

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 26-51—HB 5208

Banking Committee

**AN ACT CONCERNING DATA SECURITY, PAYROLL PROCESSING,
CONSUMER FRAUD PROTECTION, MORTGAGE LOANS AND
EMPLOYEE CREDIT RATES**

SUMMARY: This act requires:

1. certain entities and individuals to adopt written programs with standards on developing, implementing, and maintaining reasonable data security safeguards for customer information;
2. Department of Banking (DOB) licensees and Connecticut banks and credit unions to notify the department within three business days after a data security incident;
3. DOB to (a) study financial institutions' payroll processing methods and how long it takes payroll checks to clear and (b) report its findings and recommendations to the Banking Committee by January 1, 2027 (§ 2); and
4. the Banking Committee chairpersons to convene a working group to study consumer fraud and how to protect against it.

Additionally, the act narrows the circumstances under which creditors must give mortgage loan applicants a plain language notice about flood insurance, generally requiring them only for one-to-four family residential real properties in the state.

Lastly, the act makes technical and conforming changes.

EFFECTIVE DATE: Upon passage, except the flood insurance notice provision is effective July 1, 2026, and the data security provisions are effective October 1, 2026.

§ 1 — DATA SECURITY REQUIREMENTS

Written Program to Protect Customer Information

The act requires the following entities and individuals to adopt written programs with standards on developing, implementing, and maintaining reasonable data security safeguards to protect the security, confidentiality, and integrity of customer information: banks, Connecticut credit unions, federal credit unions, out-of-state banks with a branch in Connecticut, out-of-state trust companies or credit unions with an office in Connecticut, licensees under Connecticut banking law, and those who are subject to DOB jurisdiction under Connecticut securities law. It specifies that these programs must be consistent with applicable federal regulations. Under the act, to the extent that this requirement conflicts with existing state law on financial records disclosure, the provisions giving customers the greater protection control.

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Under existing law, these same entities and individuals must comply with the financial privacy provisions of the Gramm-Leach-Bliley Financial Modernization Act of 1999 and associated regulations (see BACKGROUND). The act specifies that this requirement includes compliance with the applicable provisions of three associated federal regulations on standards for developing, implementing, and maintaining safeguards to protect customer information.

Notice about Data Security Incidents

Under the act, DOB licensees and Connecticut banks and credit unions must initially notify the department within three business days after they know, or have reason to know, of certain data security incidents. The reporting requirement is triggered by any data security incident that may (1) materially impact the ability to operate safely and soundly or comply with applicable laws and regulations, (2) significantly disrupt customer services, or (3) involve unauthorized access to an individual's personal information (see BACKGROUND). The act allows the DOB commissioner to ask for additional information about the incident after receiving the initial notice.

A "data security incident" under the act is unauthorized access to or unauthorized acquisition, destruction, or corruption of certain electronic files, media, databases, or computerized data. The files, media, databases, or data involved must have either (1) an individual's personal information or (2) a licensee's or bank's or credit union's supervisory, financial, operational, or business information.

§ 3 — CONSUMER FRAUD WORKING GROUP

The act requires the Banking Committee chairpersons to convene a working group to study consumer fraud and how to protect against it. The working group must at least include the 19 ex-officio and appointed members listed in the following table.

Working Group Membership

<i>Member</i>	<i>Appointing Authority</i>
Banking Committee chairpersons and ranking members (or designees)	N/A
DOB commissioner (or designee)	
Department of Consumer Protection commissioner (or designee)	
Department of Emergency Services and Public Protection commissioner (or designee)	
Commission on Women, Children, Seniors, Equity and Opportunity's executive director (or designee)	
Elder law attorney representing seniors in Connecticut	Banking Committee chairpersons
Representative of an association representing financial institutions in Connecticut	
Three representatives of organizations representing Connecticut credit unions, consumers, and seniors, respectively (one each)	

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Member	Appointing Authority
Three members of an association, selected by the Banking Committee chairpersons, representing financial institutions in Connecticut	Selected association
Three members of an organization, selected by the Banking Committee chairpersons, representing credit unions in Connecticut	Selected organization

The Banking Committee chairpersons must schedule the working group's first meeting by August 3, 2026. The working group must select two chairpersons from among its members. The Banking Committee's administrative staff serve in this capacity for the working group.

The working group must report its findings and recommendations to the Banking Committee by January 1, 2027. It ends when it submits the report or January 1, 2027, whichever is later.

§ 4 — FLOOD INSURANCE NOTICES

Prior law required creditors, beginning July 1, 2026, to give mortgage loan applicants a plain language notice about flood insurance at least 10 days before closing on any mortgage loan transaction.

The act limits this notice requirement to apply only when the loan will be (1) secured by a mortgage on a one-to-four family residential real property in Connecticut and (2) for less than \$1 million or primarily for personal, family, or household use. It specifies that covered loans include open-end lines of credit and home equity loans. Open-end lines of credit are generally credit arrangements that assume repeated transactions. Under the act, "home equity loans" are closed-end credit extensions (1) secured by a mortgage on a one-to-four family residential real property in the state that is the borrower's primary residence and (2) that have the full principal amount advanced at the loan's issuance and are repaid over a specified term. They are made based on the borrower's equity in the property and do not finance the property's purchase.

Under the act, the notice must be given to the loan applicant at least (1) 10 days before the loan's closing date or (2) by the loan's closing date if it involves an open-end line of credit or a home equity loan.

Creditors subject to this notice law, unchanged by the act, include state or federal banks, credit unions, mortgage lenders, correspondent lenders, and other financial institutions. Also unchanged is the notice's required content, which is that (1) standard homeowners' policies do not cover flood damage and related losses, (2) flood damage can happen regardless of whether the property is in a designated flood zone, and (3) the applicant may want to consult an insurance producer or surplus lines broker about flood insurance availability and benefits.

BACKGROUND

Gramm-Leach-Bliley Financial Modernization Act of 1999

Subtitle A of Title V of the Gramm-Leach-Bliley Financial Modernization Act

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of 1999 limits the circumstances under which a financial institution can disclose a consumer's nonpublic personal information to nonaffiliated third parties. It also requires financial institutions to disclose to their customers the institution's financial privacy policies and practices with respect to affiliated and nonaffiliated parties (15 U.S.C. § 6801 et seq.).

Personal Information

By law, "personal information" is a person's first name or initial and last name, combined with at least one of the following:

1. driver's license or state identification card number;
2. government-issued identification number that is commonly used to verify identity, such as a Social Security, taxpayer identification, passport, or military identification number;
3. credit or debit card number;
4. financial account number, with other information that would give account access;
5. information about the person's medical history, mental or physical condition, or medical treatment or diagnosis;
6. health insurance policy number or subscriber identification number, or any unique identifier a health insurer uses to identify the person;
7. biometric data generated by electronic measurements of the person's unique physical characteristics and used to authenticate or determine identity (for example, fingerprint, voice print, or eye image); or
8. precise geolocation data.

It also includes a person's username or email address, combined with a password or security question and answer that would allow access to an online account (breach of login credentials) (CGS § 36a-701b).