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## OLR Bill Analysis

### sSB 1398

#### ***AN ACT CONCERNING COMMUNITY REINVESTMENT BY BANKS AND CREDIT UNIONS.***

#### **SUMMARY**

This bill expands the assessment responsibilities of the banking department and certain banks and credit unions under the state's community reinvestment laws to include considerations about minority- and women-owned businesses specifically. Existing law already requires consideration of low- and moderate-income neighborhoods or residents. The bill also changes the approval requirements for certain bank and holding company transactions based on applicants' community reinvestment performance evaluations.

Under the bill, minority- and women-owned businesses are defined as any business where, respectively, a minority or woman (1) owns at least 51% of the business's capital stock, if any, or assets; (2) is active in the business's daily affairs; and (3) has the power to direct the business's management and policies. A "minority" is someone whose race is defined as other than white, or whose ethnicity is defined as Hispanic or Latino by the federal Office of Management and Budget for U.S. Census use.

The bill also makes conforming changes.

EFFECTIVE DATE: October 1, 2025

#### **§§ 1 & 2 — COMMUNITY REINVESTMENT PERFORMANCE ASSESSMENTS AND EVALUATIONS OF BANKS**

Existing law requires the banking commissioner to assess certain banks that maintain a branch in Connecticut and determine if each, consistent with the bank's safe and sound operation, has a record of satisfying its continuing and affirmative obligations to help meet the credit needs of its local communities. Under existing law, the credit

needs of the banks' local communities specifically includes low- and moderate-income neighborhoods. The bill further specifies that this also includes minority- and women-owned businesses.

By law, the banking commissioner must consider a bank's record of meeting these obligations in connection with any application for (1) establishing a branch or other facility with the ability to accept deposits, (2) relocating the bank's main office or a branch office, or (3) merging or consolidating with or acquiring the assets or stock or assuming liabilities of another bank. A bank's record of performance in helping to meet the credit needs of its community may be the basis for denying or conditioning one of these applications.

Relatedly, banks must, by state law and in keeping with the federal Community Reinvestment Act, delineate the local community or communities that comprise its entire community within Connecticut or delineate one or more assessment areas, as applicable. By law, banks must include any low- and moderate-income neighborhoods when delineating these communities and areas. The bill additionally requires them to include minority- and women-owned businesses when doing so.

Existing law requires the commissioner to assess each bank's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, and review its delineation for compliance when he conducts a bank exam. After concluding an assessment, the commissioner must prepare a written community reinvestment performance evaluation of the bank's record meeting those credit needs, including low- and moderate-income neighborhoods specifically. The bill adds minority- and women-owned businesses for the purposes of this assessment and evaluation.

### **§ 3 — COMMUNITY REINVESTMENT PERFORMANCE AND BANKING TRANSACTION APPROVAL REQUIREMENTS**

Existing law imposes additional requirements on certain applicants seeking the banking commissioner's approval on specific bank and holding company transactions (e.g., mergers and consolidations of

Connecticut banks, the establishment of banks by out-of-state holding companies, and specific acquisitions of bank and holding company securities). The additional requirements are for applicants who have received a rating other than “outstanding” on their most recent applicable community reinvestment performance evaluation. (In practice, the banking department rates on the following scale: outstanding, satisfactory, needs to improve, and substantial non-compliance.)

Under current law, these applicants must submit plans showing the resulting entity will provide adequate services to meet the banking needs of all community residents, including low- and moderate-income residents to the extent permitted by its charter. The bill requires these plans to also meet the banking needs of minority- and women-owned businesses in the entity’s community.

When making findings related to these applications, existing law requires the banking commissioner to consider some specific factors. Under current law, one of these factors is whether an applicant’s plan demonstrates a commitment to extend credit for housing, small business, and consumer purposes in low-income neighborhoods. The bill adds credit for minority- and women-owned businesses in low-income neighborhoods to this factor.

#### **§§ 4-5 — COMMUNITY REINVESTMENT PERFORMANCE ASSESSMENTS AND EVALUATIONS OF CREDIT UNIONS**

Existing law requires community credit unions (i.e. Connecticut credit unions with at least \$10 million in total assets and membership limited to people in a well-defined community, neighborhood, or rural district) to, consistent with their safe and sound operation, satisfy their continuing and affirmative obligations to help meet the credit needs of their communities. Under existing law, the credit needs of their communities specifically includes low- and moderate-income neighborhoods. The bill further specifies that this also includes minority- and women-owned businesses.

Relatedly, and for the purposes of the state’s community

reinvestment laws on these credit unions, the bill makes a conforming change to the definition of “community reinvestment performance” so that it also specifically includes minority- and women-owned businesses.

The bill also changes one of the several factors that the banking commissioner must, by law, consider when periodically assessing these credit unions’ community reinvestment performance. Under current law, one of these factors is the credit union’s record of lending and other lending-related activities to borrowers of different income levels and businesses and farms of different sizes. The bill adds lending to minority- and women-owned businesses to this factor. As with the banks above, the commissioner must prepare a written evaluation of the credit union’s community reinvestment performance after completing his assessment (CGS § 36a-37a(d)).

## **COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea 13      Nay 0      (03/11/2025)