



# House of Representatives

General Assembly

**File No. 150**

February Session, 2004

Substitute House Bill No. 5411

*House of Representatives, March 18, 2004*

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 CONSUMER CREDIT LICENSEES AND CREDITORS' COLLECTION PRACTICES.**

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

1 Section 1. Section 36a-485 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2004*):

3 As used in this section and sections 36a-486 to [36a-498] 36a-498a,  
4 inclusive, as amended by this act, unless the context otherwise  
5 requires:

6 (1) "Advance fee" means any consideration paid or given, directly or  
7 indirectly, to a mortgage lender, first mortgage broker or originator  
8 required to be licensed or registered pursuant to sections 36a-485 to  
9 [36a-498] 36a-498a, inclusive, as amended by this act, prior to the  
10 closing of a first mortgage loan to any person, including, but not  
11 limited to, loan fees, points, broker's fees or commissions, transaction  
12 fees or similar prepaid finance charges;

13 (2) "Advertise" or "advertisement" means the use of media, mail,  
14 computer, telephone, personal contact or any other means to offer the  
15 opportunity for a first mortgage loan;

16 (3) "First mortgage broker" means a person who, for a fee,  
17 commission or other valuable consideration, directly or indirectly,  
18 negotiates, solicits, arranges, places or finds a first mortgage loan that  
19 is to be made by a mortgage lender, whether or not the mortgage  
20 lender is required to be licensed under sections 36a-485 to [36a-498]  
21 36a-498a, inclusive, as amended by this act;

22 (4) "First mortgage correspondent lender" means a person engaged  
23 in the business of making first mortgage loans in such persons own  
24 name where the loans are not held by such person for more than  
25 ninety days and are funded by another person through a warehouse  
26 agreement, table funding agreement or similar agreement;

27 (5) "First mortgage lender" means a person engaged in the business  
28 of making first mortgage loans: (A) In such person's own name  
29 utilizing such person's own funds, or (B) by funding loans through a  
30 table funding agreement;

31 (6) "First mortgage loan" means a loan or an extension of credit,  
32 including, but not limited to, an extension of credit pursuant to a  
33 contract or an assigned contract for the sale of goods or services, made  
34 to a natural person, the proceeds of which are to be used primarily for  
35 personal, family or household purposes, and which is secured by a  
36 first mortgage upon any interest in one-to-four-family residential  
37 owner-occupied real property located in this state which is not subject  
38 to any prior mortgages and includes the renewal or refinancing of an  
39 existing first mortgage loan;

40 (7) "Mortgage lender" means a first mortgage lender, a first  
41 mortgage correspondent lender, or both;

42 (8) "Originator" means an individual who is employed or retained  
43 by a mortgage lender or first mortgage broker that is required to be

44 licensed under sections 36a-485 to [36a-498] 36a-498a, inclusive, as  
45 amended by this act, for, or with the expectation of, a fee, commission  
46 or other valuable consideration, to negotiate, solicit, arrange or find a  
47 first mortgage loan. "Originator" does not include an officer, if the  
48 licensee is a corporation; a general partner, if the licensee is a  
49 partnership; a member, if the licensee is a limited liability company; or  
50 a sole proprietor, if the licensee is a sole proprietorship;

51 (9) "Residential property" means improved real property used or  
52 occupied, or intended to be used or occupied, for residential purposes;

53 (10) "Simulated check" means a document that imitates or resembles  
54 a check but is not a negotiable instrument;

55 (11) "Table funding agreement" means an agreement wherein a  
56 person agrees to fund mortgage loans to be made in another person's  
57 name and to purchase such loans after they are made; and

58 (12) "Warehouse agreement" means an agreement to provide credit  
59 to a person to enable the person to have funds to make mortgage loans  
60 and hold such loans pending sale to other persons.

61 Sec. 2. Section 36a-486 of the general statutes is repealed and the  
62 following is substituted in lieu thereof (*Effective October 1, 2004*):

63 (a) No person shall engage in the business of making first mortgage  
64 loans or act as a first mortgage broker in this state unless such person  
65 has first obtained the required license in accordance with the  
66 provisions of sections 36a-485 to [36a-498] 36a-498a, inclusive, as  
67 amended by this act. A first mortgage correspondent lender shall not  
68 be deemed to be acting as a first mortgage lender if such first mortgage  
69 correspondent lender makes a loan utilizing its own funds in a  
70 situation where another person does not honor such person's  
71 commitment to fund the loan.

72 (b) No licensee shall employ or retain an originator without first  
73 registering such originator under sections 36a-485 to [36a-498] 36a-  
74 498a, inclusive, as amended by this act, provided such registration

75 shall not be required for any originator who is registered by such  
76 licensee under sections 36a-510 to 36a-524, inclusive, as amended by  
77 this act. No individual may act as an originator without being  
78 registered, or act as an originator, as defined in sections 36a-485, as  
79 amended by this act, and 36a-510, for more than one person. The  
80 registration of an originator is not effective during any period when  
81 such originator is not associated with a licensee. Both the originator  
82 and the licensee shall promptly notify the commissioner, in writing, of  
83 the termination of employment or services of an originator.

84 (c) Each first mortgage loan negotiated, solicited, placed, found or  
85 made without a license or registration shall constitute a separate  
86 violation for purposes of section 36a-50, as amended.

87 Sec. 3. Section 36a-487 of the general statutes is repealed and the  
88 following is substituted in lieu thereof (*Effective October 1, 2004*):

89 The following are exempt from licensing under sections 36a-485 to  
90 [36a-498] 36a-498a, inclusive, as amended by this act:

91 (1) Any bank, out-of-state bank, Connecticut credit union, federal  
92 credit union, or out-of-state credit union, provided subsidiaries of such  
93 institutions are not exempt from licensure;

94 (2) Persons making five or fewer first mortgage loans within any  
95 period of twelve consecutive months;

96 (3) Bona fide nonprofit corporations making first mortgage loans to  
97 promote home ownership for the economically disadvantaged;

98 (4) Agencies of the federal government, or any state or municipal  
99 government, or any quasi-governmental agency making first mortgage  
100 loans under the specific authority of the laws of any state or the United  
101 States;

102 (5) Persons licensed under sections 36a-555 to 36a-573, inclusive, as  
103 amended by this act, when making loans authorized by said sections;

104 (6) Persons licensed under sections 36a-510 to 36a-524, inclusive, as  
105 amended by this act, when making loans authorized by said sections,  
106 provided such licensed mortgage lender makes less than twelve first  
107 mortgage loans within any period of twelve consecutive months;

108 (7) Any corporation or its affiliate which makes first mortgage loans  
109 exclusively for the benefit of its employees or agents;

110 (8) Any corporation, licensed in accordance with section 38a-41, or  
111 its affiliate or subsidiary, which makes first mortgage loans to promote  
112 home ownership in urban areas; and

113 (9) Persons acting as fiduciaries with respect to any employee  
114 pension benefit plan qualified under the Internal Revenue Code of  
115 1986, or any subsequent corresponding internal revenue code of the  
116 United States, as from time to time amended, who make first mortgage  
117 loans solely to plan participants from plan assets.

118 Sec. 4. Section 36a-489 of the general statutes is repealed and the  
119 following is substituted in lieu thereof (*Effective October 1, 2004*):

120 (a) If the commissioner finds, upon the filing of an application for a  
121 license, that the applicant meets the requirements of subsection (a) of  
122 section 36a-488, and that the financial responsibility, character,  
123 reputation, integrity and general fitness of the applicant and of the  
124 partners thereof if the applicant is a partnership, of the members if the  
125 applicant is a limited liability company or association, and of the  
126 officers, directors and principal employees if the applicant is a  
127 corporation, are such as to warrant belief that the business will be  
128 operated soundly and efficiently, in the public interest and consistent  
129 with the purposes of sections 36a-485 to [36a-498] 36a-498a, inclusive,  
130 as amended by this act, the commissioner may thereupon issue the  
131 applicant the license. If the commissioner fails to make such findings,  
132 or if the commissioner finds that the applicant has made a material  
133 misstatement in the application, the commissioner shall not issue a  
134 license, and shall notify the applicant of the denial and the reasons for  
135 such denial. Any denial of an application by the commissioner shall,

136 when applicable, be subject to the provisions of section 46a-80.

137 (b) Upon the filing of an application for registration, the  
138 commissioner shall register the originator named in the application  
139 unless the commissioner finds that the applicant has made a material  
140 misstatement in the application or that the financial responsibility,  
141 character, reputation, integrity and general fitness of the originator  
142 named in the application, are not such as to warrant belief that  
143 granting such registration would be in the public interest and  
144 consistent with the purposes of sections 36a-485 to [36a-498] 36a-498a,  
145 inclusive, as amended by this act. If the commissioner denies  
146 registration, the commissioner shall notify the originator named in the  
147 application and the applicant filing the application of the denial and  
148 the reasons for such denial. Any denial of an application by the  
149 commissioner shall, when applicable, be subject to the provisions of  
150 section 46a-80. A registration shall remain in force and effect until it  
151 has been surrendered, revoked, suspended or expires in accordance  
152 with the provisions of sections 36a-485 to [36a-498] 36a-498a, inclusive,  
153 as amended by this act.

154 Sec. 5. Subsection (c) of section 36a-490 of the general statutes is  
155 repealed and the following is substituted in lieu thereof (*Effective*  
156 *October 1, 2004*):

157 (c) Each license shall remain in force and effect until it has been  
158 surrendered, revoked, suspended or expires in accordance with the  
159 provisions of sections 36a-485 to [36a-498] 36a-498a, inclusive, as  
160 amended by this act.

161 Sec. 6. Section 36a-491 of the general statutes is repealed and the  
162 following is substituted in lieu thereof (*Effective October 1, 2004*):

163 (a) (1) Each applicant for a first mortgage lender license or a first  
164 mortgage correspondent lender license shall, at the time of making  
165 such application, pay to the commissioner a license fee of eight  
166 hundred dollars, provided if such application is filed not earlier than  
167 one year before the date such license will expire, the applicant shall

168 pay to the commissioner a license fee of four hundred dollars. Each  
169 applicant for a first mortgage broker license shall, at the time of  
170 making such application, pay to the commissioner a license fee of four  
171 hundred dollars, provided if such application is filed not earlier than  
172 one year before the date such license will expire, the applicant shall  
173 pay to the commissioner a license fee of two hundred dollars. Each  
174 license issued pursuant to [this] section 36a-489, as amended by this  
175 act, shall expire at the close of business on September thirtieth of the  
176 even-numbered year following its issuance unless such license is  
177 renewed. Such licensee shall, on or before September first of the year in  
178 which the license expires, pay to the commissioner the appropriate  
179 license fee as provided in this section for the succeeding two years,  
180 commencing October first, together with such renewal application as  
181 the commissioner may require. Any renewal application filed with the  
182 commissioner after September first shall be accompanied by a one-  
183 hundred-dollar late fee. Whenever an application for a license, other  
184 than a renewal application, is filed under sections 36a-485 to [36a-498]  
185 36a-498a, inclusive, as amended by this act, by any person who was a  
186 licensee under said sections and whose license expired less than sixty  
187 days prior to the date such application was filed, such application shall  
188 be accompanied by a one-hundred-dollar processing fee in addition to  
189 the application fee.

190 (2) A licensee filing an application for registration of an originator  
191 shall, at the time of making such application, pay to the commissioner  
192 a registration fee of one hundred dollars for such originator, provided  
193 if such application is filed not earlier than one year before the date the  
194 license of the applicant will expire, the applicant shall pay to the  
195 commissioner a registration fee of fifty dollars for such originator.  
196 Each registration shall expire at such time as the licensee's license  
197 expires unless such registration is renewed. Such licensee shall file an  
198 application for renewal of the registration and pay to the commissioner  
199 the appropriate registration fee as provided in this subsection for the  
200 succeeding two years, commencing October first.

201 (3) (A) If the commissioner determines that a check filed with the

202 commissioner to pay a license fee under subdivision (1) of this  
203 subsection has been dishonored, the commissioner shall automatically  
204 suspend the license or a renewal license that has been issued but is not  
205 yet effective. The commissioner shall give the licensee notice of the  
206 automatic suspension pending proceedings for revocation or refusal to  
207 renew and an opportunity for a hearing on such actions in accordance  
208 with section 36a-51.

209 (B) If the commissioner determines that a check filed with the  
210 commissioner to pay a registration fee has been dishonored, the  
211 commissioner shall automatically suspend the registration or a  
212 registration that has been issued but is not yet effective. The  
213 commissioner shall give the originator notice of the automatic  
214 suspension and the licensee notice of the automatic suspension  
215 pending proceedings for revocation or refusal to renew and an  
216 opportunity for a hearing on such actions in accordance with section  
217 36a-51.

218 (b) No abatement of the license or registration fee shall be made if  
219 the license or registration is surrendered, revoked or suspended prior  
220 to the expiration of the period for which it was issued. All fees  
221 required by this section shall be nonrefundable.

222 Sec. 7. Section 36a-492 of the general statutes is repealed and the  
223 following is substituted in lieu thereof (*Effective October 1, 2004*):

224 (a) No such license, and no renewal thereof, shall be granted unless  
225 the applicant has filed a bond with the commissioner written by a  
226 surety authorized to write such bonds in this state, in the sum of forty  
227 thousand dollars, the form of which shall be approved by the Attorney  
228 General. Such bond shall be conditioned upon such licensee faithfully  
229 performing any and all written agreements or commitments with or  
230 for the benefit of borrowers and prospective borrowers, truly and  
231 faithfully accounting for all funds received from a borrower or  
232 prospective borrower by the licensee in the licensee's capacity as a  
233 mortgage lender or a first mortgage broker, and conducting such  
234 mortgage business consistent with the provisions of sections 36a-485 to

235 [36a-498] 36a-498a, inclusive, as amended by this act. Any borrower or  
236 prospective borrower who may be damaged by failure to perform any  
237 written agreements or commitments, or by the wrongful conversion of  
238 funds paid by a borrower or prospective borrower to a licensee, may  
239 proceed on such bond against the principal or surety thereon, or both,  
240 to recover damages. The commissioner may proceed on such bond  
241 against the principal or surety thereon, or both, to collect any civil  
242 penalty imposed upon the licensee pursuant to subsection (a) of  
243 section 36a-50, as amended. The proceeds of the bond, even if  
244 commingled with other assets of the licensee, shall be deemed by  
245 operation of law to be held in trust for the benefit of such claimants  
246 against the licensee in the event of bankruptcy of the licensee and shall  
247 be immune from attachment by creditors and judgment creditors. The  
248 bond shall run concurrently with the period of the license granted to  
249 the applicant, and the aggregate liability under the bond shall not  
250 exceed the penal sum of the bond.

251 (b) The surety company shall have the right to cancel the bond at  
252 any time by a written notice to the licensee stating the date cancellation  
253 shall take effect. Such notice shall be sent by certified mail to the  
254 licensee at least thirty days prior to the date of cancellation. A surety  
255 bond shall not be cancelled unless the surety company notifies the  
256 commissioner in writing not less than thirty days prior to the effective  
257 date of cancellation. The commissioner shall automatically suspend the  
258 license on the date the cancellation takes effect, unless the surety bond  
259 has been replaced or renewed. The commissioner shall give the  
260 licensee notice of the automatic suspension pending proceedings for  
261 revocation or refusal to renew and an opportunity for a hearing on  
262 such actions in accordance with section 36a-51.

263 Sec. 8. Section 36a-494 of the general statutes is repealed and the  
264 following is substituted in lieu thereof (*Effective October 1, 2004*):

265 (a) (1) The commissioner may suspend, revoke or refuse to renew  
266 any license, in accordance with the provisions of section 36a-51, for any  
267 reason which would be sufficient grounds for the commissioner to

268 deny an application for a license under sections 36a-485 to [36a-498]  
269 36a-498a, inclusive, as amended by this act, or if the commissioner  
270 finds that the licensee or any proprietor, director, officer, member,  
271 partner, shareholder, trustee, employee or agent of such licensee has  
272 done any of the following: (A) Made any material misstatement in the  
273 application; (B) committed any fraud, misappropriated funds or  
274 misrepresented, concealed, suppressed, intentionally omitted or  
275 otherwise intentionally failed to disclose any of the material particulars  
276 of any first mortgage loan transaction, including disclosures required  
277 by subdivision (6) of subsection (a) of section 36a-493, or part III of  
278 chapter 669 or regulations adopted pursuant thereto, to anyone  
279 entitled to such information; (C) violated any of the provisions of this  
280 title or of any regulations adopted pursuant thereto, or any other law  
281 or regulation applicable to the conduct of its business; or (D) failed to  
282 perform any agreement with a licensee or a borrower.

283 (2) The commissioner may suspend, revoke or refuse to renew any  
284 registration of an originator, in accordance with the provisions of  
285 section 36a-51, for any reason which would be sufficient grounds for  
286 the commissioner to deny an application for a registration under  
287 sections 36a-485 to [36a-498] 36a-498a, inclusive, as amended by this  
288 act, or if the commissioner finds that the registrant has committed any  
289 fraud, misappropriated funds or misrepresented any of the material  
290 particulars of any first mortgage loan transaction.

291 (b) Whenever it appears to the commissioner that any person has  
292 violated, is violating or is about to violate any of the provisions of  
293 sections 36a-485 to [36a-498] 36a-498a, inclusive, as amended by this  
294 act, or any regulation adopted pursuant thereto, or any licensee has  
295 failed to perform any agreement with a borrower, the commissioner  
296 may take action against such person or licensee in accordance with  
297 [section] sections 36a-50, as amended, and 36a-52.

298 Sec. 9. Section 36a-496 of the general statutes is repealed and the  
299 following is substituted in lieu thereof (*Effective October 1, 2004*):

300 No person engaged in the business of making first mortgage loans

301 in this state, whether licensed in accordance with the provisions of  
302 sections 36a-485 to [36a-498] 36a-498a, inclusive, as amended by this  
303 act, or exempt from licensing, shall accept applications or referral of  
304 applicants from, or pay a fee to, any first mortgage broker or originator  
305 who is required to be licensed or registered under said sections but is  
306 not licensed or registered to act as such by the commissioner, if the  
307 mortgage lender has actual knowledge that the first mortgage broker  
308 or originator is not licensed or registered by the commissioner.

309 Sec. 10. Section 36a-498 of the general statutes is repealed and the  
310 following is substituted in lieu thereof (*Effective October 1, 2004*):

311 (a) Except as provided in subsection (c) of this section, every  
312 advance fee paid or given, directly or indirectly, to a mortgage lender  
313 or first mortgage broker required to be licensed pursuant to sections  
314 36a-485 to [36a-498] 36a-498a, inclusive, as amended by this act, shall  
315 be refundable.

316 (b) No originator required to be registered pursuant to sections 36a-  
317 485 to [36a-498] 36a-498a, inclusive, as amended by this act, shall  
318 accept payment of any advance fee except an advance fee on behalf of  
319 a licensee. Nothing in this subsection shall be construed as prohibiting  
320 the licensee from paying an originator all or part of an advance fee,  
321 provided such advance fee paid is not refundable under this section.

322 (c) Subsection (a) of this section shall not apply if: (1) The person  
323 providing the advance fee and the mortgage lender or first mortgage  
324 broker agree in writing that the advance fee shall not be refundable, in  
325 whole or in part; and (2) the written agreement complies in all respects  
326 with the provisions of subsection (d) of this section.

327 (d) An agreement under subsection (c) of this section shall meet all  
328 of the following requirements to be valid and enforceable: (1) The  
329 agreement shall be dated, signed by both parties, and be executed  
330 prior to the payment of any advance fee; (2) the agreement shall  
331 expressly state the total advance fee required to be paid and any  
332 amount of the advance fee that shall not be refundable; (3) the

333 agreement shall clearly and conspicuously state any conditions under  
334 which the advance fee will be retained by the licensee; (4) the term  
335 "nonrefundable" shall be used to describe each advance fee or portion  
336 thereof to which the term is applicable, and shall appear in boldface  
337 type in the agreement each time it is used; and (5) the form of the  
338 agreement shall (A) be separate from any other forms, contracts, or  
339 applications utilized by the licensee, (B) contain a heading in a size  
340 equal to at least ten-point boldface type that shall title the form  
341 "AGREEMENT CONCERNING NONREFUNDABILITY OF  
342 ADVANCE FEE", (C) provide for a duplicate copy which shall be  
343 given to the person paying the advance fee at the time of payment of  
344 the advance fee, and (D) include such other specifications as the  
345 commissioner may by regulation prescribe.

346 (e) An agreement under subsection (c) of this section that does not  
347 meet the requirements of subsection (d) of this section shall be  
348 voidable at the election of the person paying the advance fee.

349 Sec. 11. Section 36a-498a of the general statutes is repealed and the  
350 following is substituted in lieu thereof (*Effective October 1, 2004*):

351 No licensee under section 36a-489, as amended by this act, and no  
352 person exempt from licensure under subdivisions (1), (5) and (6) of  
353 section 36a-487, as amended by this act, making a first mortgage loan  
354 shall charge, impose or cause to be paid, directly or indirectly, prepaid  
355 finance charges that exceed in the aggregate, the greater of five per  
356 cent of the principal amount of the loan or two thousand dollars. If the  
357 proceeds of the loan are used to refinance an existing loan, the  
358 aggregate of the prepaid finance charges for the current refinancing  
359 and any previous financings by such licensee or exempt person or  
360 affiliate of such licensee or exempt person within two years of the  
361 current refinancing shall not exceed the greater of five per cent of the  
362 principal amount of the initial loan or two thousand dollars. The  
363 provisions of this section shall not prohibit such licensee or exempt  
364 person from charging, imposing or causing to be paid, directly or  
365 indirectly, prepaid finance charges in addition to those permitted by

366 this section in connection with any additional proceeds received by the  
367 borrower in the refinancing, provided such prepaid finance charges on  
368 the additional proceeds shall not exceed five per cent of the additional  
369 proceeds. For purposes of this section, "additional proceeds" has the  
370 meaning given to that term in subdivision (3) of section 36a-746e and  
371 "prepaid finance charge" has the meaning given to that term in  
372 subdivision [(6)] (7) of section 36a-746a.

373 Sec. 12. Subsection (b) of section 36a-511 of the general statutes is  
374 repealed and the following is substituted in lieu thereof (*Effective*  
375 *October 1, 2004*):

376 (b) No licensee shall employ or retain an originator without first  
377 registering such originator under sections 36a-510 to 36a-524, inclusive,  
378 provided such registration shall not be required for any originator who  
379 is registered by such licensee under sections 36a-485 to [36a-498] 36a-  
380 498a, inclusive, as amended by this act. No individual may act as an  
381 originator without being registered, or act as an originator, as defined  
382 in sections 36a-485, as amended by this act, and 36a-510, for more than  
383 one person. The registration of an originator is not effective during any  
384 period when such originator is not associated with a licensee. Both the  
385 originator and the licensee shall promptly notify the commissioner, in  
386 writing, of the termination of employment or services of an originator.

387 Sec. 13. Section 36a-512 of the general statutes is repealed and the  
388 following is substituted in lieu thereof (*Effective October 1, 2004*):

389 The following are exempt from the licensing requirements of  
390 sections 36a-510 to 36a-524, inclusive, as amended by this act: (1)  
391 Persons licensed as small business investment companies by the Small  
392 Business Administration; (2) persons owning real property who take  
393 back from the buyer of such property a secondary mortgage loan in  
394 lieu of any portion of the purchase price of the property; (3) persons  
395 making secondary mortgage loans to persons related to the lender by  
396 blood or marriage; (4) any bank, out-of-state bank, Connecticut credit  
397 union, federal credit union or out-of-state credit union, provided  
398 subsidiaries of such institutions are not exempt from licensure; (5)

399 persons making five or fewer secondary mortgage loans within any  
400 twelve consecutive months, provided (A) the aggregate total of such  
401 loans does not exceed one hundred thousand dollars, (B) each  
402 individual loan does not exceed twenty thousand dollars, and (C) such  
403 loans are written in compliance with section 36a-521, as amended; (6)  
404 nonprofit corporations making secondary mortgage loans to promote  
405 home ownership or improvements for the disadvantaged; (7) agencies  
406 of the federal government or any state or municipal government or  
407 any quasi-governmental agency making secondary mortgage loans  
408 under the specific authority of the laws of this state or the United  
409 States; (8) persons licensed under sections 36a-555 to 36a-573, inclusive,  
410 as amended by this act, when making loans authorized by said  
411 sections; (9) persons licensed under sections 36a-485 to [36a-498] 36a-  
412 498a, inclusive, as amended by this act, when making loans authorized  
413 by said sections, provided such licensed lender makes fewer than  
414 twelve secondary mortgage loans within any twelve consecutive  
415 months and such loans are written in compliance with section 36a-521,  
416 as amended; (10) any corporation or its affiliate which makes mortgage  
417 loans exclusively for the benefit of its employees or agents; (11) any  
418 corporation, licensed in accordance with section 38a-41 or its affiliate  
419 or subsidiary, which makes secondary mortgage loans to promote  
420 home ownership in urban areas; and (12) persons acting as fiduciaries  
421 with respect to any employee pension benefit plan qualified under the  
422 Internal Revenue Code of 1986, or any subsequent corresponding  
423 internal revenue code of the United States, as from time to time  
424 amended, who make secondary mortgage loans solely to plan  
425 participants from plan assets.

426 Sec. 14. Section 36a-514 of the general statutes is repealed and the  
427 following is substituted in lieu thereof (*Effective October 1, 2004*):

428 (a) (1) Each applicant for a secondary mortgage lender license or a  
429 secondary mortgage correspondent lender license, at the time of  
430 making such application, shall pay to the commissioner a license fee of  
431 eight hundred dollars, provided if such application is filed not earlier  
432 than one year before the date such license will expire, the applicant

433 shall pay to the commissioner a license fee of four hundred dollars,  
434 and if such application is for renewal of a license that expires on June  
435 30, 2003, the applicant shall pay to the commissioner a license fee of  
436 five hundred dollars. Each applicant for a secondary mortgage broker  
437 license, at the time of making such application, shall pay to the  
438 commissioner a license fee of four hundred dollars, provided if such  
439 application is filed not earlier than one year before the date such  
440 license will expire, the applicant shall pay to the commissioner a  
441 license fee of two hundred dollars, and if such application is for  
442 renewal of a license that expires on June 30, 2003, the applicant shall  
443 pay to the commissioner a license fee of two hundred fifty dollars.  
444 Each license issued pursuant to this section shall expire at the close of  
445 business on September thirtieth of the even-numbered year following  
446 its issuance unless such license is renewed. Each licensee shall, on or  
447 before September first of the year in which the license expires, or in the  
448 case of a license that expires on June 30, 2003, on or before June 1, 2003,  
449 file a renewal application and pay to the commissioner the appropriate  
450 license fee as provided in this section to renew the license. Any  
451 renewal application filed with the commissioner after September first,  
452 or in the case of a license that expires on June 30, 2003, after June 1,  
453 2003, shall be accompanied by a one-hundred-dollar late fee. (2)  
454 Whenever an application for a license, other than a renewal  
455 application, is filed under this section by any person who was a  
456 licensee and whose license expired less than sixty days prior to the  
457 date such application was filed, such application shall be accompanied  
458 by a one-hundred-dollar processing fee in addition to the application  
459 fee.

460 (b) A licensee filing an application for registration of an originator  
461 shall, at the time of making such application pay to the commissioner a  
462 registration fee of one hundred dollars for each originator, provided if  
463 such application is filed not earlier than one year before the date the  
464 license of the applicant will expire, the applicant shall pay to the  
465 commissioner a registration fee of fifty dollars for each originator. Each  
466 registration shall expire at such time as the licensee's license expires  
467 unless such registration is renewed. Such licensee shall file an

468 application for renewal of the registration and pay to the commissioner  
469 the appropriate registration fee as provided in this subsection for the  
470 succeeding two years, commencing October first.

471 (c) (1) If the commissioner determines that a check filed with the  
472 commissioner to pay a fee under subsection (a) of this section has been  
473 dishonored, the commissioner shall automatically suspend the license  
474 or a renewal license that has been issued but is not yet effective. The  
475 commissioner shall give the licensee notice of the automatic  
476 suspension pending proceedings for revocation or refusal to renew  
477 and an opportunity for a hearing on such actions in accordance with  
478 section 36a-51.

479 (2) If the commissioner determines that a check filed with the  
480 commissioner to pay a registration fee has been dishonored, the  
481 commissioner shall automatically suspend the registration or a  
482 registration that has been issued but is not yet effective. The  
483 commissioner shall give the originator notice of the automatic  
484 suspension and the licensee notice of the automatic suspension  
485 pending proceedings for revocation or refusal to renew and an  
486 opportunity for a hearing on such actions in accordance with section  
487 36a-51.

488 ~~[(c)]~~ (d) No abatement of the license or registration fee shall be made  
489 if the license or registration is surrendered, revoked or suspended  
490 prior to the expiration of the period for which it was issued. All fees  
491 required by this section shall be nonrefundable.

492 Sec. 15. Subsection (b) of section 36a-517 of the general statutes is  
493 repealed and the following is substituted in lieu thereof (*Effective*  
494 *October 1, 2004*):

495 (b) Whenever it appears to the commissioner that any person has  
496 violated, is violating or is about to violate any of the provisions of  
497 sections 36a-510 to 36a-524, inclusive, as amended by this act, or any  
498 licensee has failed to perform any agreement with a borrower, the  
499 commissioner may take action against such person or licensee in

500 accordance with [section] sections 36a-50, as amended, and 36a-52.

501 Sec. 16. Section 36a-539 of the general statutes is repealed and the  
502 following is substituted in lieu thereof (*Effective October 1, 2004*):

503 (a) Each person applying to the commissioner for a sales finance  
504 company license shall pay a license fee of eight hundred dollars,  
505 provided if such application is filed not earlier than one year before the  
506 date such license will expire, such person shall pay a license fee of four  
507 hundred dollars. Each license issued pursuant to sections 36a-535 to  
508 36a-546, inclusive, as amended by this act, shall expire at the close of  
509 business on September thirtieth of the odd-numbered year following  
510 its issuance unless such license is renewed, provided any license that is  
511 renewed effective July 1, 2003, shall expire on September 30, 2005.  
512 Whenever an application for a license is filed under this section by any  
513 person who was a licensee under sections 36a-535 to 36a-546, inclusive,  
514 as amended by this act, and whose license expired less than sixty days  
515 prior to the date such application was filed, such application shall be  
516 accompanied by a one-hundred-dollar processing fee in addition to the  
517 application fee. Not more than one place of business shall be  
518 maintained under the same license, but the commissioner may issue  
519 more than one license to the same licensee upon receipt of an  
520 application and the payment of the appropriate license fee.

521 (b) If the commissioner determines that a check filed with the  
522 commissioner to pay a fee under subsection (a) of this section has been  
523 dishonored, the commissioner shall automatically suspend the license.  
524 The commissioner shall give the licensee notice of the automatic  
525 suspension pending proceedings for revocation and an opportunity for  
526 a hearing on such action in accordance with section 36a-51.

527 ~~[(b)]~~ (c) No abatement of the license fee shall be made if the license  
528 is surrendered, revoked or suspended prior to the expiration of the  
529 period for which it was issued. All fees required by this section and  
530 section 36a-542, as amended by this act, shall be nonrefundable.

531 Sec. 17. Section 36a-542 of the general statutes is repealed and the

532 following is substituted in lieu thereof (*Effective October 1, 2004*):

533 (a) Each person licensed as a sales finance company may renew  
534 such license by filing with the commissioner on or before September  
535 first of the year in which the license expires or, in the case of a license  
536 that expires on June 30, 2003, on or before June 1, 2003, a renewal  
537 application on a form prescribed by the commissioner under oath,  
538 together with such exhibits and other pertinent information as the  
539 commissioner may require. The license fee shall be eight hundred  
540 dollars, provided the license fee for renewal of a license that expires on  
541 June 30, 2003, shall be nine hundred dollars. Any renewal application  
542 filed with the commissioner under this section after September first, or  
543 in the case of a license that expires on June 30, 2003, after June 1, 2003,  
544 shall be accompanied by a one-hundred-dollar late fee.

545 (b) If the commissioner determines that a check filed with the  
546 commissioner to pay a fee under subsection (a) of this section for a  
547 renewal application has been dishonored, the commissioner shall  
548 automatically suspend the license or a renewal license that has been  
549 issued but is not yet effective. The commissioner shall give the licensee  
550 notice of the automatic suspension pending proceedings for revocation  
551 or refusal to renew and an opportunity for a hearing on such actions in  
552 accordance with section 36a-51.

553 Sec. 18. Subsection (d) of section 36a-543 of the general statutes is  
554 repealed and the following is substituted in lieu thereof (*Effective*  
555 *October 1, 2004*):

556 (d) Whenever it appears to the commissioner that any person has  
557 violated, is violating or is about to violate any provision of sections  
558 36a-535 to 36a-546, inclusive, as amended by this act, or any regulation  
559 adopted under said sections, or that any licensee has defrauded any  
560 retail buyer to the buyer's damage or wilfully failed to perform any  
561 written agreement with any retail buyer, the commissioner may take  
562 action against such person or such licensee in accordance with  
563 [section] sections 36a-50, as amended, and 36a-52.

564 Sec. 19. Section 36a-555 of the general statutes is repealed and the  
565 following is substituted in lieu thereof (*Effective October 1, 2004*):

566 No person shall engage in the business of making loans of money or  
567 credit in the amount or to the value of fifteen thousand dollars or less  
568 for loans made under section 36a-563 or section 36a-565, and charge,  
569 contract for or receive a greater rate of interest, charge or consideration  
570 than twelve per cent per annum therefor, [except] unless licensed to do  
571 so by the commissioner pursuant to sections 36a-555 to 36a-573,  
572 inclusive, as amended by this act. The provisions of this section shall  
573 not apply to (1) a bank, (2) an out-of-state bank, (3) a Connecticut  
574 credit union, (4) a federal credit union, (5) an out-of-state credit union,  
575 (6) a savings and loan association wholly owned subsidiary service  
576 corporation, (7) a person to the extent that such person makes loans for  
577 agricultural, commercial, industrial or governmental use or extends  
578 credit through an open-end credit plan, as defined in subdivision (8) of  
579 section 36a-676, for the retail purchase of consumer goods or services,  
580 (8) a mortgage lender licensed pursuant to sections 36a-485 to [36a-498]  
581 36a-498a, inclusive, as amended by this act, when making first  
582 mortgage loans, as defined in section 36a-485, as amended by this act,  
583 (9) a mortgage lender licensed pursuant to sections 36a-510 to 36a-524,  
584 inclusive, as amended by this act, when making secondary mortgage  
585 loans, as defined in section 36a-510, or (10) a licensed pawnbroker. [,  
586 unless licensed to do so by the commissioner as provided in sections  
587 36a-555 to 36a-573, inclusive.]

588 Sec. 20. Section 36a-558 of the general statutes is repealed and the  
589 following is substituted in lieu thereof (*Effective October 1, 2004*):

590 (a) Each applicant for a small loan lender license, at the time of  
591 making such application, shall pay to the commissioner a license fee of  
592 eight hundred dollars, provided if such application is filed not earlier  
593 than one year before the date such license will expire, the applicant  
594 shall pay to the commissioner a license fee of four hundred dollars.  
595 Each such license shall expire at the close of business on September  
596 thirtieth of the odd-numbered year following its issuance, unless such

597 license is renewed, provided any license that is renewed effective July  
598 1, 2003, shall expire on September 30, 2005. Each licensee shall, on or  
599 before September first of the year in which the license expires, or in the  
600 case of a license that expires on June 30, 2003, on or before June 1, 2003,  
601 file a renewal application and pay to the commissioner a license fee of  
602 eight hundred dollars to renew the license, provided if such  
603 application is for renewal of a license that expires on June 30, 2003, the  
604 applicant shall pay the commissioner a license fee of nine hundred  
605 dollars. Any renewal application filed with the commissioner after  
606 September first, or in the case of a license that expires on June 30, 2003,  
607 after June 1, 2003, shall be accompanied by a one-hundred-dollar late  
608 fee. Whenever an application for a license, other than a renewal  
609 application, is filed under this section by any person who was a  
610 licensee and whose license expired less than sixty days prior to the  
611 date such application was filed, such application shall be accompanied  
612 by a one-hundred-dollar processing fee in addition to the application  
613 fee. Each applicant shall pay the expenses of any examination or  
614 investigation made under sections 36a-555 to 36a-573, inclusive, as  
615 amended by this act.

616 (b) If the commissioner determines that a check filed with the  
617 commissioner to pay a fee under subsection (a) of this section has been  
618 dishonored, the commissioner shall automatically suspend the license  
619 or a renewal license that has been issued but is not yet effective. The  
620 commissioner shall give the licensee notice of the automatic  
621 suspension pending proceedings for revocation or refusal to renew  
622 and an opportunity for a hearing on such actions in accordance with  
623 section 36a-51.

624 [(b)] (c) No abatement of the license fee shall be made if the license  
625 is surrendered, revoked or suspended prior to the expiration of the  
626 period for which it was issued. All fees required by this section shall be  
627 nonrefundable.

628 Sec. 21. Section 36a-572 of the general statutes is repealed and the  
629 following is substituted in lieu thereof (*Effective October 1, 2004*):

630 The commissioner may, in accordance with section 36a-51, suspend,  
631 revoke or refuse to renew any license issued under the provisions of  
632 section 36a-556 if the commissioner finds that the licensee has violated  
633 any provision of sections 36a-555 to 36a-573, inclusive, as amended by  
634 this act, or any regulation or order lawfully made pursuant to and  
635 within the authority of said sections, or if the commissioner finds that  
636 any fact or condition exists which, if it had existed at the time of the  
637 original application for the license, clearly would have warranted a  
638 denial of such license.

639 Sec. 22. Section 36a-633 of the general statutes is repealed and the  
640 following is substituted in lieu thereof (*Effective October 1, 2004*):

641 (a) Each applicant for a license, at the time of making such  
642 application, shall pay to the commissioner a nonrefundable license fee  
643 of four hundred dollars. Each license issued pursuant to this [section]  
644 subsection shall expire at the close of business on June thirtieth of each  
645 year, unless such license is renewed. Each licensee shall, on or before  
646 June twentieth of each year, pay to the commissioner the sum of four  
647 hundred dollars as a license fee for the succeeding year, commencing  
648 July first. Each applicant or licensee shall pay the expenses of any  
649 examination or investigation made under sections 36a-625 to 36a-634,  
650 inclusive, as amended by this act.

651 (b) If the commissioner determines that a check filed with the  
652 commissioner to pay a license fee has been dishonored, the  
653 commissioner shall automatically suspend the license or a renewal  
654 license that has been issued but is not yet effective. The commissioner  
655 shall give the licensee notice of the automatic suspension pending  
656 proceedings for revocation or refusal to renew and an opportunity for  
657 a hearing on such actions in accordance with section 36a-51.

658 Sec. 23. Subdivision (2) of section 36a-645 of the general statutes is  
659 repealed and the following is substituted in lieu thereof (*Effective*  
660 *October 1, 2004*):

661 (2) "Creditor" means (i) any person to whom a debt is owed by a

662 consumer debtor and such debt results from a transaction occurring in  
663 the ordinary course of such person's business, or (ii) any person to  
664 whom such debt is assigned. "Creditor" shall not include a consumer  
665 collection agency, as defined in section 36a-800, as amended, or any  
666 department or agency of the United States, this state, any other state,  
667 or any political subdivision thereof.

668 Sec. 24. Section 36a-656 of the general statutes is repealed and the  
669 following is substituted in lieu thereof (*Effective October 1, 2004*):

670 (a) No person, other than a bona fide nonprofit organization, shall  
671 engage in the business of debt adjustment in this state. No bona fide  
672 nonprofit organization shall engage in the business of debt adjustment  
673 in this state without a debt adjuster license. Any bona fide nonprofit  
674 organization desiring to obtain such a license shall file with the  
675 commissioner an application under oath, setting forth such  
676 information as the commissioner may require. Each applicant for a  
677 license and each licensee shall notify the commissioner of any change  
678 in the applicant's business from that stated in the application for the  
679 license.

680 (b) If the commissioner finds, upon the filing of an application for a  
681 debt adjuster license, that: (1) The financial responsibility, character,  
682 reputation, integrity and general fitness of the applicant and of the  
683 partners thereof if the applicant is a partnership, of the members if the  
684 applicant is a limited liability company or association, and of the  
685 officers, directors and principal employees if the applicant is a  
686 corporation, are such as to warrant belief that the business will be  
687 operated soundly and efficiently, in the public interest and consistent  
688 with the purposes of sections 36a-655 to 36a-665, inclusive, as amended  
689 by this act; and (2) the applicant is solvent and no proceeding in  
690 bankruptcy, receivership or assignment for the benefit of creditors has  
691 been commenced against the applicant, the commissioner may  
692 thereupon issue the applicant a debt adjuster license. If the  
693 commissioner fails to make such findings, the commissioner shall not  
694 issue a license and shall notify the applicant of the reasons for such

695 denial. Any denial of an application by the commissioner shall, when  
696 applicable, be subject to the provisions of section 46a-80.

697 (c) Each applicant for an original debt adjuster license shall, at the  
698 time of making such application, pay to the commissioner an  
699 application fee of two hundred fifty dollars. Each such license shall  
700 expire at the close of business on September thirtieth of the odd-  
701 numbered year following its issuance unless such license is renewed.  
702 Any license issued prior to October 1, 2002, shall expire on September  
703 30, 2003, unless renewed. Each licensee shall, on or before September  
704 first of the year in which the license expires, file such renewal  
705 application as the commissioner may require.

706 (d) If the commissioner determines that a check filed with the  
707 commissioner to pay an application fee has been dishonored, the  
708 commissioner shall automatically suspend the license or a renewal  
709 license that has been issued but is not yet effective. The commissioner  
710 shall give the licensee notice of the automatic suspension pending  
711 proceedings for revocation or refusal to renew and an opportunity for  
712 a hearing on such actions in accordance with section 36a-51.

713 [(d)] (e) No abatement of the license fee shall be made if the license  
714 is surrendered, revoked or suspended prior to the expiration of the  
715 period for which it was issued. The fee required by subsection (c) of  
716 this section shall be nonrefundable.

717 Sec. 25. Section 36a-664 of the general statutes is repealed and the  
718 following is substituted in lieu thereof (*Effective October 1, 2004*):

719 (a) (1) [No] Except as provided in subdivision (2) of this subsection,  
720 no such license, and no renewal thereof, shall be granted unless the  
721 applicant has filed a surety bond with the commissioner written by a  
722 surety authorized to write such bonds in this state, [the form of which  
723 shall be approved by the Attorney General,] provided any applicant  
724 that files applications for licenses for more than one location shall file a  
725 single bond. For every applicant, the principal amount of the bond  
726 shall be the greater of [(1)] (A) forty thousand dollars, or [(2)] (B) twice

727 the amount of the highest total payments received by the applicant  
728 from Connecticut debtors in connection with the applicant's debt  
729 adjustment activity in any month during the preceding twelve months  
730 ending [July] March thirty-first of each year. [The] Each licensee shall  
731 submit to the commissioner [such bond or renewal thereof] evidence  
732 that the bond complies with the provisions of this subdivision by  
733 September first of each year. [Such bond shall be conditioned upon  
734 such licensee faithfully performing any and all written agreements  
735 with debtors, truly and faithfully accounting for all funds received by  
736 the licensee in the licensee's capacity as a debt adjuster, and  
737 conducting such business consistent with the provisions of sections  
738 36a-655 to 36a-665, inclusive. Any debtor who may be damaged by  
739 failure to perform any written agreements, or by the wrongful  
740 conversion of funds paid to a licensee, may proceed on such bond  
741 against the principal or surety thereon, or both, to recover damages.  
742 The commissioner may proceed on such bond against the principal or  
743 surety thereon, or both, to collect any civil penalty imposed upon the  
744 licensee pursuant to subsection (a) of section 36a-50. The proceeds of  
745 the bond, even if commingled with other assets of the licensee, shall be  
746 deemed by operation of law to be held in trust for the benefit of such  
747 claimants against the licensee in the event of bankruptcy of the licensee  
748 and shall be immune from attachment by creditors and judgment  
749 creditors. The bond shall be maintained during the entire period of the  
750 license granted to the applicant, and the aggregate liability under the  
751 bond shall not exceed the penal sum of the bond.]

752 (2) If a licensee or applicant for renewal of a license establishes that  
753 such licensee or applicant is unable to comply with the bond required  
754 by subdivision (1) of this subsection, it may submit to the  
755 commissioner, by July first, a request for an alternative to such  
756 requirement. If the commissioner finds that the financial responsibility,  
757 character, reputation, integrity and general fitness of the applicant so  
758 warrant, the commissioner may permit the applicant or licensee to  
759 supplement the maximum surety bond that it can obtain, provided the  
760 principal amount of the surety bond shall be a minimum of forty  
761 thousand dollars, with such other bonds or insurance policies, in such

762 amounts, for such period and subject to such conditions as the  
763 commissioner may approve. Any such bond or insurance policy shall  
764 be written or issued by a surety or insurance company authorized to  
765 write such bonds or sell such insurance in this state.

766 (3) The form of any surety bond submitted pursuant to this section  
767 shall be approved by the Attorney General. Any surety bond filed  
768 under this section shall be conditioned upon the licensee faithfully  
769 performing any and all written agreements with debtors, truly and  
770 faithfully accounting for all funds received by the licensee in the  
771 licensee's capacity as a debt adjuster, and conducting such business  
772 consistent with the provisions of sections 36a-655 to 36a-665, inclusive,  
773 as amended by this act. Any debtor who may be damaged by failure to  
774 perform any written agreements, or by the wrongful conversion of  
775 funds paid to a licensee, may proceed on any such surety bond against  
776 the principal or surety thereon, or both, to recover damages. The  
777 commissioner may proceed on any such surety bond against the  
778 principal or surety thereon, or both, to collect any civil penalty  
779 imposed upon the licensee pursuant to subsection (a) of section 36a-50.  
780 The proceeds of any bond or insurance policy, even if commingled  
781 with other assets of the licensee, shall be deemed by operation of law  
782 to be held in trust for the benefit of such claimants against the licensee  
783 in the event of bankruptcy of the licensee and shall be immune from  
784 attachment by creditors and judgment creditors. Any bond or  
785 insurance policy required by this section shall be maintained during  
786 the entire period of the license granted to the applicant, and the  
787 aggregate liability under any such bond or insurance policy shall not  
788 exceed the principal amount of the bond or the limit of liability of the  
789 insurance policy.

790 (b) The surety or insurance company shall have the right to cancel  
791 any bond or insurance policy written or issued under subsection (a) of  
792 this section at any time by a written notice to the licensee, stating the  
793 date cancellation shall take effect. Such notice shall be sent by certified  
794 mail to the licensee at least thirty days prior to the date of cancellation.  
795 No such bond shall be cancelled unless the surety or insurance

796 company notifies the commissioner in writing not less than thirty days  
797 prior to the effective date of cancellation. The commissioner shall  
798 automatically suspend the license on the date the cancellation takes  
799 effect, unless the bond or insurance policy has been replaced or  
800 renewed. The commissioner shall give the licensee notice of the  
801 automatic suspension pending proceedings for revocation or refusal to  
802 renew and an opportunity for a hearing on such actions in accordance  
803 with section 36a-51.

804 [(b)] (c) No licensee shall use, attempt to use or make reference to,  
805 either directly or indirectly, any word or phrase which states or  
806 implies that the licensee is endorsed, sponsored, recommended, [or]  
807 bonded or insured by the state.

808 Sec. 26. Section 36a-705 of the general statutes is repealed and the  
809 following is substituted in lieu thereof (*Effective October 1, 2004*):

810 As used in this section and sections 36a-706 and 36a-707, unless the  
811 context otherwise requires:

812 (1) "First mortgage loan" means any loan made to an individual, the  
813 proceeds of which are to be used primarily for personal, family or  
814 household purposes, which loan is secured by a mortgage upon any  
815 interest in one-to-four-family residential, owner-occupied real  
816 property located in this state which is not subject to any prior  
817 mortgages. The term includes the renewal or refinancing of an existing  
818 first mortgage loan;

819 (2) "Mortgage lender" means any person engaged in the business of  
820 making first mortgage loans, including, but not limited to, banks, out-  
821 of-state banks, Connecticut credit unions, federal credit unions, out-of-  
822 state credit unions and first mortgage lenders required to be licensed  
823 under sections 36a-485 to [36a-498] 36a-498a, inclusive, as amended by  
824 this act; and

825 (3) "Mortgage rate lock-in" means any written agreement with a  
826 mortgage applicant made by a mortgage lender or its representative,

827 prior to the issuance of a first mortgage loan commitment, in which the  
828 mortgage lender agrees that a particular rate, number of points or  
829 variable rate terms will be the rate, number of points, or variable rate  
830 terms at which it will lend, provided the first mortgage loan is closed  
831 within a specified period, and the applicant qualifies for the loan in  
832 accordance with the lender's standards of credit worthiness.

833 Sec. 27. Section 36a-725 of the general statutes is repealed and the  
834 following is substituted in lieu thereof (*Effective October 1, 2004*):

835 As used in this section and section 36a-726, unless the context  
836 otherwise requires:

837 (1) "First mortgage loan" means any loan made to an individual, the  
838 proceeds of which are to be used primarily for personal, family or  
839 household purposes, which loan is secured by a mortgage upon any  
840 interest in one-to-four-family residential, owner-occupied real  
841 property located in this state which is not subject to any prior  
842 mortgages. The term includes the renewal or refinancing of an existing  
843 first mortgage loan;

844 (2) "Mortgage insurance" means insurance written by an  
845 independent mortgage insurance company to protect the mortgage  
846 lender against loss incurred in the event of a default by a borrower  
847 under the mortgage loan;

848 (3) "Mortgage lender" means any person engaged in the business of  
849 making first mortgage loans, including, but not limited to, banks, out-  
850 of-state banks, Connecticut credit unions, federal credit unions, out-of-  
851 state credit unions, and first mortgage lenders required to be licensed  
852 under sections 36a-485 to [36a-498] 36a-498a, inclusive, as amended by  
853 this act.

854 Sec. 28. Section 36a-736 of the general statutes is repealed and the  
855 following is substituted in lieu thereof (*Effective October 1, 2004*):

856 As used in sections 36a-735 to 36a-744, inclusive, as amended by this  
857 act, unless the context otherwise requires:

858 (1) "Applicant" means any person who applies for a home purchase  
859 loan, home improvement loan or other mortgage loan as defined in  
860 sections 36a-735 to 36a-744, inclusive, as amended by this act, whether  
861 or not the loan is granted;

862 (2) "Federal Home Mortgage Disclosure Act" means the Home  
863 Mortgage Disclosure Act of 1975 (12 USC section 2801 et seq.), as from  
864 time to time amended, and any regulations promulgated by the  
865 Federal Reserve Board pursuant to that act, except, for purposes of  
866 sections 36a-735 to 36a-744, inclusive, as amended by this act, the  
867 supervisory agency shall be the commissioner;

868 (3) "Financial institution" means any Connecticut bank or  
869 Connecticut credit union which makes home purchase loans or home  
870 improvement loans or any for profit mortgage lending institution  
871 other than a Connecticut bank or Connecticut credit union, whose  
872 home purchase loan originations equaled or exceeded ten per cent of  
873 its loan origination volume, measured in dollars, in the preceding  
874 calendar year, if such mortgage lending institution is licensed under  
875 sections 36a-485 to [36a-498] 36a-498a, inclusive, as amended by this  
876 act, or 36a-510 to 36a-524, inclusive, as amended by this act;

877 (4) "Home improvement loan" has the same meaning as provided in  
878 the federal Home Mortgage Disclosure Act;

879 (5) "Home purchase loan" has the same meaning as provided in the  
880 federal Home Mortgage Disclosure Act; and

881 (6) "Mortgage loan" means a loan which is secured by residential  
882 real property.

883 Sec. 29. Section 36a-788 of the general statutes is repealed and the  
884 following is substituted in lieu thereof (*Effective October 1, 2004*):

885 Whenever it appears to the commissioner that any person has  
886 violated, is violating or is about to violate any provision of sections  
887 36a-770 to 36a-788, inclusive, as amended by this act, 42-100b and 42-  
888 100c, the commissioner may take action against such person in

889 accordance with [section] sections 36a-50, as amended, and 36a-52.

890 Sec. 30. Section 36a-801 of the general statutes is repealed and the  
891 following is substituted in lieu thereof (*Effective October 1, 2004*):

892 (a) No person shall act within this state as a consumer collection  
893 agency without a consumer collection agency license. A consumer  
894 collection agency is acting within this state if it (1) has its place of  
895 business located within this state; (2) has its place of business located  
896 outside this state and collects from consumer debtors or property tax  
897 debtors who reside within this state for creditors who are located  
898 within this state; (3) has its place of business located outside this state  
899 and regularly collects from consumer debtors or property tax debtors  
900 who reside within this state for creditors who are located outside this  
901 state; or (4) has its place of business located outside this state and is  
902 engaged in the business of collecting child support for creditors  
903 located within this state from consumer debtors who are located  
904 outside this state.

905 (b) (1) Any person desiring to act within this state as a consumer  
906 collection agency shall make a written application to the commissioner  
907 for such license in such form as the commissioner prescribes. Such  
908 application shall be accompanied by (A) a financial statement prepared  
909 by a certified public accountant or a public accountant, the accuracy of  
910 which is sworn to under oath before a notary public by the proprietor,  
911 a general partner or a corporate officer or a member duly authorized to  
912 execute such documents, (B) a license fee of eight hundred dollars, or  
913 in the case of an initial application that is filed not earlier than one year  
914 before the date such license will expire, a license fee of four hundred  
915 dollars, and (C) an investigation fee of one hundred dollars. The  
916 commissioner shall cause to be made such inquiry and examination as  
917 to the qualifications of each such applicant as the commissioner deems  
918 necessary. Each applicant shall furnish satisfactory evidence to the  
919 commissioner that the applicant is a person of good moral character  
920 and is financially responsible. If the commissioner is satisfied that such  
921 applicant is in all respects properly qualified and trustworthy and that

922 the granting of such license is not against the public interest, the  
923 commissioner may issue to such applicant a license, in such form as  
924 the commissioner may adopt, to act within this state as a consumer  
925 collection agency. Any such license issued by the commissioner shall  
926 expire at the close of business on September thirtieth of the odd-  
927 numbered year following its issuance, unless such license is renewed,  
928 provided any license that is renewed effective May 1, 2003, shall expire  
929 on September 30, 2005. The commissioner may renew such application,  
930 in the commissioner's discretion, and upon filing of a proper renewal  
931 application accompanied by a license fee of eight hundred dollars, or  
932 in the case of an application for renewal of a license that expires on  
933 April 30, 2003, a license fee of one thousand dollars, and satisfactory  
934 proof that such applicant at that time possesses the required  
935 qualifications for the license. Such renewal application shall be filed  
936 with the commissioner on or before September first of the year in  
937 which the license expires, or in the case of a license that expires on  
938 April 30, 2003, on or before April 1, 2003. Any renewal application  
939 filed with the commissioner after September first, or in the case of a  
940 license that expires on April 30, 2003, after April 1, 2003, shall be  
941 accompanied by a one-hundred-dollar late fee. Whenever an  
942 application for a license, other than a renewal application, is filed  
943 under sections 36a-800 to 36a-810, inclusive, as amended by this act, by  
944 any person who was a licensee under said sections 36a-800 to 36a-810,  
945 inclusive, as amended by this act, and whose license expired less than  
946 sixty days prior to the date such application was filed, such application  
947 shall be accompanied by a one-hundred-dollar processing fee in  
948 addition to the application fee. To further the enforcement of this  
949 section and to determine the eligibility of any person holding a license,  
950 the commissioner may, as often as the commissioner deems necessary,  
951 examine the licensee's books and records, and may, at any time,  
952 require the licensee to submit such a financial statement for the  
953 examination of the commissioner, so that the commissioner may  
954 determine whether the licensee is financially responsible to carry on a  
955 consumer collection agency business within the intents and purposes  
956 of sections 36a-800 to 36a-810, inclusive, as amended by this act. Any

957 financial statement submitted by a licensee shall be confidential and  
958 shall not be a public record unless introduced in evidence at a hearing  
959 conducted by the commissioner.

960 (2) If the commissioner determines that a check filed with the  
961 commissioner to pay a fee under subdivision (1) of this subsection has  
962 been dishonored, the commissioner shall automatically suspend the  
963 license or a renewal license that has been issued but is not yet effective.  
964 The commissioner shall give the licensee notice of the automatic  
965 suspension pending proceedings for revocation or refusal to renew  
966 and an opportunity for a hearing on such actions in accordance with  
967 section 36a-51.

968 ~~[(2)]~~ (3) No abatement of the license fee shall be made if the license  
969 is surrendered, revoked or suspended prior to the expiration of the  
970 period for which it was issued. All fees required by this section shall be  
971 nonrefundable.

972 (c) No person, licensed to act within this state as a consumer  
973 collection agency shall do so under any other name or at any other  
974 place of business than that named in the license. Any change of  
975 location of a place of business of a licensee shall require prior written  
976 notice to the commissioner. Not more than one place of business shall  
977 be maintained under the same license but the commissioner may issue  
978 more than one license to the same licensee upon compliance with the  
979 provisions of sections 36a-800 to 36a-810, inclusive, as amended by this  
980 act, as to each new licensee. A license shall not be transferable or  
981 assignable. Any licensee holding, applying for, or seeking renewal of  
982 more than one license may, at its option, file the bond required under  
983 section 36a-802, as amended by this act, separately for each place of  
984 business licensed, or to be licensed, or a single bond, naming each  
985 place of business, in an amount equal to five thousand dollars for each  
986 place of business.

987 Sec. 31. Section 36a-802 of the general statutes, as amended by  
988 section 2 of public act 03-262, is repealed and the following is  
989 substituted in lieu thereof (*Effective October 1, 2004*):

990       (a) No such license and no renewal thereof shall be granted unless  
991 the applicant has filed with the commissioner a bond to the people of  
992 the state in the penal sum of five thousand dollars, approved by the  
993 Attorney General as to form and by the commissioner as to sufficiency  
994 of the security thereof. Such bond shall be conditioned that such  
995 licensee shall well, truly and faithfully account for all funds entrusted  
996 to the licensee and collected and received by the licensee in the  
997 licensee's capacity as a consumer collection agency. Any person who  
998 may be damaged by the wrongful conversion of any creditor,  
999 consumer debtor or property tax debtor funds received by such  
1000 consumer collection agency may proceed on such bond against the  
1001 principal or surety thereon, or both, to recover damages. The  
1002 commissioner may proceed on such bond against the principal or  
1003 surety thereon, or both, to collect any civil penalty imposed upon the  
1004 licensee pursuant to subsection (a) of section 36a-50, as amended. The  
1005 proceeds of the bond, even if commingled with other assets of the  
1006 licensee, shall be deemed by operation of law to be held in trust for the  
1007 benefit of such claimants against the licensee in the event of  
1008 bankruptcy of the licensee and shall be immune from attachment by  
1009 creditors and judgment creditors. The bond shall run concurrently  
1010 with the period of the license granted to the applicant, and the  
1011 aggregate liability under the bond shall not exceed the penal sum of  
1012 the bond.

1013       (b) The surety company shall have the right to cancel the bond at  
1014 any time by a written notice to the licensee stating the date cancellation  
1015 shall take effect. Such notice shall be sent by certified mail to the  
1016 licensee at least thirty days prior to the date of cancellation. A surety  
1017 bond shall not be cancelled unless the surety company notifies the  
1018 commissioner in writing not less than thirty days prior to the effective  
1019 date of cancellation. The commissioner shall automatically suspend the  
1020 license on the date the cancellation takes effect, unless the surety bond  
1021 has been replaced or renewed. The commissioner shall give the  
1022 licensee notice of the automatic suspension pending proceedings for  
1023 revocation or refusal to renew and an opportunity for a hearing on  
1024 such actions in accordance with section 36a-51.

1025 Sec. 32. Section 83 of public act 03-1 of the June 30 special session is  
1026 repealed and the following is substituted in lieu thereof (*Effective from*  
1027 *passage*):

1028 [A] Except as provided in section 36a-250, as amended by this act,  
1029 and in 12 CFR Section 7.4002 and 12 CFR Section 557.12, a holder of  
1030 property subject to part III of chapter 32 and sections 71, 73 and 74 of  
1031 [this act] public act 03-1 of the June 30 special session may not impose  
1032 on the property a dormancy charge or fee, abandoned property charge  
1033 or fee, unclaimed property charge or fee, escheat charge or fee,  
1034 inactivity charge or fee, or any similar charge, fee or penalty for  
1035 inactivity with respect to the property. Neither the property nor an  
1036 agreement with respect to the property may contain language  
1037 suggesting that the property may be subject to such a charge, fee or  
1038 penalty for inactivity.

1039 Sec. 33. Subsection (j) of section 3-65a of the general statutes, as  
1040 amended by section 76 of public act 03-1 of the June 30 special session,  
1041 is repealed and the following is substituted in lieu thereof (*Effective*  
1042 *from passage*):

1043 (j) Notwithstanding the provisions of subsection (b) of this section,  
1044 the holder of personal property presumed abandoned pursuant to  
1045 subdivision (5) of subsection (a) of section 3-57a, as amended, shall sell  
1046 such property and pay the proceeds arising from such sale, excluding  
1047 any charges that may lawfully be withheld, to the Treasurer. A holder  
1048 of such property may contract with a third party to store and sell such  
1049 property and to pay the proceeds arising from such sale, excluding any  
1050 charges that may be lawfully withheld, to the Treasurer, provided the  
1051 third party holds a surety bond or other form of insurance coverage  
1052 with respect to such activities. Any holder who sells such property and  
1053 remits the excess proceeds to the Treasurer or who transmits such  
1054 property to a bonded or insured third party for such purposes, shall  
1055 not be responsible for any claims related to such property. If the  
1056 Treasurer exempts any such property from being remitted or sold  
1057 pursuant to this subsection, whether by regulations or guidelines, the

1058 holder of such property may dispose of such property in any manner  
 1059 such holder deems appropriate and such holder shall not be  
 1060 responsible for any claims related to such property. For purposes of  
 1061 this subsection, charges that may lawfully be withheld include costs of  
 1062 storage, appraisal, advertising and sales commissions as well as any  
 1063 lawful charges owing under a contract governing the rental of a safe  
 1064 deposit box.

1065 Sec. 34. Subsection (a) of section 36a-250 of the general statutes is  
 1066 amended by adding subdivision (42) as follows (*Effective from passage*):

1067 (NEW) (42) Contract for and impose fees in connection with any  
 1068 deposit account and safe deposit business. Nothing in section 83 of  
 1069 public act 03-1 of the June 30 special session, as amended by this act,  
 1070 shall be construed to limit the provisions of this part, provided no  
 1071 Connecticut bank may impose an escheat charge or fee.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>
Sec. 3	<i>October 1, 2004</i>
Sec. 4	<i>October 1, 2004</i>
Sec. 5	<i>October 1, 2004</i>
Sec. 6	<i>October 1, 2004</i>
Sec. 7	<i>October 1, 2004</i>
Sec. 8	<i>October 1, 2004</i>
Sec. 9	<i>October 1, 2004</i>
Sec. 10	<i>October 1, 2004</i>
Sec. 11	<i>October 1, 2004</i>
Sec. 12	<i>October 1, 2004</i>
Sec. 13	<i>October 1, 2004</i>
Sec. 14	<i>October 1, 2004</i>
Sec. 15	<i>October 1, 2004</i>
Sec. 16	<i>October 1, 2004</i>
Sec. 17	<i>October 1, 2004</i>
Sec. 18	<i>October 1, 2004</i>
Sec. 19	<i>October 1, 2004</i>
Sec. 20	<i>October 1, 2004</i>

Sec. 21	<i>October 1, 2004</i>
Sec. 22	<i>October 1, 2004</i>
Sec. 23	<i>October 1, 2004</i>
Sec. 24	<i>October 1, 2004</i>
Sec. 25	<i>October 1, 2004</i>
Sec. 26	<i>October 1, 2004</i>
Sec. 27	<i>October 1, 2004</i>
Sec. 28	<i>October 1, 2004</i>
Sec. 29	<i>October 1, 2004</i>
Sec. 30	<i>October 1, 2004</i>
Sec. 31	<i>October 1, 2004</i>
Sec. 32	<i>from passage</i>
Sec. 33	<i>from passage</i>
Sec. 34	<i>from passage</i>

**Statement of Legislative Commissioners:**

Section 19 was restated for clarity.

**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:

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### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 05 \$</b>	<b>FY 06 \$</b>
Banking Dept.	BF - Revenue Gain	Potential Minimal	Potential Minimal
Treasurer	GF - Revenue Loss	Minimal	Minimal

Note: BF=Banking Fund; GF=General Fund

**Municipal Impact:** None

#### **Explanation**

The bill grants the commissioner additional enforcement authority over banking law violations. Under the bill, the commissioner would be able to impose a civil penalty on any sales finance company that defrauds a retail buyer or fails to perform a written agreement with the buyer. The maximum civil penalty is \$100,000. If the commissioner does discover such violations, the fines for the civil penalty would result in a revenue gain. Therefore, the bill results in potential minimal revenue gain for the Banking Department.

Under current law there is no provision for the deduction of charges for costs of storage, appraisal, advertising and sales commissions or safe deposit box rental charges from the value of unclaimed property before it is escheated to the state. The bill will result in a revenue loss to the General Fund to the degree that permitting such deductions decreases the value of escheated property. Based on data from prior years the impact is anticipated to be minimal. (The data indicates that the value of safe deposit box escheated property is about \$55,000 per fiscal year and charges for liquidating safe deposit box property could be up to 15% of the value, which would result in a revenue loss of approximately \$8,000.)

**OLR Bill Analysis**

sHB 5411

**AN ACT CONCERNING CONSUMER CREDIT LICENSEES AND CREDITORS' COLLECTION PRACTICES****SUMMARY:**

This bill requires the banking commissioner to suspend several Banking Department licensees' licenses automatically if a check used to pay their license fees is dishonored. It allows surety companies issuing bonds to certain licensees to cancel the bond by giving 30 days notice and requires the commissioner to suspend the license if a new or renewal bond is not in place. It increases the commissioner's enforcement authority over actions that constitute banking law violations. The bill expands debt adjusters' bond requirements and permits the commissioner to allow them to carry insurance if they cannot meet the required bond threshold. And it specifies certain activities in which banks and other holders of unclaimed property may engage in light of the unclaimed property provisions passed as part of 03-1, June 30 Special Session.

EFFECTIVE DATE: October 1, 2004, except for the provisions on unclaimed property and associated fees, which take effect upon passage.

**FIRST AND SECONDARY MORTGAGE LENDERS AND BROKERS (§§ 6, 7, 14, 15, 19)*****License Fee Payment***

The bill requires the commissioner, if he determines that a check filed with his office to pay a license fee for a first or secondary mortgage lender, correspondent lender, or broker has been dishonored, to suspend automatically the license or a renewal license that has been issued but is not yet effective. He must give the licensee notice of the suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on those actions. The bill also requires the commissioner, if he determines that a check used to pay an originator's registration fee has been dishonored, to suspend

automatically the registration or a registration that has been issued but is not yet effective. He must give the originator and licensee for whom the originator works notice of the suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on those actions.

### ***Surety Bonds***

The bill allows the surety company issuing a bond for a first mortgage lender, correspondent lender, or broker licensee to cancel the bond at any time by written notice to the licensee stating the cancellation's effective date. The notice must be sent at least 30 days before the cancellation date to (1) the licensee, by certified mail, and (2) the banking commissioner. The bill requires the commissioner to suspend the license automatically on the cancellation date unless the surety bond has been replaced or renewed. The commissioner must give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on those actions.

### ***Banking Law Violations***

The law allows the commissioner to bring an action to enforce the banking laws if it appears to him that someone has violated, is violating, or is about to violate the mortgage lender, broker, or originator statutes, or that a licensee has failed to perform an agreement with a borrower. The bill allows him also to issue a cease and desist order under those circumstances. It also clarifies that first and secondary mortgage lender licensees do not have to be licensed as small loan lenders when making first or secondary mortgage loans, as applicable, for \$15,000 or less with an annual interest rate over 12%.

### **OTHER BANKING DEPARTMENT LICENSEES (§§ 16, 17, 20, 22, 24, 30)**

The bill requires the commissioner to suspend automatically the license of a sales finance company, small loan lender, business and industrial development corporation, debt adjuster, or consumer credit licensee if he determines that a check filed with his office to pay a license or application fee has been dishonored. The suspension applies to fees for licenses and for renewal licenses that have been issued but are not yet effective. The commissioner must give the licensee notice of the automatic suspension pending proceedings for revocation or

refusal to renew and an opportunity for a hearing on those actions.

### **SALES FINANCE COMPANIES (§§ 18, 19)**

The bill allows the commissioner to take enforcement action, including issuing a cease and desist order, against a sales finance company licensee if it appears that the licensee has defrauded any retail buyer to the buyer's damage or willfully failed to perform a written agreement with a retail buyer.

### **SMALL LOAN LENDERS (§ 21)**

The bill allows the commissioner to suspend or refuse to renew a small loan lender's license if he finds the licensee has violated a provision of the small loan lender statutes or regulations, or if he learns of a fact or condition that, if it had existed at the time of the original license application, clearly would have warranted a denial of the license. The law already allows him to revoke a license for these reasons.

### **CREDIT COLLECTION PRACTICES (§ 23)**

Current law defines a "creditor" for credit collection purposes as a person to whom a consumer debtor owes a debt resulting from a transaction occurring in the ordinary course of the person's business. The bill expands the definition to include any person to whom that debt is assigned.

### **DEBT ADJUSTER BOND REQUIREMENT (§ 25)**

The bill moves, from July 31 to March 31, the ending date of each year for which a debt adjuster's adjustment activity is measured in order to calculate the amount of the bond it must file. It removes a requirement that the licensee submit the bond or its renewal to the commissioner, instead requiring the licensee to submit evidence that the bond complies with the statutes.

If an applicant for an initial or renewal debt adjuster license establishes that it is unable to comply with the bond requirement, the bill allows it to submit to the commissioner, by July 1, a request for an alternative to the bond requirement. If the commissioner finds the applicant's financial responsibility, character, reputation, integrity, and general fitness so warrant, he may permit the applicant or licensee to supplement the maximum surety bond that it can obtain, which must

be at least \$40,000, with other bonds and insurance policies, in such amounts, for such periods, and subject to such conditions, as he approves. The bond or insurance policy must be written or issued by a surety or company authorized to do business in Connecticut.

Current law requires an applicant or licensee filing a bond to maintain it during the entire license period, and prohibits its aggregate liability under the bond from exceeding the bond's principal amount. The bill requires the aggregate liability to remain under the limit of both the bond's principal amount and the insurance policy's liability. Current law also prohibits a licensee from using, attempting to use, or making reference to any word or phrase suggesting that it is endorsed, sponsored, recommended, or bonded by the state. The bill also prohibits a licensee from indicating that it is insured by the state.

The bill gives a surety or insurance company the right to cancel any bond or insurance policy it writes or issues to a debt adjuster at any time by providing written notice to the licensee, stating the cancellation's effective date. The notice must be sent at least 30 days before the cancellation date to (1) the licensee, by certified mail, and (2) the banking commissioner. The bill requires the commissioner to suspend the license automatically on the cancellation date unless the surety bond or insurance policy has been replaced or renewed. The commissioner must give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on those actions.

#### **RETAIL INSTALLMENT SALES FINANCING (§ 29)**

The bill allows the commissioner to order someone to cease and desist whenever it appears that the person has violated, is violating, or is about to violate the retail installment sales financing laws.

#### **CONSUMER COLLECTION AGENCY BOND REQUIREMENT (§ 31)**

The bill allows the surety company issuing a consumer collection agency licensee's bond to cancel it at any time by written notice to the licensee stating the cancellation's effective date. The notice must be sent at least 30 days before the cancellation date to (1) the licensee, by certified mail, and (2) the commissioner. The bill requires the commissioner to suspend the license automatically on the cancellation date unless the surety bond has been replaced or renewed. The

commissioner must give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on those actions.

### **UNCLAIMED PROPERTY (§§ 32, 33)**

The bill allows the holder of unclaimed property presumed abandoned to contract with a third party to store and sell the property and pay the sale proceeds, excluding any charges that may be lawfully withheld (including costs of storage, appraisal, advertising, and sales commissions, as well as safe deposit box rental charges), to the state treasurer, as long as the third party holds a surety bond or other insurance for those activities. A holder who sells the property and gives the excess proceeds to the treasurer, or gives the property to a bonded or insured third party for those purposes, is not responsible for any claims relating to the property. If the treasurer exempts any such property from being given or sold, whether by regulations or guidelines, the bill allows the property's holder to dispose of it in any manner he deems appropriate and does not make him responsible for any related claims.

The bill clarifies that federal banking laws are unaffected by the new unclaimed property law, enacted as part of PA 03-1, June 30 Special Session, that prohibits fees or charges based on property's inactivity.

### **POWERS OF CONNECTICUT BANKS (§ 34)**

The bill adds to Connecticut banks' powers by allowing them to contract for and impose fees in connection with deposit account and safe deposit business. It specifies that the unclaimed property law prohibiting inactivity fees does not limit deposit account and safe deposit fees, as long as no bank imposes an escheat charge or fee.

### **BACKGROUND**

#### ***Related Bill***

HB 5409 requires the banking commissioner, if he determines that a check filed with his office to pay an application or license fee has been dishonored, to suspend automatically a check cashing service's license or approval or renewal license that has been issued but is not yet effective. He must give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an

opportunity for a hearing on those actions. The same provisions apply to dishonored checks to pay the investigation or license fee for a money transmission renewal license.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute

Yea 17    Nay 0