



General Assembly

January Session, 2003

Raised Bill No. 889

LCO No. 2910

Referred to Committee on Banks

Introduced by:
(BA)

AN ACT CONCERNING CONSUMER REVOLVING LOANS.

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

1 Section 1. Section 49-2 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2003*):

3 (a) Premiums of insurance, taxes and assessments paid by the
4 mortgagee and payments of interest or installments of principal due on
5 any prior mortgage or lien by any subsequent mortgagee or lienor of
6 any property to protect his interest therein, are a part of the debt due
7 the mortgagee or lienor.

8 (b) Advancements may be made by a mortgagee for repairs,
9 alterations or improvements and are a part of the debt due the
10 mortgagee, provided (1) advancements for those repairs, alterations or
11 improvements shall not be made if the indebtedness at the time of the
12 advancement exceeds the amount of the original mortgage debt; (2) the
13 advancements shall not exceed the difference between the
14 indebtedness at the time of the advancement and the original
15 mortgage debt, if the original mortgage debt is greater than the then
16 indebtedness; (3) the total amount of all of the advancements for

17 repairs, alterations and improvements outstanding at any time shall
18 not exceed one thousand dollars; (4) the original mortgage shall be
19 executed and recorded after October 1, 1947; and (5) the terms of
20 repayment of the advancements shall not increase the time of
21 repayment of the original mortgage debt.

22 (c) Advancements may also be made by a mortgagee, or the
23 assignee of any mortgagee, under an open-end mortgage to the
24 original mortgagor, or to the assign or assigns of the original
25 mortgagor who assume the existing mortgage, or any of them, and any
26 such mortgage debt and future advances shall, from the time such
27 mortgage deed is recorded, without regard to whether the terms and
28 conditions upon which such advances will be made are contained in
29 the mortgage deed and, in the case of an open-end mortgage securing
30 a commercial revolving loan, a consumer revolving loan or a letter of
31 credit, without regard to whether the authorized amount of
32 indebtedness shall at that time or any time have been fully advanced,
33 be a part of the debt due such mortgagee and be secured by such
34 mortgage equally with the debts and obligations secured thereby at the
35 time of recording the mortgage deed and have the same priority over
36 the rights of others who may acquire any rights in, or liens upon, the
37 mortgaged real estate subsequent to the recording of such mortgage
38 deed, provided: (1) The heading of any such mortgage deed shall be
39 clearly entitled "Open-End Mortgage"; (2) the mortgage deed shall
40 contain specific provisions permitting such advancements and, if
41 applicable, shall specify that such advancements are made pursuant to
42 a commercial revolving loan agreement, a consumer revolving loan
43 agreement or a letter of credit; (3) the mortgage deed shall state the full
44 amount of the loan therein authorized; (4) the terms of repayment of
45 such advancements shall not extend the time of repayment beyond the
46 maturity of the original mortgage debt, provided this subdivision shall
47 not be applicable where such advancements are made or would be
48 made pursuant to a commercial revolving loan agreement, a consumer
49 revolving loan agreement or a letter of credit, and the mortgage deed
50 specifies that such advancements are repayable upon demand or by a

51 date which shall not be later than thirty years from the date of the
52 mortgage; (5) such advancements shall be secured or evidenced by a
53 note or notes signed by the original mortgagor or mortgagors or any
54 assign or assigns of the original mortgagor or mortgagors who assume
55 the existing mortgage, or any of them, but no note shall be required
56 with respect to any advancements made pursuant to a commercial
57 revolving loan agreement, a consumer revolving loan agreement or a
58 letter of credit as long as such advancements are recorded in the books
59 and records of the original mortgagee or its assignee; (6) the original
60 mortgage shall be executed and recorded after October 1, 1955; (7) the
61 original mortgagor or mortgagors, or any assign or assigns of the
62 original mortgagor or mortgagors who assume the existing mortgage,
63 or any of them, are hereby authorized to record a written notice
64 terminating the right to make such optional future advances secured
65 by such mortgage or limiting such advances to not more than the
66 amount actually advanced at the time of the recording of such notice,
67 provided a copy of such written notice shall also be sent by registered
68 or certified mail, postage prepaid and return receipt requested, to the
69 mortgagee, or a copy of such written notice shall be delivered to the
70 mortgagee by a proper officer or an indifferent person and a receipt for
71 the same received from the mortgagee, and such notice, unless a later
72 date is recorded or specified in the notice, shall be effective from the
73 time it is received by the mortgagee; (8) except that if any such
74 optional future advance or advances are made by the mortgagee, or
75 the assignee of any mortgagee, to the original mortgagor or
76 mortgagors, or any assign or assigns who assume the existing
77 mortgage, or any of them, after receipt of written notice of any
78 subsequent mortgage, lien, attachment, lis pendens, legal proceeding
79 or adjudication against such real property, then the amount of any
80 such advance, other than an advance made pursuant to a commercial
81 revolving loan agreement or a letter of credit, shall not be a priority as
82 against any such mortgage, lien, attachment, lis pendens or
83 adjudication of which such written notice was given; (9) any notice
84 given to the mortgagee under the terms of subdivision (8) of this

85 subsection shall be deemed valid and binding upon the original
86 mortgagee or any assignee of the original mortgagee, in the case of a
87 mortgagee other than a banking institution, on the next business day
88 following receipt by such mortgagee of such notice sent by registered
89 or certified mail, postage prepaid and return receipt requested or by
90 hand delivery with a signed receipt, and in the case of a mortgagee
91 which is a banking institution, on the next business day following
92 receipt at the main office of such banking institution of such notice sent
93 by registered or certified mail, postage prepaid and return receipt
94 requested or by hand delivery with a signed receipt. For the purposes
95 of this subsection: (A) "Banking institution" means a bank and trust
96 company, a national banking association having its main office in this
97 state, a savings bank, a federal savings bank having its main office in
98 this state, a savings and loan association, a federal savings and loan
99 association having its main office in this state, a credit union having
100 assets of two million dollars or more, or a federal credit union having
101 its main office in this state and having assets of two million dollars or
102 more; (B) "commercial revolving loan" means a loan to a foreign or
103 domestic corporation, partnership, sole proprietorship, association or
104 entity, or any combination thereof, organized for profit and engaged
105 primarily in commercial, manufacturing or industrial pursuits, which
106 loan entails advances of all or part of the loan proceeds and
107 repayments of all or part of the outstanding balance of the loan from
108 time to time; and (C) "consumer revolving loan" means a loan to one or
109 more individuals, the proceeds of which are intended primarily for
110 personal, family or household purposes, which is secured by a
111 mortgage on residential real property, and is made pursuant to an
112 agreement between the mortgagor and mortgagee which (i) provides
113 for advancements of all or part of the loan proceeds during a period of
114 time which shall not exceed ten years from the date of such agreement
115 and for repayments of the loan from time to time, (ii) provides for
116 payments to be applied at least in part to the unpaid principal balance
117 not later than ten years from the date of the loan, [(iii) does not
118 authorize access to the loan proceeds by a credit card or any similar

119 instrument or device, whether known as a credit card, credit plate, or
120 by any other name, issued with or without a fee by an issuer for the
121 use of the cardholder in obtaining money, goods, services, or anything
122 else of value on credit, and (iv)] and (iii) does not provide that such a
123 revolving loan to more than one mortgagor will be immediately due
124 and payable upon the death of fewer than all the mortgagors who
125 signed the revolving loan agreement. Nothing in this subsection shall
126 affect the validity or enforceability of any loan agreement which
127 provides for future advancements by a lender to a borrower as
128 between such parties or their heirs, successors or assigns, or shall affect
129 the validity or enforceability of any mortgage securing any such loan
130 that would be valid and enforceable without the provisions of this
131 subsection.

132 (d) (1) Any mortgage to secure advancements made by a mortgagee
133 or its assignee to a mortgagor pursuant to the terms of a mortgage
134 securing a reverse annuity mortgage loan, as defined in subdivision (4)
135 of subsection (a) of section 36a-265, shall be sufficiently definite and
136 certain and valid to secure all money actually advanced pursuant to
137 and in accordance with its terms, whether at or subsequent to closing
138 of the loan, up to but not exceeding the full amount of the loan therein
139 authorized with the same priority as if all such money had been
140 advanced at the time such mortgage was delivered if such mortgage
141 sets forth: (A) That it is a "reverse annuity mortgage loan" and contains
142 a reference to subdivision (4) of subsection (a) of section 36a-265; (B)
143 the full amount of the loan authorized; (C) a statement of the dates on
144 which such advancements are to be made and the amounts of such
145 advancements; and (D) the events which will give rise to the maturity
146 of the loan.

147 (2) The mortgagee or its assignee and the mortgagor may
148 subsequently modify the dates set forth in the mortgage for
149 advancements by a writing setting forth such modification signed by
150 the mortgagee or its assignee and the mortgagor and recorded upon
151 the proper land records. Such modification shall in no way limit or

152 otherwise affect the priority of such mortgage.

153 (e) Any mortgagee of real property located in this state may contract
154 with the mortgagor in connection with the mortgage loan for interest
155 to be paid currently or to accrue, and, if such interest is to accrue, for
156 such accrued interest to be added to the principal mortgage debt on
157 which interest may be charged and collected. Such accrued interest
158 which is added to the principal mortgage debt shall be secured by the
159 mortgage to the same extent as the original principal of such mortgage
160 debt.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>

BA *Joint Favorable*