



2025 Acts Affecting Banking

By: Kristen Miller, Senior Legislative Attorney
July 25, 2025 | 2025-R-0085

Notice to Readers

This report provides summaries of new laws (public acts and special acts) significantly affecting the banking industry enacted during the 2025 regular legislative session. OLR's other Acts Affecting reports are, or will soon be, available on [OLR's website](#).

Each summary indicates the public act (PA) or special act (SA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden. Complete summaries of public acts are, or will soon be, available on [OLR's website](#).

Readers are encouraged to obtain the full text of acts that interest them from the [General Assembly's website](#) or the Connecticut State Library.

Cover image by Iftikharalam from Vecteezy.com

Table of Contents

Bank and Credit Union Regulation.....	4
Bank Applications and Operations	4
Bank Real Estate Alterations and Improvements.....	4
Community Bank and Credit Union Investment Program	4
Credit Union Operations	4
Banking Department Studies.....	5
Limited Purpose Trust Companies.....	5
Wrongful Incarceration Presettlement Funding.....	5
Connecticut Data Privacy Act	5
Debt Collection	5
Antidiscrimination Protection	5
Coerced Debt Liability.....	6
Municipal Tax Lien Assignments.....	6
Earned Wage Access Products	6
Insurance and Surety.....	7
Federal Home Loan Bank Involvement	7
Surety Bond Cancellations and Updates.....	7
Licensing and Related Oversight	7
Broadened DOB Enforcement Authority	7
Cannabis Backer Exclusion	8
Commercial Finance Lenders	8
Licensure for Administering Payments or Accounts	8
Mortgage Lenders and Servicers.....	8
Private Student Loan Lenders and Servicers.....	9
Securities Professionals	9
Money Transmission and Virtual Currency.....	9
Government Use of Virtual Currency	9
Minors' Access to Money Sharing Applications	10
Virtual Currency Forfeiture	10
Virtual Currency Transmitter Responsibilities.....	10
Mortgages and Real Property.....	11
Flood Risk Disclosures.....	11
Home Building Loan Program	11
Invalidating Unreleased Mortgages	11
Shared Appreciation Agreement Disclosures	11
Statute of Limitations for Mortgage Foreclosures	12
Validating Recorded Documents	12
Uniform Commercial Code	12

Bank and Credit Union Regulation

Bank Applications and Operations

Newly enacted legislation makes several changes that affect the applications and operations of several types of state banks. Among other things, it (1) increases the application fee to organize a Connecticut bank from \$15,000 to \$20,000; (2) increases the amount of deposit assets that trust banks and innovation banks must keep from \$1 million to \$1.5 million; and (3) exempts innovation banks from one of several existing (a) factors for assessing whether an application to organize a Connecticut bank serves the public interest and (b) considerations for approving a Connecticut bank's main office relocation ([PA 25-104](#), effective July 1, 2025).

Bank Real Estate Alterations and Improvements

For Connecticut banks, a new law adds a second exception to the requirement that they have the Department of Banking (DOB) commissioner's written approval before altering or improving their business real estate. Under this exception, approval is not needed to alter or improve real estate that a Connecticut bank, or a corporation controlled by it, already owns or leases so long as the bank is (1) adequately capitalized under federal law and (2) not the subject of a pending formal enforcement action by the commissioner or the Federal Deposit Insurance Corporation ([PA 25-11](#), effective October 1, 2025).

Community Bank and Credit Union Investment Program

A new law increases the pool of financial institutions eligible to participate in the treasurer's Community Bank and Credit Union Initiative by (1) adding federal banks and out-of-state banks and (2) reinstating federal credit unions. Under this initiative, the treasurer may invest up to \$300 million, based on available cash, with community banks and community credit unions. Participating institutions originate loans to individuals and small-to-medium sized companies and provide banking services in underserved markets ([PA 25-103](#), effective July 1, 2025).

Credit Union Operations

The legislature enacted several changes to laws governing state-chartered credit unions' operations. Among them, it:

1. allows for the extension of credit with preferential rates or terms to insiders, employees, and governing board members under certain circumstances;
2. expands the list of loans exempt from credit union business loan requirements;

3. shifts, from the governing board to senior management, the authority to approve charitable contributions or gifts that fall below a certain threshold;
4. removes regular reserves from inclusion in certain calculations of capital and net worth; and
5. allows certified community development financial institutions to accept nonmember deposits up to certain caps based on the credit union's total assets ([PA 25-37](#), effective July 1, 2025).

Banking Department Studies

Limited Purpose Trust Companies

A provision in the annual bond act requires DOB to study and report to the Banking Committee, by December 1, 2025, on the establishment of limited purpose trust companies in Connecticut. Its report must have recommendations for legislation necessary to authorize the companies' establishment ([PA 25-174](#), § 201, effective upon passage).

Wrongful Incarceration Presettlement Funding

The legislature has tasked the DOB commissioner, or his designee, with studying and reporting on presettlement funding provided to individuals seeking compensation from the state for wrongful incarceration. The study and report must have recommended legislative changes needed to (1) increase consumer protections for individuals who enter into agreements to be repaid upon receiving a wrongful incarceration award and (2) have a process to appoint a trustee for an individual awaiting this award. The report is due to the Banking, General Law, and Judiciary committees by January 8, 2026 ([SA 25-20](#), effective upon passage).

Connecticut Data Privacy Act

The Connecticut Data Privacy Act (CTDPA) sets a framework for controlling and processing personal data by, among other things, setting responsibilities and privacy protection standards for data controllers and processors. This session, the legislature specified the list of financial entities exempt from the CTDPA's requirements to include several types of banks, credit unions, and individuals DOB regulates ([PA 25-113](#), § 7, effective July 1, 2026).

Debt Collection

Antidiscrimination Protection

This session, the legislature passed a new law that, among other things, makes sexual assault victim status and trafficking in persons victim status protected classes under the Commission on Human Rights and Opportunities antidiscrimination laws. In doing so, the new law specifically

prohibits a creditor from discriminating against an adult in a credit transaction based on the person's status as a sexual assault or human trafficking victim ([PA 25-139](#), § 8, effective October 1, 2025).

Coerced Debt Liability

Among other things, a new law changes the lookback period for debt to be eligible to be waived as coerced debt, by requiring that it be less than 10 years old rather than more than 10 years old as under prior law. By law, coerced debt is a debt incurred in the name of a debtor who is a victim of domestic violence when the debt was incurred through duress, intimidation, threat of force, force, or undue influence used to specifically coerce the debtor into incurring the debt. The law prohibits anyone from knowingly causing another person to incur coerced debt and subjects violators to civil liability ([PA 25-91](#), § 25, effective upon passage).

Municipal Tax Lien Assignments

By law, an assignee of a municipal tax lien for unpaid taxes generally has the same powers and rights as the municipality in terms of the lien's priority, interest accrual, and the fees and expenses of collection and to prepare and record the assignment. Provisions in the act implementing the biennial budget, however, prohibit an assignee from imposing post-charge-off charges or fees for collection costs. The act also, among other things, treats these assignees as consumer collection agencies, subjecting them to DOB requirements for these agencies, and allows them to receive assignments as a third party of claims to collect or file a lawsuit ([PA 25-168](#), §§ 446-448, effective October 1, 2025).

Earned Wage Access Products

This session, the legislature passed a law that regulates advances of money on future wages or earned salary that are earned but not yet paid (commonly referred to as “earned wage access” products) differently than traditional small loans. Under this law, these advances are subject to finance charge caps of \$4 per advance and \$30 per month. Additionally, advance providers must give borrowers certain disclosures, verify income, offer ways to receive no-cost advances, and reimburse certain banking fees. The new law also prohibits them from taking certain actions generally concerning fees or charges, borrower payments, and collection practices. For example, they cannot accept repayment by a credit or charge card or report information about repayment to a consumer reporting or consumer collection agency ([PA 25-155](#), effective October 1, 2025).

Insurance and Surety

Federal Home Loan Bank Involvement

The legislature amended the Insurers Rehabilitation and Liquidation Act to allow certain activities to proceed when a Federal Home Loan (FHL) Bank is a party to an agreement with an insurer under conservation, rehabilitation, liquidation, or administrative supervision by the state Insurance Department. (FHL Banks are regional, wholesale suppliers of lendable funds to certain financial institutions.)

Among other things, the new law (1) eliminates, for up to 10 business days, the automatic stay that an application or petition for a delinquency proceeding, rehabilitation, or liquidation order typically grants when an FHL Bank is a party; (2) requires, to the extent agreements to which an FHL Bank is a party have preferences to creditors, an insurer's liquidator to carry a preference out; and (3) sets requirements for how an FHL Bank may exercise collateral rights ([PA 25-87](#), §§ 9-14, effective October 1, 2025).

Surety Bond Cancellations and Updates

A new law generally requires surety companies to give all their cancellation notices electronically for the bonds they issue to certain DOB regulated entities. More specifically, it requires them to give written cancellation notices through the Nationwide Multistate Licensing System and Registry (NMLS). This applies to bonds issued to, among others, money transmitters, consumer collection agencies, and several types of mortgage-related entities. Additionally, the act requires these and other licensees to update their surety bonds when they change their legal names instead of when they change their office names or addresses ([PA 25-115](#), §§ 1-11 & 14, effective October 1, 2025).

Licensing and Related Oversight

Broadened DOB Enforcement Authority

Omnibus banking legislation extended some of the state's banking enforcement laws to apply to DOB-issued registrations, which include certain positions in the mortgage, student loan, and commercial financing fields. Effectively, these laws (1) authorize the commissioner to suspend, revoke, or refuse to renew any registration he issues under state law according to notice and hearing procedures and (2) establish processes for him to follow when these registrations are surrendered or expire as well as when applications for them are withdrawn. Prior law limited their application to DOB-issued licenses ([PA 25-115](#), § 16, effective October 1, 2025).

Cannabis Backer Exclusion

By law, a cannabis establishment backer is generally an individual with a financial interest in a cannabis establishment, and backers must be licensed by the Department of Consumer Protection. A new law excludes certain financial institutions, including banks and credit unions, that provide non-equity financing to a cannabis establishment and do not directly participate in its control, management, or operation from being considered a backer, thus no longer requiring this licensure for them ([PA 25-101](#), § 7, effective upon passage).

Commercial Finance Lenders

The session's omnibus banking act makes several changes affecting lenders offering "commercial financing" (i.e. a sales-based financing transaction of \$250,000 or less, the proceeds of which are not primarily for personal, family, or household purposes). Among other things, it increases the base renewal fee for commercial financing registrants from \$500 to \$1,000 and specifies that DOB may consider certain misconduct by registrants' employees and agents against registrants ([PA 25-115](#), §§ 22 & 23, effective July 1, 2025).

Licensure for Administering Payments or Accounts

The omnibus banking act expands the types of activities that require someone to obtain certain licenses and registrations under the state's banking laws. Under the act, sales finance company, small loan, and mortgage servicing activity requiring licensure includes receiving any payments (including fees) in connection with respectively, a retail installment contract or installment loan contract, small loan, and residential mortgage loan, instead of just principal and interest payments under one. The act also changes what is considered "servicing" for private student loan and federal student loan servicers to encompass receiving any payment, rather than just scheduled periodic ones, and maintaining account records for and communicating with a borrower about his or her loan during any period that payments are not required, instead of periods outside of scheduled periodic payments ([PA 25-115](#), §§ 12 & 17-19, effective October 1, 2025).

Mortgage Lenders and Servicers

The session's omnibus banking act changes an exemption that allows certain mortgage lenders to act as mortgage servicers without having to be separately licensed. It generally carries this exemption forward but further requires the lenders to register on NMLS as "exempt mortgage servicer registrants" before acting as servicers. It relatedly authorizes the DOB commissioner to suspend, revoke, or refuse to renew these registrations.

This same new law changes the process under which several different entities claiming an exemption from licensure as a mortgage lender, correspondent lender, or broker may register on NMLS as an exempt registrant to sponsor a mortgage loan originator or a loan processor or underwriter. Specifically, it creates a registration timeline and fee requirements for registrants ([PA 25-115](#), §§ 13, 14 & 20, effective October 1, 2025).

Private Student Loan Lenders and Servicers

The omnibus banking act (1) codifies the \$900 registration and renewal fee amounts private education lenders and private education loan creditors currently must pay NMLS; (2) extends the law's requirements for private student education loan servicers to private education lenders, private education loan creditors, and any other person servicing a private student education loan; and (3) authorizes the DOB commissioner to bar violators of the laws governing these lenders and creditors from engaging in any banking activity for up to 10 years instead of just from acting as a lender or creditor.

Among other changes, the act also adds a requirement that anyone making or extending a private student education loan on or after October 1, 2025, give options for cosigner release if certain criteria are met, such as the borrower making 12 consecutive on-time payments or the cosigner becoming totally and permanently disabled ([PA 25-115](#), §§ 15, 19 & 24, effective October 1, 2025).

Securities Professionals

The legislature passed three changes to DOB's oversight under the state's securities laws. First, it expanded DOB's enforcement authority over broker-dealers, broker-dealer agents, investment advisors, and investment advisor agents by allowing it to censure or impose a bar for the same reasons it may deny, suspend, or revoke a registration or limit securities or investment advisory activities. It also requires issuers proposing to offer or sell in a Tier 2 offering to file a notice of filing with DOB and pay a filing fee. Lastly, there is a new registration exemption for merger and acquisition broker-dealers which parallels a federal exemption ([PA 25-85](#), effective upon passage).

Money Transmission and Virtual Currency

Government Use of Virtual Currency

This session, the legislature enacted a new law that prohibits Connecticut and its political subdivisions from (1) accepting or requiring payment in the form of virtual currency or (2) purchasing, holding, investing in, or establishing a virtual currency reserve ([PA 25-66](#), § 5, effective October 1, 2025).

Minors' Access to Money Sharing Applications

New legislation regulates minors' access to certain money sharing applications by imposing restrictions and duties on people who are or must be licensed as money transmitters under the state's Money Transmission Act. Generally, it prohibits these licensees from allowing anyone to sponsor, open, or establish a money sharing application account for a minor unless they (1) receive an attestation from the person stating that he or she is the minor's parent or legal guardian and (2) either receive a copy of the person's valid government-issued identification or verify the person's identity following certain standards. The act also requires, with exceptions, licensees to delete a minor's money sharing application account within 30 business days after receiving a request to do so from the minor or the minor's parent or legal guardian ([PA 25-66](#), § 7, effective October 1, 2025).

Virtual Currency Forfeiture

An act passed this session establishes a new process for state forfeiture of virtual currency and virtual currency wallets possessed, controlled, designed, or used to commit larceny or that are proceeds of a larceny. It requires the forfeited currency and wallets to be used to compensate victims with money-related loss from the involved crime. Among other things, this act also explicitly includes virtual currency and virtual currency wallets in the property subject to existing laws on (1) issuing a search warrant or seizing property associated with an arrest or under a search warrant and (2) forfeiting property related to drug and money laundering, identity theft, and sexual exploitation, prostitution, and human trafficking crimes. For the currency or wallet forfeiture as part of those crimes, the act allows the court to order that notice about the proceeding be made by means other than certified or registered mail under certain circumstances ([PA 25-41](#), effective July 1, 2026).

Virtual Currency Transmitter Responsibilities

New legislation imposes several virtual currency-related requirements and restrictions on people who must be licensed as money transmitters. Generally, the new act:

1. prohibits licensees who control other people's virtual currency from, generally, selling or transferring it without the person's authorization, or using a virtual currency control services vendor or other person to store or hold custody of the virtual currency unless they are qualified to do so;
2. specifies that virtual currency held by licensees is a property interest of any claimants against it on a proportional basis; and
3. extends several existing disclosure and receipt requirements for virtual currency kiosk owners and operators to licensees that engage in the money transmission business in

Connecticut by receiving, transmitting, storing, or maintaining custody or control of virtual currency ([PA 25-66](#), §§ 1-4, effective October 1, 2025).

Mortgages and Real Property

Flood Risk Disclosures

A provision in a new law requires financial institutions to give mortgage applicants, by 10 days before the mortgage closing date, certain information about flood damage risk and flood insurance coverage. This notice must be signed and dated by the applicant, and the institution must keep a copy of it with the applicant's mortgage records ([PA 25-33](#), § 2, effective July 1, 2026).

Home Building Loan Program

Provisions in the annual bond act (1) require the Connecticut Housing Finance Authority (CHFA) to administer a loan program ("Homes for CT") that helps property owners and developers get funding to build new residential buildings and (2) authorize up to \$20 million in new state general obligation bonds for FYs 26 and 27 for the program (\$10 million each year). Under the act, CHFA must guarantee loan repayment, up to certain thresholds, for participating banks and credit unions that give loans to program borrowers. The act caps the total amount of (1) program loans at \$100 million and (2) claims paid to honor loan guarantees at \$10 million. It also allows CHFA, within available resources, to make additional subordinate loans ([PA 25-174](#), §§ 13, 32 & 124-130, most provisions effective upon passage).

Invalidating Unreleased Mortgages

A provision in a new law reduces, from 20 to 10 years, the time after which an unreleased mortgage is deemed invalid under certain circumstances. This occurs when there is an unreleased mortgage on the land records and the mortgagor or current landowner has had undisputed possession for at least this term of years after the mortgage should have been paid off. The person in possession must file an affidavit that meets certain conditions, but a mortgage holder may record a notice before this time expires to extend the period for another 10 years ([PA 25-46](#), § 2, effective January 1, 2026).

Shared Appreciation Agreement Disclosures

The legislature established written disclosure requirements for shared appreciation agreements, which are residential loans in which the lender receives an interest in the appreciated value of the property. The disclosures include, among other things, an informational statement, the agreement and transaction details, the method of determining the property's fair market value, the interest charged, and repayment examples. Under the new act, mortgage lenders who must be licensed

under the state's banking laws and who offer to make a shared appreciation agreement, must give the disclosures within three business days after the prospective borrower applies for it ([PA 25-115](#), § 25, effective October 1, 2025).

Statute of Limitations for Mortgage Foreclosures

A new law establishes a 10-year statute of limitations for bringing foreclosure action on certain mortgages for a one-to-four family dwelling that the borrower uses as his or her home. The bar is generally 10 years after the last payment due date, maturity date, or the last payment made by or on the borrower's behalf. The deadline to bring the action may be extended by written agreement or if, during the last two years of the 10-year period, a law, rule, or order prevents it from being brought. Mortgages exempt from the statute of limitations are those (1) recorded before 2026 and first in priority when recorded or (2) subordinate when recorded but still held by the original lender or a subsidiary, affiliate, or successor ([PA 25-46](#), § 1, effective January 1, 2026).

Validating Recorded Documents

The legislature statutorily extended the law's validation of recorded real property documents with certain defects or omissions to documents recorded before January 2, 1997. This validation generally applies to deeds, mortgages, leases, powers of attorney (POAs), releases, assignments, and certain other real property documents. Examples of defects covered by the validation rule are improper attestations, incorrect or missing dates, and failures to reference recorded POAs or post a required bond ([PA 25-136](#), effective July 1, 2025).

Uniform Commercial Code

This session, the legislature passed a law making numerous changes to the Uniform Commercial Code (UCC), which is a set of rules governing commercial transactions, like the sale of goods, leases, bank deposits, and secured transactions. This new law adds an article on digital assets (Article 12) and makes corresponding changes to other articles to set rules for transactions involving these assets related to negotiability, transfer and payment rights, and secured lending. The UCC revisions also, among other things:

1. establish rules for hybrid transactions under the UCC's sale or lease of goods provisions;
2. specifically allow for negotiable instruments to have image and other information transmitted as an electronic check and funds transfers to have symbols, sounds, and biometrics as a security procedure; and
3. redefine terms that apply to paper transactions so that they also cover electronic documents ([PA 25-145](#), effective January 1, 2026).

KLM:co