
OLR Bill Analysis

sHB 5214

AN ACT CONCERNING THE CLOSING OF ACCOUNTS AT FINANCIAL INSTITUTIONS.

SUMMARY

This bill requires financial institutions, when closing a deposit account (e.g., a personal checking or savings account), to notify the account holder of why the account is being closed.

Specifically, financial institutions must, within five business days after closing an account, (1) mail the depositor, to the address on record, a written notice explaining the reason the account was closed and (2) if the depositor has consented to electronic correspondence (i.e., electronic statements), send the notice electronically to the email address on record. The bill's notice requirement does not apply to account closures resulting from government or law enforcement agency requests or investigations.

Under existing law and the bill, a "deposit account" is any account into which deposits can be made that is held by a natural person; it excludes a general or limited partnership account or sole proprietorship business account. Although the bill applies broadly to "financial institutions," which are Connecticut or federal banks or credit unions, federal law generally preempts the application of state banking laws to federally-chartered financial institutions. As a result, the bill may be enforceable only with respect to Connecticut-chartered banks and credit unions (see BACKGROUND).

EFFECTIVE DATE: October 1, 2022

BACKGROUND

National Bank Act Preemption

Federal law defines a "state consumer financial law" as a state law

that (1) does not discriminate against national banks and (2) directly regulates the manner, content, or terms and conditions of certain consumer financial transactions (12 U.S.C. § 25b(a)(2)). These state laws are preempted if, among other things, they significantly interfere with a national bank's exercise of its powers (12 U.S.C. § 25b(b), *Barnett Bank of Marion County, N.A. v. Nelson, Florida Insurance Commissioner, et. al.* 517 U.S. 25, 33 (1996)).

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/08/2022)