



General Assembly

February Session, 2004

Raised Bill No. 362

LCO No. 1546

01546_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

***AN ACT CONCERNING PENALTIES FOR VIOLATION OF THE LAW
CONCERNING PAYMENT OF MORTGAGE LOANS BY WIRE
TRANSFER AND MORTGAGE PAYOFF STATEMENTS.***

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

1 Section 1. Section 36a-758a of the general statutes, as amended by
2 section 1 of public act 03-23 and section 80 of public act 03-84, is
3 repealed and the following is substituted in lieu thereof (*Effective*
4 *October 1, 2004*):

5 (a) Any person or entity engaged in the business of (1) making first
6 mortgage loans in this state and licensed in accordance with part I(A)
7 of chapter 668, or (2) making secondary mortgage loans in the state
8 and licensed in accordance with part I(B) of chapter 668, that chooses
9 to utilize a wire transfer to send the loan proceeds to the mortgagee's
10 attorney, shall transfer the loan proceeds to the bank which holds the
11 account of the mortgagee's attorney by a wire transfer in a timely
12 manner, but in any event not later than the scheduled date and time of
13 the closing of the loan, except that in the case of a mortgage
14 refinancing where any right of rescission under 12 CFR 226.23 has
15 terminated, any such wire transfer shall be in a timely manner, but in

16 any event not later than the disbursement date. In the case of a person
17 or entity engaged in the business of making secondary mortgage loans
18 in this state, the provisions of this subsection shall apply only to
19 secondary mortgage loans to finance the acquisition or initial
20 construction of the mortgagor's principal dwelling.

21 (b) The commissioner may suspend, revoke or refuse to renew a
22 license pursuant to section 36a-51 issued to a person or entity engaged
23 in the business of making first mortgage loans or secondary mortgage
24 loans in this state and licensed in accordance with part I(A) or I(B) of
25 chapter 668, that fails to comply with subsection (a) of this section.

26 (c) Any person or entity that fails to comply with subsection (a) of
27 this section shall be liable to any person aggrieved by such failure for
28 damages in the amount of five hundred dollars for each day such
29 noncompliance continues, plus costs and reasonable attorney's fees.

30 Sec. 2. (NEW) (*Effective July 1, 2004*) (a) If a mortgage lender or the
31 subsidiary, successor or assign of a mortgage lender, which is holding
32 funds of a mortgagor in escrow for the payment of taxes, insurance or
33 both with respect to mortgaged property located in this state,
34 disburses any such escrow funds for such purposes after the date that
35 a payoff statement is issued, and receives a mortgage payment from
36 the mortgagor after such disbursement, such lender, subsidiary,
37 successor or assign shall honor such mortgage payment and apply the
38 payment to the mortgage principal and interest. If such mortgagor, or
39 the agent or attorney of the mortgagor, requests such lender,
40 subsidiary, successor or assign to verify receipt of such mortgage
41 payment or verify application of such payment to the mortgage
42 principal and interest, the lender, subsidiary, successor or assign shall
43 respond in writing within two business days.

44 (b) If such lender, subsidiary, successor or assign does not apply a
45 mortgage payment to principal or interest or fails to respond to such a
46 request for verification of receipt or application of a mortgage
47 payment, as required under subsection (a) of this section, the mortgage

48 shall be deemed to be paid in full and the mortgagor may record an
49 affidavit on the land records of the municipality in which the mortgage
50 is recorded. Any such affidavit shall be sufficient to release the
51 mortgage.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>July 1, 2004</i>

Statement of Purpose:

To enhance the likelihood that lending institutions will make promised mortgage funds available to home buyers in a timely manner as intended by existing law and to require mortgage lenders to honor certain mortgage payments made after payoff statements are issued.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]