



General Assembly

February Session, 2006

**Raised Bill No. 302**

LCO No. 1735

\*01735\_\_\_\_\_BA\_\*

Referred to Committee on Banks

Introduced by:  
(BA )

**AN ACT CONCERNING CONSUMER REVOLVING LOANS.**

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

1 Section 1. Subsection (c) of section 49-2 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *October 1, 2006*):

4 (c) Advancements may also be made by a mortgagee, or the  
5 assignee of any mortgagee, under an open-end mortgage to the  
6 original mortgagor, or to the assign or assigns of the original  
7 mortgagor who assume the existing mortgage, or any of them, and any  
8 such mortgage debt and future advances shall, from the time such  
9 mortgage deed is recorded, without regard to whether the terms and  
10 conditions upon which such advances will be made are contained in  
11 the mortgage deed and, in the case of an open-end mortgage securing  
12 a commercial revolving loan, a consumer revolving loan or a letter of  
13 credit, without regard to whether the authorized amount of  
14 indebtedness shall at that time or any time have been fully advanced,  
15 be a part of the debt due such mortgagee and be secured by such  
16 mortgage equally with the debts and obligations secured thereby at the  
17 time of recording the mortgage deed and have the same priority over

18 the rights of others who may acquire any rights in, or liens upon, the  
19 mortgaged real estate subsequent to the recording of such mortgage  
20 deed, provided: (1) The heading of any such mortgage deed shall be  
21 clearly entitled "Open-End Mortgage"; (2) the mortgage deed shall  
22 contain specific provisions permitting such advancements and, if  
23 applicable, shall specify that such advancements are made pursuant to  
24 a commercial revolving loan agreement, a consumer revolving loan  
25 agreement or a letter of credit; (3) the mortgage deed shall state the full  
26 amount of the loan therein authorized; (4) the terms of repayment of  
27 such advancements shall not extend the time of repayment beyond the  
28 maturity of the original mortgage debt, provided this subdivision shall  
29 not be applicable where such advancements are made or would be  
30 made pursuant to a commercial revolving loan agreement, a consumer  
31 revolving loan agreement or a letter of credit, and the mortgage deed  
32 specifies that such advancements are repayable upon demand or by a  
33 date which shall not be later than thirty years from the date of the  
34 mortgage; (5) such advancements shall be secured or evidenced by a  
35 note or notes signed by the original mortgagor or mortgagors or any  
36 assign or assigns of the original mortgagor or mortgagors who assume  
37 the existing mortgage, or any of them, but no note shall be required  
38 with respect to any advancements made pursuant to a commercial  
39 revolving loan agreement, a consumer revolving loan agreement or a  
40 letter of credit as long as such advancements are recorded in the books  
41 and records of the original mortgagee or its assignee; (6) the original  
42 mortgage shall be executed and recorded after October 1, 1955; (7) the  
43 original mortgagor or mortgagors, or any assign or assigns of the  
44 original mortgagor or mortgagors who assume the existing mortgage,  
45 or any of them, are hereby authorized to record a written notice  
46 terminating the right to make such optional future advances secured  
47 by such mortgage or limiting such advances to not more than the  
48 amount actually advanced at the time of the recording of such notice,  
49 provided a copy of such written notice shall also be sent by registered  
50 or certified mail, postage prepaid and return receipt requested, to the  
51 mortgagee, or a copy of such written notice shall be delivered to the

52 mortgagee by a proper officer or an indifferent person and a receipt for  
53 the same received from the mortgagee, and such notice, unless a later  
54 date is recorded or specified in the notice, shall be effective from the  
55 time it is received by the mortgagee; (8) except that if any such  
56 optional future advance or advances are made by the mortgagee, or  
57 the assignee of any mortgagee, to the original mortgagor or  
58 mortgagors, or any assign or assigns who assume the existing  
59 mortgage, or any of them, after receipt of written notice of any  
60 subsequent mortgage, lien, attachment, lis pendens, legal proceeding  
61 or adjudication against such real property, then the amount of any  
62 such advance, other than an advance made pursuant to a commercial  
63 revolving loan agreement or a letter of credit, shall not be a priority as  
64 against any such mortgage, lien, attachment, lis pendens or  
65 adjudication of which such written notice was given; (9) any notice  
66 given to the mortgagee under the terms of subdivision (8) of this  
67 subsection shall be deemed valid and binding upon the original  
68 mortgagee or any assignee of the original mortgagee, in the case of a  
69 mortgagee other than a banking institution, on the next business day  
70 following receipt by such mortgagee of such notice sent by registered  
71 or certified mail, postage prepaid and return receipt requested or by  
72 hand delivery with a signed receipt, and in the case of a mortgagee  
73 which is a banking institution, on the next business day following  
74 receipt at the main office of such banking institution of such notice sent  
75 by registered or certified mail, postage prepaid and return receipt  
76 requested or by hand delivery with a signed receipt. For the purposes  
77 of this subsection: (A) "Banking institution" means a bank and trust  
78 company, a national banking association having its main office in this  
79 state, a savings bank, a federal savings bank having its main office in  
80 this state, a savings and loan association, a federal savings and loan  
81 association having its main office in this state, a credit union having  
82 assets of two million dollars or more, or a federal credit union having  
83 its main office in this state and having assets of two million dollars or  
84 more; (B) "commercial revolving loan" means a loan to a foreign or  
85 domestic corporation, partnership, sole proprietorship, association or

86 entity, or any combination thereof, organized for profit and engaged  
87 primarily in commercial, manufacturing or industrial pursuits, which  
88 loan entails advances of all or part of the loan proceeds and  
89 repayments of all or part of the outstanding balance of the loan from  
90 time to time; and (C) "consumer revolving loan" means a loan to one or  
91 more individuals, the proceeds of which are intended primarily for  
92 personal, family or household purposes, which is secured by a  
93 mortgage on residential real property, and is made pursuant to an  
94 agreement between the mortgagor and mortgagee which (i) provides  
95 for advancements of all or part of the loan proceeds during a period of  
96 time which shall not exceed ten years from the date of such agreement  
97 and for repayments of the loan from time to time, (ii) provides for  
98 payments to be applied at least in part to the unpaid principal balance  
99 not later than ten years from the date of the loan, (iii) [does not  
100 authorize] may provide for access to the loan proceeds by a [credit]  
101 loan card or any similar instrument or device [, whether known as a  
102 credit card, credit plate, or by any other] known by any name, issued  
103 with or without a fee by an issuer for the use of the cardholder [in  
104 obtaining] to have access to such loan proceeds to obtain money,  
105 goods, services, or anything else of value, [on credit,] and (iv) does not  
106 provide that such a revolving loan to more than one mortgagor will be  
107 immediately due and payable upon the death of fewer than all the  
108 mortgagors who signed the revolving loan agreement. Nothing in this  
109 subsection shall affect the validity or enforceability of any loan  
110 agreement which provides for future advancements by a lender to a  
111 borrower as between such parties or their heirs, successors or assigns,  
112 or shall affect the validity or enforceability of any mortgage securing  
113 any such loan that would be valid and enforceable without the  
114 provisions of this subsection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2006	49-2(c)

**Statement of Purpose:**

To allow borrowers to access the proceeds of their consumer revolving loan with a loan card or similar device used to obtain something of value by eliminating the prohibition against providing access to loan proceeds in this manner from the definition of consumer revolving loan.

*[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.]*