

Office of the Treasurer
State of Connecticut
Connecticut's Community Bank and Credit Union Initiative Guidelines
October 1, 2026

Connecticut General Statute 3-24k, as amended by Public Act 26-79, authorizes the Treasurer to establish a program to invest up to \$300 million with eligible community banks and community credit unions. The purpose of the program is to support Connecticut's community banks and credit unions and to strengthen their ability to promote the economic and social health of the communities they serve.

Under the program, community banks and credit unions as defined by Connecticut General Statute 3-24k and 3-24l with assets not exceeding the Maximum Total Asset Amount are eligible to apply for a targeted pool of investments.

The program will be administered according to the following guidelines:

Eligibility

- 1) By statute, to be eligible for the program, financial institutions must:
 - Be either (A) a "bank" or "out-of-state bank," as defined in Section 36a-2 of the Connecticut General Statutes or (B) a "Connecticut credit union" or "Federal credit union," as defined in in Section 36a-2 of the Connecticut General Statutes; and
 - May not have assets exceeding the Maximum Total Asset Amount; and
 - May not have a Community Reinvestment Act rating of "needs to improve" or "substantial non-compliance" on its most recent evaluation by federal or state authorities (CGS 36a-33 and CGS § 36a-37e).
- 2) Each institution participating in the program must be categorized as "Well Capitalized" or "Adequately Capitalized" by such institution's primary federal regulator or by applicable state and federal law.

The Maximum Total Asset Amount was established by statute in 2024 at \$2 billion, and is adjusted annually to reflect any increase in total loans of eligible entities ("Maximum Total Asset Amount"). The applicable Maximum Total Asset Amount is posted on the Treasurer's website.

If a financial institution's capital categorization falls during the term of the investment, the institution will be required to fully redeem the investment or to obtain insurance or provide collateral, in each case subject to approval by the State, and as governed by the requirements of State law.

Security Agreements

Financial institutions wishing to participate in the program must execute a Security Agreement

with the Treasurer's Office before applying. The Security Agreement includes two options for the custodian of the Eligible Collateral:

1. The Federal Reserve Bank/Federal Home Loan Bank may serve as the custodian of the Eligible Collateral; or
2. The bank or credit union may designate a third party to serve as custodian of the Eligible Collateral.

These agreements are required by federal law to ensure the enforceability of the State's collateralization program. In addition to the Security Agreement, the Treasurer's Office and the bank or credit union will execute an Investment Agreement, which sets the terms and conditions of the investment.

Banks participating in the Community Banking Initiative program have the same Collateral Requirements as all other public deposits with banks:

Pursuant to Part III of Chapter 665a of the Connecticut General Statutes and in order to secure the Public Depositor's Public Deposits, the Bank hereby pledges, assigns, transfers and grants to the Commissioner and the Public Depositor a perfected first priority security interest in such amounts of the Eligible Collateral described in Exhibit A to the Security Agreement, as is necessary for the Eligible Collateral pledged hereunder to have a minimum market value in relation to the Public Depositor's Public Deposits, plus accrued interest, to meet the collateral ratios and other requirements described in Conn. Gen. Stat. § 36a-333(a). If at any time the ratio of the market value of the Eligible Collateral to the Public Depositor's Public Deposits, plus accrued interest, is less than required by Conn. Gen. Stat. § 36a-333(a), the Bank shall immediately make such additions to the Eligible Collateral in such amounts such that the ratio of the market value of the Eligible Collateral to the Public Depositor's Public Deposits, plus accrued interest, shall be at least equal to that required by Conn. Gen. Stat. § 36a-333(a). Further, if at any time either the Commissioner or Public Depositor, each in its sole discretion, determines that the Eligible Collateral is insufficient to secure the Public Depositor's Public Deposits, then the Commissioner or Public Depositor, as applicable, may require the Bank to pledge additional Eligible Collateral as permitted by Conn. Gen. Stat. 36a-333(a). Such additions to the Eligible Collateral shall constitute an assignment, transfer, pledge and grant to the Commissioner and the Public Depositor of a security interest in such additional Eligible Collateral pursuant to the Act. The execution by the Bank of the Trust Agreement shall in no way relieve it of any of its duties or obligations hereunder or under the Act.

The pledge of Eligible Collateral by the Bank shall be in addition to, and shall in no way eliminate or diminish any insurance coverage to which the State Public Depositor may be entitled under the rules and regulations of the Federal Deposit Insurance Corporation or any private insurance carried by the Bank for the purpose of protecting the claims and rights of its depositors.; provided that, pursuant to Conn. Gen. Stat. § 36a-337, in lieu of

furnishing Eligible Collateral required by Section 1 of this Agreement, the principal amount of the Public Deposits plus accrued interest may be secured by (i) a private insurance policy issued by a AAA-rated insurance company to the extent permitted by Conn. Gen. Stat. § 36a-337(b) and/or (ii) an irrevocable letter of credit issued by a federal home loan bank meeting the requirements of § 36a-337(c), in each case subject to the approval of the Public Depositor.

Investments

Investments will be made in certificates of deposit with maturities ranging from three months to two years. Each deposit will be confirmed via email on the day of the solicitation, followed by monthly statements providing ongoing confirmation of deposit details.

Because future state budgets needs may require the Treasurer's Office to access funds, each CD of \$5 million or more may include a "put" provision exercisable by the Treasurer's Office. This provision will be specified prior to the execution of the deposit and will be detailed in the solicitation materials before applications are submitted.

Investment Schedules

The Treasurer's Office will accept applications for investments once a month, typically on the first or second Thursday. The application schedule will be posted on the Treasurer's website no later than two weeks before each solicitation and will specify the maximum amount for each term, the solicitation date, the settlement date, and the applicable maturity dates. The Treasurer's Office reserves the right to revise the schedule.

A sample schedule is shown below.

Maximum CD Amount	Application Date	Settlement Date	Maturity Date
\$5,000,000	August 6, 2026	August 7, 2026	November 6, 2026
\$5,000,000	August 6, 2026	August 7, 2026	February 12, 2027
\$5,000,000	August 6, 2026	August 7, 2026	May 6, 2027
\$5,000,000	August 6, 2026	August 7, 2026	August 7, 2027

Investment Process

On the day of the scheduled investment, financial institutions may submit applications from 8:00 to 9:30 a.m., Eastern Time, via e-mail. Applications must be submitted using the standard forms, which will specify the investment amount, investment term, and proposed total amount of interest to be paid at maturity. Other information may be requested, including, but not limited to, information regarding loan types and borrower demographics of loans made within the previous year.

The Treasurer's Office will calculate the rate for each application and compare it to the minimum acceptable rate, defined as 100 basis points below the previous day's U.S. Treasury

bill yield for the same maturity. Financial Institutions offering the largest spread above the minimum acceptable rate will receive priority in allocations, subject to the maximum amounts set by the Treasurer for each term and each institution. Any application below the minimum acceptable rate will be rejected.

The Treasurer's Office will notify each institution by email regarding awarded funds. The institution must reply with an emailed confirmation of the CD trade as soon as possible, but no later than 1:00p.m. Eastern Time on the day of the solicitation. Funds will be wired by the Treasurer's Office on the following day.

Program Diversification

Using a risk-based approach to diversification, no single institution may hold investments totaling more than \$30 million, which is 10% of the current maximum program size of \$300 million, after accounting for any investments scheduled to mature before new allocations are made to that institution.

In addition, pursuant to CGS 4-33, investments in individual financial institutions, together with other state deposits, may not exceed 75 percent of the institution's total capital.

Disclaimer

These guidelines have been prepared for guidance on Connecticut's Community Banking and Credit Union Initiative. Nothing in this document should be deemed to constitute investment, legal, tax, financial, or professional advice, and a participating bank will rely on its own experts in evaluating the program and program requirements.