit union may provide:

1. wire and Automated Clearing House (ACH) transfer services,
2. prepaid debit cards,
3. payroll cards,
4. digital wallet services,
5. coin and currency services,
6. remote deposit capture services, and
7. electronic banking.

The law already allows credit unions to process and service loans, cash member checks and money orders, disburse share withdrawals and loan proceeds, provide money orders, conduct internal audits, and provide ATM services. They may provide services similar to those provided by other state, federal, and out-of-state credit unions. The act explicitly allows them to also provide services similar to those provided by federally insured financial institutions (i.e., those with federal deposit insurance).

§§ 2, 7 & 8 — CREDIT UNION BOARD POLICIES

Policy to Implement Credit Union Powers (§ 2)

A credit union governing board's powers are set in law and the board is responsible for the credit union's general management (e.g., operations, funds, committee actions, and records). Among its responsibilities, a board must establish and adopt written policies to carry out its authority.

Under prior law, these written policies had to be reviewed and approved at least annually. The act instead requires this only when they are amended or as otherwise required by the Connecticut Credit Union Act.

Loan and Investment Policies (§§ 7 & 8)

By law, state credit unions must adopt written policies governing the loans and investments they make. The act (1) requires each credit union's governing board to adopt these policies at least annually and (2) eliminates requirements that the boards implement the policies.

Regarding credit union loans, the act requires each state credit union to develop and implement internal controls that are reasonably designed to ensure compliance with the loan policy. By law, a loan policy must require written applications to extend credit and include, among other things, the categories and types of credit available and the process for making and approving loans.

§ 1 — COMMISSIONER'S ANNUAL REPORT

The act requires the commissioner to report on his actions to let credit unions engage in (1) activities closely related to the business of credit unions and (2) the same activities as a federal or out-of-state credit union (see above). He must include this information in the annual report he submits to the Banking Committee under existing law.

The act also (1) reinstates a requirement eliminated by PA 11-140 that the report include information on the commissioner's actions related to Connecticut-chartered banks engaging in closely related activities and (2) eliminates the requirement that it have information on his actions related to banks acting as trustees or custodians for manufacturers establishing reinvestment accounts.