



Substitute Senate Bill No. 1396

Public Act No. 25-155

AN ACT CONCERNING EARNED BUT UNPAID WAGE OR SALARY INCOME ADVANCES.

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

Section 1. Section 36a-555 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

As used in this section, [and] sections 36a-556 to 36a-573, inclusive, and section 3 of this act:

(1) "Advertise" or "advertising" means any announcement, statement, assertion or representation that is placed before the public in a newspaper, magazine or other publication, in the form of a notice, circular, pamphlet, letter or poster, over any radio or television station, by means of the Internet, by other electronic means of distributing information, by personal contact, or in any other way or medium;

(2) "APR" means the annual percentage rate for the loan calculated according to the provisions of the federal Military Lending Act, 10 USC 987, as amended from time to time, and the regulations promulgated thereunder. For the purpose of calculating the APR, each [of the following shall be deemed to be a finance charge: (A) A charge set forth in 32 CFR 232.4(c)(1), as amended from time to time, (B) a charge for any ancillary product, membership or service sold in connection or

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concurrent with a small loan, (C) any amount offered or agreed to by a borrower in furtherance of obtaining credit or as compensation for the use of money, and (D) any fee, voluntarily or otherwise, charged, agreed to or paid by a borrower in connection or concurrent with a small loan] finance charge shall be included;

(3) "Branch office" means a location other than the main office where the licensee, or any person on behalf of the licensee, will engage in activities that require a small loan license;

(4) "Connecticut borrower" means any borrower who resides in or maintains a domicile in this state and who (A) negotiates or agrees to the terms of the small loan in person, by mail, by telephone or via the Internet while physically present in this state, (B) enters into or executes a small loan agreement with the lender in person, by mail, by telephone or via the Internet while physically present in this state, or (C) makes a payment on the loan in this state. For purposes of this subdivision, "payment on the loan" includes a debit on an account the borrower holds in a branch of a financial institution or the use of a negotiable instrument drawn on an account at a financial institution. For purposes of this subdivision, "financial institution" means any bank or credit union chartered or licensed under the laws of this state, any other state or the United States;

(5) "Control person" means an individual that directly or indirectly exercises control over another person, and includes any person that (A) is a director, general partner or executive officer, (B) in the case of a corporation, directly or indirectly has the right to vote ten per cent or more of a class of any voting security or has the power to sell or direct the sale of ten per cent or more of any class of voting securities, (C) in the case of a limited liability company, is a managing member, or (D) in the case of a partnership, has the right to receive upon dissolution, or has contributed, ten per cent or more of the capital. For purposes of this subdivision, "control" means the power, directly or indirectly, to direct

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the management or policies of a company, whether through ownership of securities, by contract or otherwise;

(6) "Earned but unpaid wage or salary income" means the wage, salary, compensation or other income earned on an hourly, project-based, piecework or other basis by a Connecticut borrower for the provision of labor or services to, or on behalf of, an employer, which (A) is owed by the employer but has not yet been paid to the Connecticut borrower, and (B) has been verified by an earned but unpaid wage or salary income advance provider;

(7) "Earned but unpaid wage or salary income advance" means a small loan that is an advance to a Connecticut borrower of earned but unpaid wage or salary income in an original principal amount that is less than seven hundred fifty dollars and not greater than the amount of earned but unpaid wage or salary income for any particular pay period;

(8) "Earned but unpaid wage or salary income advance provider" means any person that engages in any of the activities set forth in subsection (a) of section 36a-556 with regard to an earned but unpaid wage or salary income advance;

(9) "Employer" means (A) an employer, as defined in section 31-58, who employs a Connecticut borrower and is obligated to pay the Connecticut borrower earned but unpaid wage or salary income, or (B) any other person who, in exchange for the provision of services to, or on behalf of, such person by a Connecticut borrower acting as an independent contractor, is contractually obligated to pay earned but unpaid wage or salary income to the Connecticut borrower;

(10) "Finance charge" means: (A) A charge set forth in 32 CFR 232.4(c)(1), as amended from time to time, (B) a charge for any ancillary product, membership or service sold in connection or concurrent with a small loan, (C) any amount offered or agreed to by a Connecticut

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borrower in furtherance of obtaining credit or as compensation for the use of money, and (D) any fee, voluntarily or otherwise, charged, agreed to or paid by a Connecticut borrower in connection or concurrent with a small loan;

[(6)] (11) "Generating leads" means (A) engaging in the business of selling leads for small loans, (B) generating or augmenting leads for small loans for other persons for or with the expectation of compensation or gain, or (C) referring consumers to other persons for a small loan for or with the expectation of compensation or gain for such referral, except "generating leads" shall not include generating or augmenting leads for small loans for an exempt person, as described in subsection (b) of section 36a-557, using the exempt person's data or customer information;

(12) "Independent contractor" has the same meaning as provided in section 36a-485;

[(7)] (13) "Lead" means any information identifying a potential consumer of a small loan;

[(8)] (14) "Main office" means the main address designated on the system;

[(9)] (15) "Open-end small loan" has the same meaning as "open-end credit", as defined in 12 CFR 1026.2, as amended from time to time;

[(10)] (16) "Person" means a natural person, corporation, company, limited liability company, partnership or association;

[(11)] (17) "Small loan" (A) means any loan of money or extension of credit, or the purchase of, or an advance of money on, a borrower's future potential source of money, including, but not limited to, future pay, salary, earned but unpaid wage or salary income, pension income or a tax refund, if (i) the amount or value is fifty thousand dollars or less,

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and (ii) the APR is greater than twelve per cent, and (B) does not include (i) a retail installment contract made in accordance with section 36a-772, (ii) a loan or extension of credit for agricultural, commercial, industrial or governmental use, (iii) a residential mortgage loan, as defined in section 36a-485, [or] (iv) an open-end credit account that is accessed by a credit card issued by an exempt entity, as described in subdivision (1) of subsection (b) of section 36a-557, or (v) a wage, as defined in section 31-58, paid by an employer directly to an employee prior to a regular pay day in accordance with the provisions of title 31;

[(12)] (18) "Trigger lead" means a consumer report obtained pursuant to Section 604(C)(1)(B) of the Fair Credit Reporting Act, 15 USC 1681b, where the issuance of the report is triggered by an inquiry made with a consumer reporting agency in response to an application for credit. "Trigger lead" does not include a consumer report obtained by a small loan lender that holds or services existing indebtedness of the applicant who is the subject of the report; and

[(13)] (19) "Unique identifier" means a number or other identifier assigned by protocols established by the system.

Sec. 2. Subsections (a) to (e), inclusive, of section 36a-558 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Except as provided in subsection (c) of section 36a-557, no person licensed or required to be licensed under section 36a-556 shall engage in any of the activities described in subsection (a) of section 36a-556 for any small loan that contains any condition or provision inconsistent with the requirements in subsections (d) to (g), inclusive, of this section or section 3 of this act.

(b) No person exempt from licensure under section 36a-557 shall engage in any of the activities described in subdivision (4), (5) or (6) of

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subsection (a) of section 36a-556 for any small loan made by a person who was licensed or who was required to be licensed under section 36a-556 that contains any condition or provision inconsistent with the requirements in subsections (d) to (g), inclusive, of this section or section 3 of this act.

(c) (1) Except as the result of a bona fide error or as set forth in subdivision (2) of this subsection, any small loan described in subsection (a) or (b) of this section that contains any condition or provision inconsistent with the requirements in subsections (d) to (g), inclusive, of this section or section 3 of this act shall not be enforced in this state. Such small loan shall be void and no person shall have the right to collect or receive any principal, interest, charge or other consideration thereon. Any person attempting to collect or receive principal, interest, charge or other consideration on such small loan shall be subject to the provisions of section 36a-570.

(2) Subdivision (1) of this subsection shall not apply when: (A) The inconsistent condition or provision is the result of a bona fide error; or (B) the small loan was lawfully made in compliance with a validly enacted licensed loan law of another state to a borrower who was not, at the time of the making of such loan, a Connecticut borrower but who has since become a Connecticut borrower.

(3) For the purposes of this subsection, the term "bona fide error" includes, but is not limited to, clerical, calculation and computer malfunction, programming and printing errors, but does not include an error of legal judgment with respect to a person's obligations under sections 36a-555 to 36a-573, inclusive, as amended by this act, or under regulations implemented pursuant to section 36a-573.

(d) Small loans that are the subject of the activities set forth in subsections (a) and (b) of this section shall not contain:

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(1) (A) For a small loan that is under five thousand dollars, except for an earned but unpaid wage or salary income advance, an APR that exceeds the lesser of thirty-six per cent or the maximum annual percentage rate for interest that is permitted with respect to the consumer credit extended under the Military Lending Act, 10 USC 987, as amended from time to time, or for a small loan that is between five thousand and fifty thousand dollars, an APR that exceeds twenty-five per cent; or

(B) For an earned but unpaid wage or salary income advance, a total finance charge that exceeds (i) four dollars per advance, or (ii) thirty dollars per month;

(2) For other than an open-end small loan, a provision that increases the interest rate due to payment default;

(3) A payment schedule with regular periodic payments that when aggregated do not fully amortize the outstanding principal balance;

(4) A payment schedule with regular periodic payments that cause the principal balance to increase;

(5) A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds, unless such payments are required to be escrowed by a governmental agency;

(6) A prepayment penalty;

(7) An adjustable rate provision;

(8) A waiver of participation in a class action or a provision requiring a borrower, whether acting individually or on behalf of others similarly situated, to assert any claim or defense in a nonjudicial forum that: (A) Utilizes principles that are inconsistent with the law as set forth in the general statutes or common law; or (B) limits any claim or defense the

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borrower may have;

(9) A call provision that permits the lender, in its sole discretion, to accelerate the indebtedness, except when repayment of the loan is accelerated by a bona fide default pursuant to a due-on-sale clause;

(10) A security interest, except as provided in subsection (e) of this section; or

(11) Fees or charges of any kind, except as expressly permitted by subsection (e) of this section or allowed under subparagraph (B) of subdivision (1) of this subsection and section 3 of this act.

(e) [Small] Except as provided in section 3 of this act, small loans as described in subsections (a) and (b) of this section may contain provisions:

(1) For late fees, if: (A) Such fees are assessed after an installment remains unpaid for ten or more consecutive days, including Sundays and holidays; (B) such fees do not exceed five per cent of the outstanding installment payment, excluding any previously assessed late fees, or a total of twenty-five dollars per month, whichever is less; and (C) no interest is charged on such fees;

(2) Allowing charges for a dishonored check or any other form of returned payment, provided the total fee for such returned payment shall not exceed twenty dollars;

(3) Allowing for collection of deferral charges, but only upon the specific written authorization of the borrower and in a total amount not to exceed the interest due during the applicable billing cycle;

(4) Allowing for the accrual of interest after the maturity date or the deferred maturity date, provided such interest shall not exceed twelve per cent per annum computed on a daily basis on the respective unpaid

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balances;

(5) Providing for reasonable attorney's fees subject to the conditions and restrictions set forth in section 42-150aa;

(6) Including credit life insurance or credit accident and health insurance subject to the conditions and restrictions set forth in section 36a-559; and

(7) Taking a security interest in a motor vehicle in connection with a closed-end small loan made solely for the purchase or refinancing of such motor vehicle, provided the APR of such loan shall not exceed the rates indicated for the respective classifications of motor vehicles as follows: (A) New motor vehicles, fifteen per cent; (B) used motor vehicles of a model designated by the manufacturer by a year not more than two years prior to the year in which the sale is made, seventeen per cent; and (C) used motor vehicles of a model designated by the manufacturer by a year more than two years prior to the year in which the sale is made, nineteen per cent.

Sec. 3. (NEW) (*Effective October 1, 2025*) (a) An earned but unpaid wage or salary income advance provider required to be licensed under sections 36a-555 to 36a-573, inclusive, of the general statutes, as amended by this act, shall:

(1) Offer each Connecticut borrower who the provider approves to receive an earned but unpaid wage or salary income advance at least one option per transaction to receive such advance at no cost and clearly disclose the procedure for electing to receive such advance at no cost;

(2) If the provider charges or receives a finance charge:

(A) Offer each Connecticut borrower, who the provider approves to receive an earned but unpaid wage or salary income advance, (i) an earned but unpaid wage or salary income advance in an amount equal

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to not less than seventy-five per cent of the amount of the Connecticut borrower's earned but unpaid wage or salary income for the pay period, or (ii) not more than one earned but unpaid wage or salary income advance for the pay period; and

(B) Clearly and conspicuously disclose to the Connecticut borrower, for each time that the provider solicits, charges or receives a finance charge purporting to be voluntarily charged, agreed to or paid, that: (i) The finance charge is voluntary; (ii) such borrower may elect a finance charge of zero dollars; and (iii) the amount and frequency of the earned but unpaid wage or salary income advances that a borrower is eligible to request or receive are not contingent on whether the borrower pays or agrees to the voluntary finance charge or whether the borrower has previously paid a finance charge;

(3) Prior to offering or providing a Connecticut borrower an earned but unpaid wage or salary income advance:

(A) Fully and clearly disclose to the borrower: (i) Any finance charge associated with the earned but unpaid wage or salary income advance; (ii) the provider's cancellation procedure; (iii) that the borrower may submit complaints concerning the provider to the Department of Banking via the department's Internet web site; and (iv) a link to such Internet web site;

(B) Verify that the borrower's earned but unpaid wage or salary income meets or exceeds the amount of the earned but unpaid wage or salary income advance by using (i) payroll data of the borrower's employer, (ii) electronic payroll data that the borrower affirmatively authorizes the provider to access, or (iii) any similar data or other reasonable method approved by the Banking Commissioner; and

(C) Require the borrower to attest that the borrower understands that the borrower may not receive more than one earned but unpaid wage

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or salary income advance from more than one earned but unpaid wage or salary income advance provider on the basis of the same earned but unpaid wage or salary income, or to provide a similar attestation approved by the Banking Commissioner;

(4) Schedule the repayment of any earned but unpaid wage or salary income advance amount, or finance charge, in the form of a single repayment on a date that corresponds to the date of the Connecticut borrower's next scheduled paycheck or direct deposit payment from such borrower's employer and is not more than thirty-four days after the provider provides the earned but unpaid wage or salary income advance to the borrower, except that if such repayment is not made on such date due to a request by the borrower to reschedule the payment, lack of the borrower's available paycheck or direct deposit payment funds or payroll or similar error, the provider shall reschedule such repayment in the form of not more than three installments on any subsequent date or dates agreed to by the borrower at the time when the borrower agrees to the earned but unpaid wage or salary income advance;

(5) Reimburse each Connecticut borrower the full amount of any overdraft or nonsufficient funds fee imposed on the borrower by the borrower's depository institution that is caused by the provider attempting to seek repayment of any earned but unpaid wage or salary income advance amount or finance charge on a date before the repayment date disclosed to the borrower or in an amount other than the repayment amount disclosed to the borrower;

(6) Make readily available to each Connecticut borrower, in electronic form, the following information:

(A) For each earned but unpaid wage or salary income advance provided to the borrower during the preceding twelve months, (i) the date of the earned but unpaid wage or salary income advance; (ii) the

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amount of any finance charge; and (iii) the amount of the earned but unpaid wage or salary income advance; and

(B) The total amount of (i) all earned but unpaid wage or salary income advances that the borrower has received for the current pay period, if any; (ii) all finance charges for such advances, if any; and (iii) all earned but unpaid wage or salary income for the current pay period that has not been advanced to the borrower, if any;

(7) Allow each Connecticut borrower to cancel any earned but unpaid wage or salary income advance application, service, subscription or program at any time without incurring a fee;

(8) Implement measures to prevent an earned but unpaid wage or salary income advance from being provided to a Connecticut borrower who has previously received an earned but unpaid wage or salary income advance from another earned but unpaid wage or salary income advance provider on the basis of the same earned but unpaid wage or salary income, including, but not limited to, the following measures:

(A) The establishment and implementation of policies and procedures requiring a review and analysis of data in the possession and control of the provider at least once every six months to identify any instance or pattern involving a Connecticut borrower receiving more than one earned but unpaid wage or salary income advance from more than one earned but unpaid wage or salary income advance provider for a single pay period, which totaled more than the borrower's earned but unpaid wage or salary income amount for such pay period; and

(B) Any similar measures the commissioner may require; and

(9) Develop and implement policies and procedures to respond to questions and complaints from Connecticut borrowers in an expedient manner.

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(b) An earned but unpaid wage or salary income advance provider required to be licensed under sections 36a-555 to 36a-573, inclusive, of the general statutes, as amended by this act, shall not:

(1) Charge or receive a total finance charge in excess of the amount permitted by subdivision (1) of subsection (d) of section 36a-558 of the general statutes, as amended by this act;

(2) Solicit a voluntary finance charge prior to informing the Connecticut borrower of how much earned but unpaid wage or salary income such borrower is approved to request;

(3) Set any voluntary finance charge in an amount greater than zero dollars as the default option offered to a Connecticut borrower;

(4) Share with an employer any portion of a finance charge paid by a Connecticut borrower;

(5) Request repayment for an earned but unpaid wage or salary income advance or finance charge from a Connecticut borrower prior to the date of the borrower's next scheduled paycheck or direct deposit payment from such borrower's employer;

(6) Accept repayment for an earned but unpaid wage or salary income advance or finance charge from a Connecticut borrower by means of a credit card or charge card;

(7) Charge a late fee, a deferral fee, interest or any other penalty or charge for the late repayment of, or failure to repay, an earned but unpaid wage or salary income advance or for the late payment of, or failure to pay, a finance charge;

(8) Compel or attempt to compel repayment by a Connecticut borrower for any earned but unpaid wage or salary income advance or finance charge through any of the following means:

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- (A) The use of unsolicited outbound telephone calls;
 - (B) A lawsuit against the borrower in any court in any jurisdiction;
 - (C) The use of a third party to pursue collection from the borrower on the provider's behalf; or
 - (D) The sale of an outstanding amount to a consumer collection agency, as defined in section 36a-800 of the general statutes, for collection from the borrower;
- (9) Require a credit report, credit score or other credit-related information to determine the eligibility of a Connecticut borrower for an earned but unpaid wage or salary income advance; or
- (10) Report to a consumer reporting agency, as described in Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a, as amended from time to time, or consumer collection agency any information about a Connecticut borrower regarding nonpayment for any earned but unpaid wage or salary income advance or finance charge.

Governor's Action:
Approved July 8, 2025