



House of Representatives

General Assembly

File No. 319

January Session, 2025

Substitute House Bill No. 7083

House of Representatives, March 27, 2025

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING VARIOUS REVISIONS TO THE CREDIT UNION STATUTES RELATING TO NONMEMBER PAYMENTS, MEMBER BUSINESS LOANS, CHARITABLE CONTRIBUTIONS, EXTENSIONS OF CREDIT, CAPITAL AND NET WORTH.

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

1 Section 1. Section 36a-435b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2025*):

3 As used in sections 36a-435a to 36a-472a, inclusive, unless the context
4 otherwise requires:

5 (1) "Appointed director" means a director emeritus or an advisory
6 director of a Connecticut credit union [.] who is not a member of the
7 governing board of such credit union;

8 (2) "Branch" means any office established by a Connecticut credit
9 union, an out-of-state, state-chartered credit union, a federal credit
10 union [.] or an out-of-state, federally-chartered credit union, as the case
11 may be, at a fixed location, at which shares or deposits are received,

12 share drafts or checks are paid [] or money is lent, including an office
13 operated as a shared service center and not including the main office of
14 the credit union;

15 (3) "Capital" means undivided earnings, [regular reserves, other]
16 special purpose reserves, donated equity [] and accumulated,
17 unrealized gains or losses on securities in accordance with generally
18 accepted accounting principles;

19 (4) "Certificate of incorporation" means the certificate of
20 incorporation of a Connecticut credit union and includes in the case of
21 Connecticut credit unions in existence on July 1, 1975, articles of
22 association, articles of incorporation and certificates of organization;

23 (5) "Corporate", when used in conjunction with any institution that is
24 a Connecticut credit union, federal credit union or out-of-state credit
25 union, means a corporate credit union, as defined in 12 CFR 704.2, as
26 from time to time amended;

27 (6) "Credit manager" means a natural person approved by the
28 governing board of a Connecticut credit union and employed by such
29 credit union to supervise its lending activities;

30 (7) "Credit union service organization services" means those services
31 that are authorized for credit union service organizations under state or
32 federal law, and that are closely related to credit union business, are
33 convenient and useful to credit union business, are reasonably related
34 to the operations of a credit union or are financial in nature;

35 (8) "Director" means a member of the governing board of a
36 Connecticut credit union;

37 (9) "Federal Credit Union Act" means 12 USC Section 1751 et seq., as
38 from time to time amended;

39 (10) "Financial institution" means any Connecticut credit union, bank,
40 federal credit union, out-of-state bank or out-of-state credit union;

41 (11) "Immediate family member" means [any person related by blood,
42 adoption or marriage to a person within the field of membership of the
43 Connecticut credit union] a (A) spouse, (B) natural or adoptive parent,
44 child or sibling, (C) stepparent, stepchild or stepsibling, (D) father-in-
45 law, mother-in-law, daughter-in-law, son-in-law, brother-in-law or
46 sister-in-law, (E) grandparent or grandchild, or (F) spouse of a
47 grandparent or grandchild;

48 (12) "Insider" means a director, appointed director, member of a
49 board-appointed committee, member of senior management or loan
50 officer of a Connecticut credit union;

51 (13) "Loan officer" means a natural person who for compensation or
52 gain, or with the expectation of compensation or gain, accepts loan
53 applications or offers or negotiates the terms of personal, business or
54 other loan products. "Loan officer" does not include a natural person
55 engaged solely as a loan processor or underwriter;

56 [(12)] (14) "Member" means any person who has been admitted to
57 membership in the Connecticut credit union in accordance with this
58 chapter;

59 [(13)] (15) "Member in good standing" means a member who (A)
60 owns at least one membership share in a credit union, (B) is current on
61 all credit obligations to the credit union, and (C) has not caused the
62 credit union a credit or share loss that remains outstanding;

63 [(14)] (16) "Membership share" means a share equal to the stated par
64 value of the Connecticut credit union which may not be withdrawn or
65 transferred except upon termination of membership and which confers
66 membership and voting rights on the member;

67 [(15)] (17) "Mobile branch" means any office of a Connecticut credit
68 union at which credit union business is conducted, which is in fact
69 moved or transported to one or more predetermined locations in
70 accordance with a predetermined schedule;

71 [(16)] (18) "Multiple common bond membership" means a field of

72 membership consisting of more than one group of individuals, each of
73 which has, within the group, a common bond of occupation or
74 association;

75 [(17)] (19) "Officer" means the chairperson, vice chairperson,
76 secretary and treasurer of the governing board of a Connecticut credit
77 union;

78 [(18)] (20) "Senior management" means the president or chief
79 executive officer, vice president or vice chief executive officer, chief
80 financial officer, credit manager, and any person occupying a similar
81 status or performing a similar function;

82 [(19)] (21) "Share" means the basic unit of moneys held by a member
83 of a Connecticut credit union in share accounts at a Connecticut credit
84 union on which a dividend may be paid;

85 [(20)] (22) "Shared service center" means a branch that is (A)
86 established by any combination of two or more [(A)] (i) Connecticut
87 credit unions, [(B)] (ii) out-of-state, state-chartered credit unions, [(C)]
88 (iii) federal credit unions, or [(D)] (iv) out-of-state, federally-chartered
89 credit unions, [that is] and (B) operated in such a manner as to provide
90 a credit union member the same credit union services that the credit
91 union member could lawfully obtain at the main office of the
92 [member's] member's credit union; and

93 [(21)] (23) "Single common bond membership" means a field of
94 membership consisting of one group that has a common bond of
95 occupation or association.

96 Sec. 2. Subsection (a) of section 36a-456b of the general statutes is
97 repealed and the following is substituted in lieu thereof (*Effective July 1,*
98 *2025*):

99 (a) As used in this section:

100 (1) "Tax and loan account" means an account, the balance of which is
101 subject to the right of immediate withdrawal, established for receipt of

102 payments of federal taxes and certain United States obligations. Such
103 accounts are not shares, as defined in [subdivision (17) of] section 36a-
104 435b, as amended by this act; and

105 (2) "Note account" means a note, subject to the right of immediate call,
106 evidencing funds held by depositories electing the note option under
107 applicable United States Treasury Department regulations. Note
108 accounts are not shares, as defined in [subdivision (17) of] section 36a-
109 435b, as amended by this act.

110 Sec. 3. Subsection (e) of section 36a-456a of the general statutes is
111 repealed and the following is substituted in lieu thereof (*Effective July 1,*
112 *2025*):

113 (e) (1) A Connecticut credit union may receive payments from a
114 nonmember who is [(1)] (A) an individual, into a share account held
115 jointly with a member of the Connecticut credit union, which share
116 account is subject to the provisions of section 36a-290; [(2)] (B) the
117 United States, this state or any municipality or other political
118 subdivision thereof; [(3)] (C) a federally-recognized Native American
119 tribal government located in this state; or [(4)] (D) another Connecticut
120 credit union, federal credit union or out-of-state credit union.

121 (2) Notwithstanding the provisions of subdivision (1) of this
122 subsection, a Connecticut credit union that is designated by the United
123 States Department of the Treasury as a community development
124 financial institution under 12 CFR Part 1805, as amended from time to
125 time, may receive payments from any nonmember, provided no such
126 payment shall exceed the lesser of one million five hundred thousand
127 dollars or twenty-five per cent of the total value of all shares of such
128 Connecticut credit union.

129 Sec. 4. Subparagraph (A) of subdivision (2) of section 36a-455a of the
130 general statutes is repealed and the following is substituted in lieu
131 thereof (*Effective July 1, 2025*):

132 (2) (A) Issue shares to its members and receive payments on shares

133 from its members and from [those] nonmembers [specified in] in
134 accordance with the provisions of subsection (e) of section 36a-456a, as
135 amended by this act, subject to the provisions of sections 36a-290 to 36a-
136 297, inclusive, 36a-330 to 36a-338, inclusive, and 36a-456a, as amended
137 by this act, (B) receive deposits of members and nonmembers subject to
138 provisions of sections 36a-456a and 36a-456b, as amended by this act,
139 (C) reduce the amount of its member and nonmember shares and
140 deposits, (D) expel members and cancel shares in accordance with
141 section 36a-439a, and (E) provide check cashing and wire and electronic
142 transfer services to nonmembers who are within such credit union's
143 field of membership;

144 Sec. 5. Subdivision (3) of subsection (a) of section 36a-458a of the
145 general statutes is repealed and the following is substituted in lieu
146 thereof (*Effective July 1, 2025*):

147 (3) "Member business loan" means any loan, line of credit or
148 unfunded commitment thereof, letter of credit or any other extension of
149 credit, where the borrower intends to use or uses the proceeds for any
150 of the following purposes: (A) Commercial; (B) corporate; (C)
151 investment property; (D) business venture; or (E) agricultural, but does
152 not include the following loans:

153 (i) A loan intended for personal use;

154 [(i)] (ii) A loan fully secured by a lien on a one-to-four family
155 residence that is the primary residence of the member;

156 [(ii)] (iii) A loan fully secured by shares in the credit union making
157 the loan or by shares or deposits in other financial institutions;

158 [(iii)] (iv) One or more loans to a member or an associated member
159 where the proceeds are to be used or are used for the purposes specified
160 in this subdivision to benefit a common endeavor and which, in the
161 aggregate, are equal to less than fifty thousand dollars;

162 [(iv)] (v) A loan where any agency of the federal government, a state
163 or any political subdivision of such state, fully insures or guarantees

164 repayment, or provides an advance commitment to purchase the loan in
165 full; [or]

166 [(v)] (vi) A loan granted by the corporate Connecticut credit union to
167 a Connecticut credit union, federal credit union or out-of-state credit
168 union; or

169 (vii) A commercial loan to a nonmember or a participation interest in
170 a commercial loan to a nonmember that (I) is acquired by a federally
171 insured credit union in compliance with all applicable laws and
172 regulations, and (II) is not traded for a member business loan for the
173 purpose of circumventing the limitations on member business loans
174 established in subsections (f) to (i), inclusive, of this section.

175 Sec. 6. Subdivision (17) of section 36a-455a of the general statutes is
176 repealed and the following is substituted in lieu thereof (*Effective July 1,*
177 *2025*):

178 (17) (A) In the discretion of [a majority of its governing board] the
179 Connecticut credit union's senior management, make charitable
180 contributions or gifts, [to or for the use of any corporation, trust or
181 community chest, fund or foundation created or organized under the
182 laws of the United States or of this state and organized and operated
183 exclusively for charitable, educational or public welfare purposes, or of
184 any hospital which is located in this state and which is exempt from
185 federal income taxes and to which contributions are deductible under
186 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent
187 corresponding internal revenue code of the United States, as from time
188 to time amended] provided (i) the aggregate amount of such charitable
189 contributions or gifts made during a fiscal year shall not exceed one ten-
190 thousandth of the net assets of the Connecticut credit union as of the
191 close of the prior fiscal year, (ii) no such charitable contributions or gifts
192 are made to a recipient if an insider or immediate family member of an
193 insider is a director or member of senior management of such recipient,
194 and (iii) the Connecticut credit union establishes and maintains a record
195 of any charitable contribution or gift made pursuant to this
196 subparagraph; and

197 (B) (i) If approved by a majority of the Connecticut credit union's
198 governing board and documented in such governing board's minutes,
199 make charitable contributions or gifts (I) during a fiscal year that, in the
200 aggregate, exceed one ten-thousandth of the net assets of the
201 Connecticut credit union as of the close of the prior fiscal year, or (II) to
202 a recipient even if an insider or immediate family member of an insider
203 is a director or member of senior management of such recipient, and (ii)
204 provided the Connecticut credit union establishes and maintains a
205 record of any charitable contribution or gift made pursuant to this
206 subparagraph;

207 Sec. 7. Subsections (a) to (d), inclusive, of section 36a-454b of the
208 general statutes are repealed and the following is substituted in lieu
209 thereof (*Effective July 1, 2025*):

210 (a) The governing board of a Connecticut credit union shall adopt a
211 written conflict of interest policy that includes provisions addressing
212 transactions with insiders and their immediate family members [, as
213 defined in section 36a-435b,] and other persons having a common
214 ownership, investment or other pecuniary interest in a business
215 enterprise with such insiders and immediate family members of such
216 persons. [As used in this section, (1) "insider" means a director,
217 appointed director, member of a board-appointed committee, member
218 of senior management and loan officer of a Connecticut credit union,
219 and (2) "immediate family member" has the same meaning as
220 "immediate family member" as defined in section 36a-435b, provided
221 the term also includes any person related by blood, adoption or
222 marriage to an appointed director.]

223 (b) An extension of credit made by a Connecticut credit union to an
224 insider shall require the approval of the governing board if (1) such
225 insider is the debtor, guarantor, endorser or cosigner of the extension of
226 credit; and (2) the extension of credit by itself or when added to the
227 aggregate of all outstanding extensions of credit for which such insider
228 is the debtor, guarantor, endorser or cosigner exceeds twenty-five
229 thousand dollars plus pledged shares.

230 (c) No insider of a Connecticut credit union or professional retained
231 by a Connecticut credit union shall in any manner, directly or indirectly,
232 participate in any determination affecting such [person's] insider's or
233 professional's pecuniary interest or the pecuniary interest of any
234 immediate family member of such [person] insider or professional or
235 any corporation, partnership or association, other than the Connecticut
236 credit union, in which such [person] insider or professional is directly
237 or indirectly interested.

238 (d) [An] (1) Except as provided in subdivision (2) of this subsection,
239 an insider, immediate family member of such insider or other person
240 having a common ownership, investment or other pecuniary interest in
241 a business enterprise with an insider or immediate family member of
242 such insider shall not obtain an extension of credit from the Connecticut
243 credit union with preferential rates, terms or conditions, or act as
244 guarantor or endorser thereon, and shall not be involved in the
245 appraisal or valuation of assets which are to be used as collateral for an
246 extension of credit.

247 (2) An insider, an employee of a Connecticut credit union or a
248 member of the governing board may obtain an extension of credit from
249 the Connecticut credit union with preferential rates, terms or conditions,
250 or act as guarantor or endorser thereon, provided such extension of
251 credit is obtained pursuant to a written policy established by the
252 governing board. Any such written policy shall require that (A) uniform
253 preferential rates, terms or conditions are offered to insiders, employees
254 and members of the governing board, and (B) no extension of credit
255 shall be offered pursuant to such written policy if, at the time the credit
256 is extended, the Connecticut credit union reasonably expects such
257 extension of credit to result in a financial loss.

258 Sec. 8. Subsection (e) of section 36a-441a of the general statutes is
259 repealed and the following is substituted in lieu thereof (*Effective July 1,*
260 *2025*):

261 (e) As used in this section, the term "net worth" means the retained
262 earnings balance of the Connecticut credit union at the end of each

263 dividend period, excluding the allowance for loan and lease losses
 264 account and, in the case of a Connecticut credit union designated by the
 265 National Credit Union Administration as a low-income credit union
 266 under 12 CFR 701.34, as from time to time amended, net worth includes
 267 any secondary capital account that is uninsured and subordinate to all
 268 other claims, including claims of creditors, shareholders and the
 269 National Credit Union Share Insurance Fund. Retained earnings shall
 270 consist of undivided earnings, as determined under generally accepted
 271 accounting principles, [regular reserves] and other appropriations
 272 designated by the commissioner or the National Credit Union
 273 Administration, or its successor agency, or by the governing board of
 274 the Connecticut credit union with the approval of the commissioner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2025</i>	36a-435b
Sec. 2	<i>July 1, 2025</i>	36a-456b(a)
Sec. 3	<i>July 1, 2025</i>	36a-456a(e)
Sec. 4	<i>July 1, 2025</i>	36a-455a(2)(A)
Sec. 5	<i>July 1, 2025</i>	36a-458a(a)(3)
Sec. 6	<i>July 1, 2025</i>	36a-455a(17)
Sec. 7	<i>July 1, 2025</i>	36a-454b(a) to (d)
Sec. 8	<i>July 1, 2025</i>	36a-441a(e)

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: None

Municipal Impact: None

Explanation

The bill, which makes various changes to laws governing state-chartered credit unions, results in no fiscal impact to the state because the Department of Banking can implement these changes with existing resources.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 7083*****AN ACT CONCERNING VARIOUS REVISIONS TO THE CREDIT UNION STATUTES RELATING TO NONMEMBER PAYMENTS, MEMBER BUSINESS LOANS, CHARITABLE CONTRIBUTIONS, EXTENSIONS OF CREDIT, CAPITAL AND NET WORTH.*****SUMMARY**

This bill makes the following changes to laws governing state-chartered credit unions:

1. allows them to extend credit with preferential rates or terms to insiders, employees, and governing board members if there is a written policy to do so and it will not result in financial loss (§§ 1 & 7);
2. expands the list of loans exempt from credit union business loan requirements (§ 5);
3. shifts, from a credit union's governing board to its senior management, the authority to approve the credit union's charitable contributions or gifts that fall below a certain threshold (§ 6);
4. removes regular reserves from being included in certain calculations of capital and net worth (§§ 1 & 8); and
5. allows credit unions certified as community development financial institutions to accept nonmember deposits up to certain caps, but no more \$1.5 million (§§ 3 & 4).

The bill also makes minor, technical, and conforming changes, including specifying that a "loan officer" is someone who accepts loan applications or offers or negotiates the terms of personal, business, or

other loan products for, or with the expectation of, compensation or gain, but not someone who acts only as a loan processor or underwriter.

EFFECTIVE DATE: July 1, 2025

§§ 1 & 7 — CONFLICT OF INTEREST POLICY & PREFERENTIAL RATES

By law, a credit union must have a written conflict of interest policy governing transactions involving insiders, insiders' immediate family members, or certain other individuals with a common interest to the insiders and family members.

The bill potentially narrows the applicability of these policies by limiting who is considered an "immediate family member." Currently, this individual is anyone related by blood, adoption, or marriage to someone who is in the credit union's field of membership or an appointed director. The bill ties the term only to the family relationship and specifies how far removed the relationship applies. Under the bill, only the following have the designation: a spouse; parent, child, sibling (including step or in-law relations); or grandparent, grandchild, or his or her spouse.

An "insider," under current law and the bill, is a credit union's director or appointed director, loan officer, or member of a board-appointed committee or senior management.

Preferential Rates

The bill creates an exemption from the ban on insiders and certain other individuals from (1) getting credit from the credit union with preferential rates, terms, or conditions or (2) acting as a guarantor or endorser for the credit.

The bill allows insiders and credit union employees or governing board members to get the preferential credit or act as a guarantor or endorser if it is done according to a written policy from the credit union's governing board. The policy must (1) require offering uniform preferential rates, terms, or conditions to these people and (2) prohibit

offering to extend credit if the credit union reasonably expects that, at the time of extending it, doing so would be a financial loss.

§ 5 — MEMBER BUSINESS LOANS

The bill exempts loans for personal use and certain nonmember commercial loans from the law's credit union business lending requirements.

State law prohibits credit unions from making member business loans unless they have adequate net worth and a Department of Banking-approved member business loan program and policy. It sets specific requirements for these programs, including on risk control, employee lending experience, and thresholds for aggregate outstanding loan balances and individual loan-to-value ratios. The loans covered by these programs generally include those for commercial, corporate, investment property, business venture, or agricultural purposes.

The bill expands the list of loans exempt from the program, which currently includes, among others, certain fully secured loans, loans below a certain amount, and loans fully insured or guaranteed by a federal, state, or local agency. Under the bill, also exempt are (1) loans intended for personal use and (2) commercial loans to nonmembers (or participation interests in them) that a federally insured credit union lawfully acquires and that are not traded for a member business loan in order to avoid state law's limits on these loans.

§ 6 — CHARITABLE CONTRIBUTIONS

One of the powers the law gives to credit unions is the ability to make charitable contributions or gifts, but it currently only allows a credit union's governing board to make these decisions. The bill shifts this authority to senior management under certain circumstances.

Under the bill, credit union senior management may approve contributions or gifts if:

1. these total contributions or gifts for the fiscal year are .01% or less of the credit union's net assets as of the prior fiscal year's end and
2. none of these are to a recipient with a director or senior management member who is also an insider of the credit union or the insider's immediate family member (see above).

The bill specifies that, as under current law, a majority of the governing board may approve contributions or gifts that exceed the above .01% threshold or are to recipients with credit union insiders or immediate family members in the above authoritative positions. But the bill requires the board's decisions to be documented in its meeting minutes, which is not currently required.

Lastly, in both cases, the bill requires the credit union to have and maintain a record of contributions or gifts it makes.

§§ 1 & 8 — REGULAR RESERVES

The bill removes regular reserves from being included in a credit union's calculation of (1) capital and (2) net worth for purposes of contributions to an account for loan and lease loss allowance. Generally, regular reserves are funds set aside to cover losses.

Consequently, under the bill, a credit union's "capital" includes undivided earnings; special purpose reserves; donated equity; and accumulated, unrealized securities gains or losses. Among other things, by law, the amount of capital is a factor in determining whether a credit union may expand its membership, merge with another credit union, pay dividends, or make certain investments.

Existing law requires credit unions to have an account containing the amount of the estimated losses on loans and leases. It specifies the amount that credit unions must contribute to the account from its earnings, as net worth (the "retained earnings"; generally, assets minus liabilities). The bill removes regular reserves from this "net worth" calculation by no longer considering it part of a credit union's "retained earnings."

§§ 3 & 4 — NONMEMBER DEPOSITS

The bill allows credit unions federally designated as a community development financial institution (CDFI) to accept deposits from nonmembers, but it caps the amount of any such deposit at the lesser of (1) \$1.5 million or (2) 25% of the total value of the credit union's shares (accounts) (see BACKGROUND).

Current law generally prohibits credit unions from receiving deposits from nonmembers. The exceptions to this, which are unchanged by the bill, include deposits from (1) an individual into an account held jointly with a credit union member; (2) the United States, Connecticut, or a Connecticut municipality or other political subdivision; (3) a federally recognized tribe; or (4) another credit union (regardless of where it is chartered).

BACKGROUND***CDFI Certification***

The U.S. Department of the Treasury's Community Development Financial Institutions Fund operates a program to invest, support, and train CDFIs assisting underserved populations and communities. To be eligible for assistance under this program, a CDFI must apply to the fund for certification and show that it meets the following requirements:

1. be a legal non-governmental financing entity at the time of application, and not under the control of a governmental entity (excluding tribal governments);
2. have a primary mission of promoting community development;
3. primarily serve one or more target markets and maintain accountability to its target market; and
4. provide development services along with its financing activities.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 9 Nay 4 (03/11/2025)