



House of Representatives

General Assembly

File No. 496

February Session, 2002

Substitute House Bill No. 5457

House of Representatives, April 15, 2002

The Committee on Banks reported through REP. DOYLE of the 28th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING PAYMENT OF MORTGAGE LOAN PROCEEDS BY WIRE TRANSFER.

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

1 Section 1. (NEW) (*Effective October 1, 2002*) Any person or entity
2 engaged in the business of making first mortgage loans in this state
3 and licensed in accordance with sections 36a-485 to 36a-498, inclusive,
4 of the general statutes, as amended by substitute senate bill 231 of the
5 current session, that chooses to utilize a wire transfer to send the loan
6 proceeds, shall transfer the loan proceeds to the account of the
7 mortgagee's attorney by a wire transfer in a timely manner, but in any
8 event not later than the scheduled date and time of the closing of the
9 loan, except that in the case of a mortgage refinancing where any right
10 of rescission under 12 CFR 226.23 has terminated, any such wire
11 transfer shall be in a timely manner, but in any event not later than the
12 disbursement date.

13 Sec. 2. (NEW) (*Effective October 1, 2002*) The Banking Commissioner

14 may suspend, revoke or refuse to renew a license pursuant to section
15 36a-51 of the general statutes, as amended, issued to a person or entity
16 engaged in the business of making first mortgage loans in this state
17 and licensed in accordance with sections 36a-485 to 36a-498, inclusive,
18 of the general statutes, as amended by substitute senate bill 231 of the
19 current session, that fails to comply with section 1 of this act.

This act shall take effect as follows:	
Section 1	<i>October 1, 2002</i>
Sec. 2	<i>October 1, 2002</i>

BA *Joint Favorable Subst.*

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:

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
BF - Revenue Loss	Banking Dept.	-	Potential	Potential

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill could result in a revenue loss for the Banking Fund with the banking commissioner’s authority to suspend, revoke or fail to renew the license of a person or entity engaged in the business of making first mortgage loans in the state.

OLR Bill Analysis

sHB 5457

AN ACT CONCERNING PAYMENT OF MORTGAGE LOAN PROCEEDS BY WIRE TRANSFER**SUMMARY:**

This bill requires any licensed person or business making first mortgage loans in the state that uses wire transfers to send loan proceeds, to transfer such proceeds to the account of the mortgagee's attorney in a timely manner, but no later than the scheduled date and time of closing. In a mortgage refinancing, after termination of the three-day right of rescission period, the bill requires transfers to be made in a timely manner, but no later than the disbursement date.

The bill authorizes the banking commissioner to suspend, revoke, or refuse to renew the license of any such person or business who fails to comply with the wire transfer requirements.

EFFECTIVE DATE: October 1, 2002

BACKGROUND***Related Bill***

Substitute Senate Bill 231 expands current mortgage licensing requirements to mortgage correspondent lenders and originators. First and second mortgage correspondent lenders are people who make mortgage loans in their own name but (1) do not fund them; (2) hold them for less than 90 days; or (3) arrange for someone else to fund them through a warehouse, table funding, or similar agreement. Originators are people who get paid to set up a first or second mortgage loan through a first or second mortgage lender or broker. A first or second mortgage lenders or broker must register them with the banking commissioner before they can engage in mortgage loan originations.

Legislative History

On March 21, the House referred the bill (File 42) to the Banks Committee. On March 28, the Banks Committee reported the substitute bill, which eliminated the requirement that wire transfers be made no later three hours before closing. The substitute also added the authority for the banking commissioner to suspend, revoke, or refuse to renew licenses for failing to comply with wire transfer requirements.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 17 Nay 0

Banks Committee

Joint Favorable Substitute
Yea 13 Nay 0