



Senate

General Assembly

File No. 76

February Session, 2006

Senate Bill No. 227

Senate, March 22, 2006

The Committee on Banks reported through SEN. DUFF of the 25th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT CONCERNING CHECK CASHERS, MONEY TRANSMITTERS
AND OTHER NONMORTGAGE LICENSEES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-540 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2006*):

3 (a) Each license shall specify the location at which the business is to
4 be conducted. Each license shall be maintained at the location for
5 which it was issued and shall be available for public inspection. Such
6 license shall not be transferable or assignable. Any change of location
7 of a licensee shall require only prior written notice to the
8 commissioner. No licensee shall use any name other than the name
9 specified on the license issued by the commissioner.

10 (b) Except as provided in subsection (a) of this section, the applicant
11 for a license under sections 36a-535 to 36a-546, inclusive, or a licensee
12 under said sections, shall notify the commissioner, in writing, of any
13 change in the information provided in its initial application for license

14 or most recent renewal application for such license, as applicable, not
15 later than ten business days after the occurrence of the event that
16 results in such information becoming inaccurate.

17 Sec. 2. Section 36a-559 of the general statutes is repealed and the
18 following is substituted in lieu thereof (*Effective from passage*):

19 No license shall be assignable nor shall any license be transferable to
20 cover a place of business not located in either the same or an adjacent
21 city or town. [Such] Any change in a licensee's place of business either
22 within the same or to an adjacent city or town shall be in accordance
23 with section 36a-562, as amended by this act. The license shall be kept
24 conspicuously posted in the place of business of the licensee. Every
25 license shall remain in force and effect until the same has been
26 surrendered, revoked or suspended, or has expired in accordance with
27 the provisions of sections 36a-555 to 36a-573, inclusive, as amended by
28 this act. Any license which is revoked or suspended shall be
29 immediately surrendered to the commissioner. [If any change occurs
30 in the personnel of the partners, principals, directors, officers or
31 managers of any licensee, the licensee shall forthwith notify the
32 commissioner, and the] Except for a change in the licensee's place of
33 business pursuant to section 36a-562, as amended by this act, the
34 applicant or licensee shall notify the commissioner, in writing, of any
35 change in the information provided in the initial application for license
36 or most recent renewal application for such license, as applicable, not
37 later than ten business days after the occurrence of the event that
38 results in such information becoming inaccurate. The commissioner
39 may require a statement under oath giving such information as the
40 commissioner may reasonably require with respect to any such
41 change.

42 Sec. 3. Section 36a-562 of the general statutes is repealed and the
43 following is substituted in lieu thereof (*Effective from passage*):

44 [Whenever the licensee wishes to change the] Prior to changing a
45 licensee's place of business either within the same city or town or to an
46 adjacent city or town, the licensee shall [give written notice thereof]

47 apply to the commissioner, who shall investigate the facts and, if the
48 commissioner finds (1) that allowing the licensee to engage in business
49 in the proposed location is not detrimental to the convenience and
50 advantage of the community, and (2) that the proposed location is
51 reasonably accessible to borrowers under existing loan contracts, the
52 commissioner shall [enter an order permitting] approve the change,
53 [and shall amend the license accordingly.] If the commissioner does
54 not so find, the commissioner shall [enter an order denying the
55 licensee such permission] deny the application.

56 Sec. 4. Subsection (b) of section 36a-580 of the 2006 supplement to
57 the general statutes is repealed and the following is substituted in lieu
58 thereof (*Effective from passage*):

59 (b) The provisions of this section and sections 36a-581 to 36a-589,
60 inclusive, as amended by this act, shall not apply to: (1) Checks, drafts
61 or money orders cashed without consideration or charge; (2) checks,
62 drafts or money orders cashed as an incident to the conduct of any
63 other lawful business where not more than fifty cents is charged for
64 cashing such check, draft or money order; or (3) any institution subject
65 to and under the general supervision of any agency of the United
66 States or any Connecticut bank [subject to the general supervision of
67 the commissioner] or Connecticut credit union.

68 Sec. 5. Section 36a-581 of the 2006 supplement to the general statutes
69 is repealed and the following is substituted in lieu thereof (*Effective*
70 *October 1, 2006*):

71 (a) Except as provided for in section 36a-580, as amended by this
72 act, no person shall engage in the business of cashing checks, drafts or
73 money orders for consideration without obtaining a license to operate
74 a general facility or a license to operate a limited facility for each
75 location where such business is to be conducted.

76 (b) Each licensee of a limited facility shall continuously maintain at
77 least one operating general facility. A licensee of a limited facility shall
78 not pay any compensation or consideration to any employer.

79 (c) An application for a check cashing license or renewal of such
80 license shall be in writing, under oath and on a form provided by the
81 commissioner. The application shall set forth: (1) The name and
82 address of the applicant; (2) if the applicant is a firm or partnership,
83 the names and addresses of each member of the firm or partnership;
84 (3) if the applicant is a corporation, the names and addresses of each
85 officer, director, authorized agent and each shareholder owning ten
86 per cent or more of the outstanding stock of such corporation; (4) if the
87 applicant is a limited liability company, the names and addresses of
88 each manager and authorized agent of such limited liability company;
89 (5) each location where the check cashing business is to be conducted
90 and the type of facility that will be operated at that location; (6) the
91 business plan, which shall include the proposed days and hours of
92 operation; (7) the amount of liquid assets available for each location
93 which shall not be less than the amount specified in subdivision (7) of
94 subsection (e) of this section; (8) for each limited facility, a copy of the
95 executed contract evidencing the proposed arrangement between the
96 applicant and the employer; and (9) any other information the
97 commissioner may require.

98 (d) A licensee shall not change the name or the location specified on
99 its license unless, prior to such change in name or location, the licensee
100 files an application with the commissioner accompanied by the
101 applicable name change fee or location transfer fee specified in section
102 36a-582, as amended by this act, and receives the approval of the
103 commissioner. A licensee of a limited facility shall not change its
104 approved days and hours of operation unless, prior to any such
105 change, the licensee files an application with and receives the approval
106 of the commissioner. No licensee shall use any name other than the
107 name specified on the license issued by the commissioner.

108 (e) Upon the filing of the required application and the applicable
109 [application and] license and location fees, the commissioner shall
110 investigate the facts and may issue a license if the commissioner finds
111 that (1) the applicant is in all respects properly qualified and of good
112 character, (2) if the applicant is a firm or partnership, each member of

113 the firm or partnership is in all respects properly qualified and of good
114 character, (3) if the applicant is a corporation, each officer, director,
115 authorized agent and each shareholder owning ten per cent or more of
116 the outstanding stock of such corporation is in all respects properly
117 qualified and of good character, (4) if the applicant is a limited liability
118 company, each manager and authorized agent is in all respects
119 properly qualified and of good character, (5) granting such license
120 would not be against the public interest, (6) the applicant has a feasible
121 plan for conducting business, and (7) the applicant has available and
122 shall continuously maintain liquid assets of at least ten thousand
123 dollars for each general facility location and at least two thousand five
124 hundred dollars for each limited facility location specified in the
125 application.

126 (f) [An] Except as provided in subsection (d) of this section, an
127 applicant or licensee shall [promptly] notify the commissioner, in
128 writing, of any change in the information provided in its initial [or
129 renewal] application for [licensure] license or most recent renewal [of]
130 application for such license, as applicable, not later than ten business
131 days after the occurrence of the event that results in such information
132 becoming inaccurate.

133 Sec. 6. Section 36a-582 of the 2006 supplement to the general statutes
134 is repealed and the following is substituted in lieu thereof (*Effective*
135 *October 1, 2006*):

136 (a) Each applicant for a check cashing license shall pay to the
137 commissioner a nonrefundable initial [application] license fee of [one]
138 two thousand dollars and a nonrefundable [license] location fee of
139 [one] two hundred dollars for each location, except that if such
140 application is filed not earlier than one year before the date such
141 license will expire, the applicant shall pay to the commissioner a
142 nonrefundable initial license fee of one thousand dollars and a
143 nonrefundable location fee of one hundred dollars for each location.
144 Each licensee shall pay to the commissioner a nonrefundable (1) name
145 change fee of one hundred dollars for each application to change a

146 name, and (2) location transfer fee of one hundred dollars for each
147 application to transfer a location. Each license issued pursuant to
148 section 36a-581, as amended by this act, shall expire at the close of
149 business on ~~[June]~~ September thirtieth of ~~[each]~~ the odd-numbered
150 year following its issuance unless such license is renewed, provided
151 any license that is renewed effective July 1, 2007, shall expire on
152 September 30, 2009, unless renewed. Each licensee shall, on or before
153 ~~[June twentieth of each year]~~ September first of the year in which the
154 license expires, pay to the commissioner a renewal ~~[application]~~ license
155 fee of ~~[seven hundred fifty]~~ one thousand five hundred dollars and a
156 renewal ~~[license]~~ location fee for each location of ~~[fifty]~~ one hundred
157 dollars for the succeeding ~~[year]~~ two years, commencing ~~[July]~~ October
158 first. In the case of a license that expires on June 30, 2007, each licensee
159 shall, on or before June 1, 2007, pay to the commissioner a renewal
160 license fee of one thousand six hundred eighty-eight dollars and a
161 renewal location fee of one hundred thirteen dollars. Any renewal
162 application filed with the commissioner after September first, or in the
163 case of a license that expires on June 30, 2007, after June 1, 2007, shall
164 be accompanied by a one-hundred-dollar late fee and any such filing
165 shall be deemed to be timely and sufficient for purposes of subsection
166 (b) of section 4-182. Each licensee shall file with the commissioner, not
167 later than September first of each even-numbered year, the information
168 required by subdivision (7) of subsection (c) of section 36a-581, as
169 amended by this act.

170 (b) If the commissioner determines that a check filed with the
171 commissioner to pay ~~[an application or]~~ a license or location fee has
172 been dishonored, the commissioner shall automatically suspend the
173 license or approval or a renewal license that has been issued but is not
174 yet effective. The commissioner shall give the licensee notice of the
175 automatic suspension pending proceedings for revocation or refusal to
176 renew such license and an opportunity for a hearing on such actions in
177 accordance with section 36a-51.

178 (c) Each applicant or licensee shall pay the expenses of any
179 examination or other investigation under sections 36a-580 to 36a-589,

180 inclusive, as amended by this act.

181 (d) No abatement of the [application or] license or location fee shall
182 be made if the license is surrendered, cancelled, revoked or suspended
183 prior to the expiration of the period for which it was issued.

184 Sec. 7. Subsection (b) of section 36a-587 of the 2006 supplement to
185 the general statutes is repealed and the following is substituted in lieu
186 thereof (*Effective from passage*):

187 (b) Whenever it appears to the commissioner that any person has
188 violated, is violating or is about to violate any of the provisions of
189 sections 36a-580 to 36a-589, inclusive, as amended by this act, or any
190 regulation adopted pursuant to said sections, or any licensee or any
191 owner, director, officer, member, partner, shareholder, trustee,
192 employee or agent of such licensee has committed any fraud, engaged
193 in dishonest activities or made any misrepresentation, the
194 commissioner may take action against such person or licensee in
195 accordance with sections 36a-50 and 36a-52.

196 Sec. 8. Subsection (b) of section 36a-598 of the 2006 supplement to
197 the general statutes is repealed and the following is substituted in lieu
198 thereof (*Effective October 1, 2006*):

199 (b) An applicant or licensee shall [promptly] notify the
200 commissioner, in writing, of any change in the information provided
201 in [the] its initial application for a license or most recent renewal [of]
202 application for such license, as applicable, not later than ten business
203 days after the occurrence of the event that results in such information
204 becoming inaccurate.

205 Sec. 9. Section 36a-599 of the 2006 supplement to the general statutes
206 is repealed and the following is substituted in lieu thereof (*Effective*
207 *October 1, 2006*):

208 (a) Each application for an original license shall be accompanied by
209 a nonrefundable investigation fee of five hundred dollars and a license
210 fee of [one] two thousand dollars, except that if such application is

211 filed not earlier than one year before the date such license will expire,
212 the applicant shall pay a nonrefundable investigation fee of five
213 hundred dollars and a license fee of one thousand dollars. Each
214 application for a renewal license shall be accompanied by a license fee
215 of [one] two thousand dollars, or in the case of a license that expires on
216 June 30, 2007, a license fee of two thousand two hundred fifty dollars.
217 The license fee shall be refunded if the application for an original
218 license is denied, the commissioner refuses to issue a renewal license
219 or an application for a license or renewal license is withdrawn prior to
220 issuance of a license or renewal license by the commissioner. Each
221 licensee shall pay to the commissioner a nonrefundable name change
222 fee of one hundred dollars for each application to change a name. No
223 licensee shall use any name other than the name specified on the
224 license issued by the commissioner.

225 (b) A license issued pursuant to sections 36a-595 to 36a-610,
226 inclusive, as amended by this act, shall [remain in full force and effect
227 through the] expire at the close of business on September thirtieth [day
228 of June] of the odd-numbered year following its [date of] issuance,
229 unless renewed or earlier surrendered, suspended or revoked
230 pursuant to said sections, provided any license that is renewed
231 effective July 1, 2007, shall expire on September 30, 2009.

232 Sec. 10. Subsection (a) of section 36a-601 of the general statutes is
233 repealed and the following is substituted in lieu thereof (*Effective*
234 *October 1, 2006*):

235 (a) A license may be renewed for the ensuing [twelve-month]
236 twenty-four-month period upon the filing of an application containing
237 all information required by section 36a-598, as amended by this act.
238 [including the information required by subdivisions (6), (7), (8) and (9)
239 of subsection (a) of said section if not previously filed with the
240 commissioner.] Such renewal application shall be filed [no later than a
241 date specified each year by the commissioner in writing to the licensee]
242 on or before September first of the year in which the license expires, or
243 in the case of an application for renewal of a license that expires on

244 June 30, 2007, on or before June 1, 2007. Any renewal application filed
245 with the commissioner after September first, or in the case of a license
246 that expires on June 30, 2007, after June 1, 2007, shall be accompanied
247 by a one-hundred-dollar late fee and any such filing shall be deemed
248 to be timely and sufficient for purposes of subsection (b) of section 4-
249 182. If an application for a renewal license has been filed with the
250 commissioner on or before the date the license expires, [the
251 commissioner has specified,] the license sought to be renewed shall
252 continue in full force and effect until the issuance by the commissioner
253 of the renewal license applied for or until the commissioner has
254 notified the licensee in writing of the commissioner's refusal to issue
255 such renewal license together with the grounds upon which such
256 refusal is based. The commissioner may refuse to issue a renewal
257 license on any ground on which the commissioner might refuse to
258 issue an original license.

259 Sec. 11. Section 36a-602 of the general statutes is repealed and the
260 following is substituted in lieu thereof (*Effective from passage*):

261 (a) As a condition for the issuance and retention of the license,
262 applicants for a license and licensees shall file with the commissioner a
263 surety bond, the form of which shall be approved by the Attorney
264 General, issued by a bonding company or insurance company
265 authorized to do business in this state. The bond shall be in favor of
266 the commissioner, cover claims that arise during the period the license
267 remains in full force and effect and the succeeding two years after such
268 license has been surrendered, revoked or suspended or has expired, in
269 accordance with the provisions of sections 36a-595 to 36a-610,
270 inclusive, as amended by this act, and be in the principal sum of (1)
271 three hundred thousand dollars for any applicant and any licensee that
272 engages in the business of issuing Connecticut payment instruments
273 with an average daily balance of outstanding Connecticut payment
274 instruments during the two previous reporting quarters of three
275 hundred thousand dollars or less or any licensee that engages in the
276 business of money transmission with an average weekly amount of
277 money or monetary value received or transmitted, whichever amount

278 is greater, during the two previous reporting quarters of one hundred
279 fifty thousand dollars or less; (2) five hundred thousand dollars for any
280 licensee that engages in the business of issuing Connecticut payment
281 instruments with an average daily balance of outstanding Connecticut
282 payment instruments during the two previous reporting quarters of
283 greater than three hundred thousand dollars but less than five
284 hundred thousand dollars or any licensee that engages in the business
285 of money transmission with an average weekly amount of money or
286 monetary value received or transmitted, whichever amount is greater,
287 during the two previous reporting quarters of greater than one
288 hundred fifty thousand dollars but less than two hundred fifty
289 thousand dollars; and (3) one million dollars for any licensee that
290 engages in the business of issuing Connecticut payment instruments
291 with an average daily balance of outstanding Connecticut payment
292 instruments during the two previous reporting quarters equal to or
293 greater than five hundred thousand dollars or any licensee that
294 engages in the business of money transmission with an average weekly
295 amount of money or monetary value received or transmitted,
296 whichever amount is greater, during the two previous reporting
297 quarters of two hundred fifty thousand dollars or greater. The
298 proceeds of the bond, even if commingled with other assets of the
299 licensee, shall be deemed by operation of law to be held in trust for the
300 benefit of any claimants against the licensee to serve the faithful
301 performance of the obligations of the licensee with respect to the
302 receipt, handling, transmission or payment of money or monetary
303 value in connection with the sale and issuance of payment instruments
304 or transmission of money in the event of the bankruptcy of the
305 licensee, and shall be immune from attachment by creditors or
306 judgment creditors. The commissioner may proceed on such bond
307 against the principal or surety thereon, or both, to collect any civil
308 penalty imposed upon the licensee pursuant to subsection (a) of
309 section 36a-50. In the event a license has been surrendered, revoked or
310 suspended or has expired, in accordance with the provisions of
311 sections 36a-595 to 36a-610, inclusive, as amended by this act, the
312 commissioner, in the commissioner's discretion, may lower the

313 required principal sum of the bond based on the licensee's level of
314 business and outstanding Connecticut payment instruments.

315 (b) The surety company may cancel the bond at any time by a
316 written notice to the licensee, stating the date cancellation shall take
317 effect. Such notice shall be sent by certified mail to the licensee at least
318 thirty days prior to the date of cancellation. A surety bond shall not be
319 cancelled unless the surety company notifies the commissioner in
320 writing not less than thirty days prior to the effective date of
321 cancellation. The commissioner shall automatically suspend the license
322 on the date the cancellation takes effect, unless the surety bond has
323 been replaced or renewed, all of the principal sum of such surety bond
324 has been invested as provided in subsection (c) of this section, or the
325 surety bond has been replaced in part and the remaining part of the
326 principal sum of such surety bond has been invested as provided in
327 subsection (c) of this section or unless the licensee has ceased business
328 and has voluntarily surrendered the license. The commissioner shall
329 give the licensee notice of the automatic suspension pending
330 proceedings for revocation or refusal to renew such license and an
331 opportunity for a hearing on such actions in accordance with section
332 36a-51.

333 (c) In lieu of all or part of the principal sum of such surety bonds,
334 applicants for a license and licensees may invest such sum as provided
335 in this subsection. The book or market value, whichever is lower, of
336 such investments shall be equal to the amount of the bond required by
337 subsection (a) of this section less the amount of the bond filed with the
338 commissioner by the applicant or licensee. Such applicants and
339 licensees shall keep such investments [may be:]

340 [(1) Deposits] with such banks, Connecticut credit unions or federal
341 credit unions as such applicants or licensees may designate and the
342 commissioner may approve, and [in accordance with such regulations
343 as the commissioner may adopt; or]

344 [(2) Interest-bearing] subject to such conditions as the commissioner
345 deems necessary for the protection of consumers and in the public

346 interest. As used in this subsection, "investments" means: (1) Dollar
347 deposits; and (2) interest-bearing bills, notes, bonds, debentures or
348 other obligations issued or guaranteed by (A) the United States or any
349 of its agencies or instrumentalities, or (B) any state, or any agency,
350 instrumentality, political subdivision, school district or legally
351 constituted authority of any state if such investment is of prime
352 quality.

353 [(d)] The investments [provided for in subsection (c) of this section]
354 shall secure the same obligation as would a surety bond filed under
355 this section. [As long as a licensee continues business in the ordinary
356 course, it] The investments shall be held at such banks or credit unions
357 to cover claims during the period the license remains in full force and
358 effect and the succeeding two years after such license has been
359 surrendered, revoked or suspended or has expired in accordance with
360 the provisions of sections 36a-595 to 36a-610, inclusive, as amended by
361 this act. The licensee shall be permitted to collect interest on such
362 investments and at any time to exchange, examine, and compare such
363 investments. The investments made pursuant to this section, even if
364 commingled with other assets of the licensee, shall be deemed by
365 operation of law to be held in trust for the benefit of any claimants
366 against the licensee to serve the faithful performance of the obligations
367 of the licensee with respect to the receipt, handling, transmission or
368 payment of money in connection with the sale and issuance of
369 Connecticut payment instruments or transmission of money in the
370 event of the bankruptcy of the licensee, and shall be immune from
371 attachment by creditors or judgment creditors.

372 Sec. 12. Section 36a-656 of the general statutes is repealed and the
373 following is substituted in lieu thereof (*Effective from passage*):

374 (a) No person, other than a bona fide nonprofit organization, shall
375 engage in the business of debt adjustment in this state. No bona fide
376 nonprofit organization shall engage in the business of debt adjustment
377 in this state without a debt adjuster license. Any bona fide nonprofit
378 organization desiring to obtain such a license shall file with the

379 commissioner an application under oath, setting forth such
380 information as the commissioner may require. [Each applicant for a
381 license and each licensee shall notify the commissioner of any change
382 in the applicant's business from that stated in the application for the
383 license.]

384 (b) If the commissioner finds, upon the filing of an application for a
385 debt adjuster license, that: (1) The financial responsibility, character,
386 reputation, integrity and general fitness of the applicant and of the
387 partners thereof if the applicant is a partnership, of the members if the
388 applicant is a limited liability company or association, and of the
389 officers, directors and principal employees if the applicant is a
390 corporation, are such as to warrant belief that the business will be
391 operated soundly and efficiently, in the public interest and consistent
392 with the purposes of sections 36a-655 to 36a-665, inclusive, as amended
393 by this act; and (2) the applicant is solvent and no proceeding in
394 bankruptcy, receivership or assignment for the benefit of creditors has
395 been commenced against the applicant, the commissioner may
396 thereupon issue the applicant a debt adjuster license. If the
397 commissioner fails to make such findings, the commissioner shall not
398 issue a license and shall notify the applicant of the reasons for such
399 denial. Any denial of an application by the commissioner shall, when
400 applicable, be subject to the provisions of section 46a-80.

401 (c) Each applicant for an original debt adjuster license shall, at the
402 time of making such application, pay to the commissioner an
403 application fee of two hundred fifty dollars. Each such license shall
404 expire at the close of business on September thirtieth of the odd-
405 numbered year following its issuance unless such license is renewed.
406 Any license issued prior to October 1, 2002, shall expire on September
407 30, 2003, unless renewed. Each licensee shall, on or before September
408 first of the year in which the license expires, file such renewal
409 application as the commissioner may require.

410 (d) The applicant or licensee shall notify the commissioner, in
411 writing, of any change in the information provided in its initial

412 application for license or most recent renewal application for such
413 license, as applicable, not later than ten business days after the
414 occurrence of the event that results in such information becoming
415 inaccurate.

416 [(d)] (e) If the commissioner determines that a check filed with the
417 commissioner to pay an application fee has been dishonored, the
418 commissioner shall automatically suspend the license or a renewal
419 license that has been issued but is not yet effective. The commissioner
420 shall give the licensee notice of the automatic suspension pending
421 proceedings for revocation or refusal to renew and an opportunity for
422 a hearing on such actions in accordance with section 36a-51.

423 [(e)] (f) No abatement of the license fee shall be made if the license is
424 surrendered, revoked or suspended prior to the expiration of the
425 period for which it was issued. The fee required by subsection (c) of
426 this section shall be nonrefundable.

427 Sec. 13. Subsection (a) of section 36a-664 of the general statutes is
428 repealed and the following is substituted in lieu thereof (*Effective from*
429 *passage*):

430 (a) (1) Except as provided in subdivision (2) of this subsection, no
431 such license, and no renewal thereof, shall be granted unless the
432 applicant has filed a surety bond with the commissioner written by a
433 surety authorized to write such bonds in this state, provided any
434 applicant that files applications for licenses for more than one location
435 shall file a single bond. For every applicant, the principal amount of
436 the bond shall be the greater of (A) forty thousand dollars, or (B) twice
437 the amount of the highest total payments received by the applicant
438 from Connecticut debtors in connection with the applicant's debt
439 adjustment activity in any month during the preceding twelve months
440 ending [March] July thirty-first of each year. Each licensee shall submit
441 to the commissioner evidence that the bond complies with the
442 provisions of this subdivision by September first of each year.

443 (2) If a licensee or applicant for renewal of a license establishes that

444 such licensee or applicant is unable to comply with the bond required
445 by subdivision (1) of this subsection, it may submit to the
446 commissioner, by July first, a request for an alternative to such
447 requirement. If the commissioner finds that the financial responsibility,
448 character, reputation, integrity and general fitness of the applicant so
449 warrant, the commissioner may permit the applicant or licensee to
450 supplement the maximum surety bond that it can obtain, provided the
451 principal amount of the surety bond shall be a minimum of forty
452 thousand dollars, with such other bonds or insurance policies, in such
453 amounts, for such period and subject to such conditions as the
454 commissioner may approve. Any such bond or insurance policy shall
455 be written or issued by a surety or insurance company authorized to
456 write such bonds or sell such insurance in this state.

457 (3) The form of any surety bond submitted pursuant to this section
458 shall be approved by the Attorney General. Any surety bond filed
459 under this section shall be conditioned upon the licensee faithfully
460 performing any and all written agreements with debtors, truly and
461 faithfully accounting for all funds received by the licensee in the
462 licensee's capacity as a debt adjuster, and conducting such business
463 consistent with the provisions of sections 36a-655 to 36a-665, inclusive,
464 as amended by this act. Any debtor who may be damaged by failure to
465 perform any written agreements, or by the wrongful conversion of
466 funds paid to a licensee, may proceed on any such surety bond against
467 the principal or surety thereon, or both, to recover damages. The
468 commissioner may proceed on any such surety bond against the
469 principal or surety thereon, or both, to collect any civil penalty
470 imposed upon the licensee pursuant to subsection (a) of section 36a-50.
471 The proceeds of any bond or insurance policy, even if commingled
472 with other assets of the licensee, shall be deemed by operation of law
473 to be held in trust for the benefit of such claimants against the licensee
474 in the event of bankruptcy of the licensee and shall be immune from
475 attachment by creditors and judgment creditors. Any bond or
476 insurance policy required by this section shall be maintained during
477 the entire period of the license granted to the applicant, and the
478 aggregate liability under any such bond or insurance policy shall not

479 exceed the principal amount of the bond or the limit of liability of the
480 insurance policy.

481 Sec. 14. Subdivision (1) of subsection (b) of section 36a-801 of the
482 2006 supplement to the general statutes is repealed and the following
483 is substituted in lieu thereof (*Effective October 1, 2006*):

484 (b) (1) Any person desiring to act within this state as a consumer
485 collection agency shall make a written application to the commissioner
486 for such license in such form as the commissioner prescribes. Such
487 application shall be accompanied by (A) a financial statement prepared
488 by a certified public accountant or a public accountant, the accuracy of
489 which is sworn to under oath before a notary public by the proprietor,
490 a general partner or a corporate officer or a member duly authorized to
491 execute such documents, (B) a license fee of eight hundred dollars, or
492 in the case of an initial application that is filed not earlier than one year
493 before the date such license will expire, a license fee of four hundred
494 dollars, and (C) an investigation fee of one hundred dollars. The
495 commissioner shall cause to be made such inquiry and examination as
496 to the qualifications of each such applicant as the commissioner deems
497 necessary. Each applicant shall furnish satisfactory evidence to the
498 commissioner that the applicant is a person of good moral character
499 and is financially responsible. If the commissioner is satisfied that such
500 applicant is in all respects properly qualified and trustworthy and that
501 the granting of such license is not against the public interest, the
502 commissioner may issue to such applicant a license, in such form as
503 the commissioner may adopt, to act within this state as a consumer
504 collection agency. Any such license issued by the commissioner shall
505 expire at the close of business on September thirtieth of the odd-
506 numbered year following its issuance, unless such license is renewed,
507 provided any license that is renewed effective May 1, 2003, shall expire
508 on September 30, 2005. The commissioner may renew such application,
509 in the commissioner's discretion, upon filing of a proper renewal
510 application accompanied by a license fee of eight hundred dollars, or
511 in the case of an application for renewal of a license that expires on
512 April 30, 2003, a license fee of one thousand dollars, and satisfactory

513 proof that such applicant at that time possesses the required
514 qualifications for the license. Such renewal application shall be filed
515 with the commissioner on or before September first of the year in
516 which the license expires, or in the case of a license that expires on
517 April 30, 2003, on or before April 1, 2003. Any renewal application
518 filed with the commissioner after September first, or in the case of a
519 license that expires on April 30, 2003, after April 1, 2003, shall be
520 accompanied by a one-hundred-dollar late fee and any such filing shall
521 be deemed to be timely and sufficient for purposes of subsection (b) of
522 section 4-182. Whenever an application for a license, other than a
523 renewal application, is filed under sections 36a-800 to 36a-810,
524 inclusive, as amended by this act, by any person who was a licensee
525 under said sections 36a-800 to 36a-810, inclusive, and whose license
526 expired less than sixty days prior to the date such application was
527 filed, such application shall be accompanied by a one-hundred-dollar
528 processing fee in addition to the application fee. To further the
529 enforcement of this section and to determine the eligibility of any
530 person holding a license, the commissioner may, as often as the
531 commissioner deems necessary, examine the licensee's books and
532 records, and may, at any time, require the licensee to submit such a
533 financial statement for the examination of the commissioner, so that
534 the commissioner may determine whether the licensee is financially
535 responsible to carry on a consumer collection agency business within
536 the intents and purposes of sections 36a-800 to 36a-810, inclusive, as
537 amended by this act. Any financial statement submitted by a licensee
538 shall be confidential and shall not be a public record unless introduced
539 in evidence at a hearing conducted by the commissioner. The applicant
540 or licensee shall notify the commissioner, in writing, of any change in
541 the information provided in its initial application for license or most
542 recent renewal application for such license, as applicable, not later than
543 ten business days after the occurrence of the event that results in such
544 information becoming inaccurate.

This act shall take effect as follows and shall amend the following sections:

| | | |
|-----------|------------------------|---------------|
| Section 1 | <i>October 1, 2006</i> | 36a-540 |
| Sec. 2 | <i>from passage</i> | 36a-559 |
| Sec. 3 | <i>from passage</i> | 36a-562 |
| Sec. 4 | <i>from passage</i> | 36a-580(b) |
| Sec. 5 | <i>October 1, 2006</i> | 36a-581 |
| Sec. 6 | <i>October 1, 2006</i> | 36a-582 |
| Sec. 7 | <i>from passage</i> | 36a-587 (b) |
| Sec. 8 | <i>October 1, 2006</i> | 36a-598(b) |
| Sec. 9 | <i>October 1, 2006</i> | 36a-599 |
| Sec. 10 | <i>October 1, 2006</i> | 36a-601(a) |
| Sec. 11 | <i>from passage</i> | 36a-602 |
| Sec. 12 | <i>from passage</i> | 36a-656 |
| Sec. 13 | <i>from passage</i> | 36a-664(a) |
| Sec. 14 | <i>October 1, 2006</i> | 36a-801(b)(1) |

BA *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 07 \$ | FY 08 \$ |
|------------------------|------------------------|-----------------|-----------------|
| Banking Dept. | Various - Revenue Gain | Minimal | Minimal |

Municipal Impact: None

Explanation

The bill increases various fees in relation to the check casher license and the money transmitter license and makes various changes to the license renewal periods for both license categories. In FY 05, the Banking Department collected \$42,600 in check casher license fees and \$51,500 in money transmitter fees. Both fees are deposited into the Banking Fund. As a result of the fee increase in the bill, there will be a minimal revenue gain to the state.

The bill also gives the Banking Department commissioner the authority to impose civil penalties and cease and desist orders on violators of check cashing laws. To the extent that civil penalties are imposed as a result of the bill, this would result in a revenue gain to the state.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**SB 227*****AN ACT CONCERNING CHECK CASHERS, MONEY TRANSMITTERS AND OTHER NONMORTGAGE LICENSEES.*****SUMMARY:**

This bill makes 10 business days the uniform time period for certain license applicants to notify the banking commissioner in writing of any changes in information contained in their initial or most recent renewal application. It applies to sales finance companies, small loan lenders, check cashers, money transmitters, debt adjusters, and consumer collection agencies. The bill does not apply to small loan licensees' changes in their place of business. Current law requires (1) check cashers and money transmitters to "promptly" notify the commissioner of any changes and (2) small loan licensees to "forthwith" notify the commissioner of changes in partners, principals, directors, officers, or managers of the licensee.

The bill also:

1. extends the period for which money transmitter and check casher licenses are valid from one year to two and prohibits them from using any name other than the one on their license;
2. increases the commissioner's authority to impose penalties on check cashers; and
3. changes bonding requirements for money transmitters and debt adjusters.

EFFECTIVE DATE: October 1, 2006 for the provisions on sales finance companies and check casher and money transmitter licensing procedures. Upon passage for the sections on small loan licensees, the

check casher license exemption for Connecticut credit unions, violations of check cashing laws, investments in lieu of bonds for money transmitters, and debt adjusters.

SMALL LOAN LICENSEES

Change in Place of Business (§3)

Under current law, a small loan licensee must give written notice before changing his place of business. After investigating the facts and making certain findings, the commissioner must either enter an order approving the change and amend the license accordingly or enter an order denying the change. The bill requires a small loan licensee to apply to the banking commissioner before changing his place of business and gives the commissioner the authority to approve or deny the application rather than enter an order. Small loan licensees are generally those licensed to make loans of less than \$15,000, but excludes certain entities like banks and credit unions.

CHECK CASHERS

Application Changes Fees (§5 & §6)

Application Fees. The bill raises current law's initial nonrefundable (1) license renewal fee from \$1,000 to \$2,000 and (2) location fees from \$100 to \$200. If the application is filed less than one year before the license expiration date the initial license fee remains \$1,000 and the location fee \$100 for each location.

License Period and Renewal. Under current law, check cashing licenses are valid for one year, running from July 1 to June 30. The bill (1) increases the license period from one year to two and (2) changes the beginning and end dates of the license period to October 1 and September 30 respectively, of the odd number year following issuance.

The bill changes from each June 20 to September 1 of the license expiration year, the date by which a licensee must pay the license and location renewal fees and doubles those fees from \$750 to \$1,500 and from \$50 to \$100 respectively to reflect the extended licensing period.

The bill provides that any license renewed effective July 1, 2007 will expire on September 30 unless renewed. For licenses under the existing expiration period expiring July 30, 2007, the bill requires the licensee to pay a renewal license fee of \$1,688 and a renewal location fee of \$113 by July 1, 2007. Finally, the bill imposes a \$100 application renewal late fee for applications filed after September 1, or July 1, 2007 for licenses expiring June 30, 2007. The bill deems applications filed with the late fee to be timely and sufficient.

Liquid Assets. The bill requires licensees to file a report with the commissioner, by September 1 of each even-numbered year, specifying liquid assets available for each check cashing location. A licensee must have at least \$10,000 for each general facility location and at least \$2,500 for each limited facility location.

Connecticut Credit Unions (§4)

The bill exempts Connecticut-chartered credit unions from check casher licensing laws. The law already exempts any institution subject to and under the general supervision of a federal agency and any Connecticut bank.

Violations of Check Cashing Laws (§7)

The bill gives the commissioner the authority to impose a civil penalty or issue a cease and desist order whenever it appears to him that a person is violating, has violated, or is about to violate the check cashing laws and any regulations adopted under those laws. Current law only specifically gives him such authority only for actual statutory violations.

MONEY TRANSMITTERS

Licenses (§9 & §10)

License Period. Under current law, money transmitter licenses are valid for one year, running from July 1 to June 30. The bill (1) increases the license period from one year to two and (2) changes the beginning and end dates of the license period to October 1 and September 30 respectively, of the odd number year following issuance. For licenses

renewed effective July 1, 2007, the bill sets the expiration date at September 30, 2009.

The bill sets the same license renewal dates and late fee provisions as described above for check cashers.

Fees. The bill raises the original license fee from \$1,000 to \$2,000. If the application is filed less than one year before the license expiration date the fee is \$1,000 and the existing non-refundable \$500 investigation fee remains the same. The bill raises the renewal application fee from \$1,000 to \$2,000, except that for licenses expiring on June 30, 2007, the fee is \$2,250.

License Renewal (§10)

Investments in Lieu of Bonds (§11)

Generally, money transmitters must file a surety bond with the commissioner as a condition of getting or keeping a license. The law allows money transmitters to invest the bond amount in lieu of all or part of the principal surety bond. The bill requires applicants or licensees to keep the investment funds with banks or Connecticut or federal credit unions they designate and the commissioner approves. The bill also requires that investments be kept subject to the conditions the commissioner deems necessary to protect consumers and in the public interest. It requires that the investments be held at the designated bank or credit union to cover claims during the license period and for a period of two years after the license has been surrendered, revoked, terminated, or expired.

Finally, it includes dollar deposits within current law's definition of "investments," which already includes interest bearing bills, notes, bonds, debentures, and certain other obligations.

DEBT ADJUSTERS

Determining the Surety Bond Amount (§13)

The bill changes the period for calculating the amount of the surety bond debt adjusters must file from March 31 to July 31 of each year. By

law the principal amount of the bond must be the greater of \$40,000 or twice the amount of the highest total payments received by the applicant from Connecticut debtors in relation to debt-adjustment activity in the preceding 12 month period. Debt adjustment means receiving, as agent of a debtor, money or evidences thereof for the purpose of distributing it among creditors in full or partial payment of the debtor's obligations.

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 18 Nay 0 (03/09/2006)