



House Bill No. 7116

Public Act No. 07-156

AN ACT ALLOWING PARTICIPATION IN THE NATIONAL MORTGAGE LICENSING SYSTEM.

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

Section 1. (NEW) (*Effective September 30, 2008*) The Banking Commissioner may participate in the national mortgage licensing system and permit such system to process applications for first mortgage lender, first mortgage correspondent lender, first mortgage broker, secondary mortgage lender, secondary mortgage correspondent lender, secondary mortgage broker and originator licenses in this state and receive and maintain records related to such licenses that are allowed or required to be maintained by the commissioner.

Sec. 2. Section 36a-2 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

As used in this title, unless the context otherwise requires:

(1) "Affiliate" of a person means any person controlling, controlled by, or under common control with, that person;

(2) "Applicant" with respect to any license or approval provision pursuant to this title means a person who applies for that license or

House Bill No. 7116

approval;

(3) "Automated teller machine" means a stationary or mobile unattended device, including a satellite device but excluding a point of sale terminal, at which banking transactions, including, but not limited to, deposits, withdrawals, advances, payments or transfers, may be conducted;

(4) "Bank" means a Connecticut bank or a federal bank;

(5) "Bank and trust company" means an institution chartered or organized under the laws of this state as a bank and trust company;

(6) "Bank holding company" has the meaning given to that term in 12 USC Section 1841(a), as from time to time amended, except that the term "bank", as used in 12 USC Section 1841(a) includes a bank or out-of-state bank that functions solely in a trust or fiduciary capacity;

(7) "Capital stock" when used in conjunction with any bank or out-of-state bank means a bank or out-of-state bank that is authorized to accumulate funds through the issuance of its capital stock;

(8) "Client" means a beneficiary of a trust for whom the Connecticut bank acts as trustee, a person for whom the Connecticut bank acts as agent, custodian or bailee, or other person to whom a Connecticut bank owes a duty or obligation under a trust or other account administered by such Connecticut bank, regardless of whether such Connecticut bank owes a fiduciary duty to the person;

(9) "Club deposit" means deposits to be received at regular intervals, the whole amount deposited to be withdrawn by the owner or repaid by the bank in not more than fifteen months from the date of the first deposit, and upon which no interest or dividends need to be paid;

(10) "Commissioner" means the Banking Commissioner and, with

House Bill No. 7116

respect to any function of the commissioner, includes any person authorized or designated by the commissioner to carry out that function;

(11) "Company" means any corporation, joint stock company, trust, association, partnership, limited partnership, unincorporated organization, limited liability company or similar organization, but does not include (A) any corporation the majority of the shares of which are owned by the United States or by any state, or (B) any trust which by its terms shall terminate within twenty-five years or not later than twenty-one years and ten months after the death of beneficiaries living on the effective date of the trust;

(12) "Connecticut bank" means a bank and trust company, savings bank or savings and loan association chartered or organized under the laws of this state;

(13) "Connecticut credit union" means a cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited as provided in section 36a-438a, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership;

(14) "Connecticut credit union service organization" means a credit union service organization that is incorporated under the laws of this state, located in this state and established by at least one Connecticut credit union;

(15) "Consolidation" means a combination of two or more institutions into a new institution; all institutions party to the consolidation, other than the new institution, are "constituent" institutions; the new institution is the "resulting" institution;

House Bill No. 7116

(16) "Control" has the meaning given to that term in 12 USC Section 1841(a), as from time to time amended;

(17) "Credit union service organization" means an entity organized under state or federal law to provide credit union service organization services primarily to its members, to Connecticut credit unions, federal credit unions and out-of-state credit unions other than its members, and to members of any such other credit unions;

(18) "Customer" means any person using a service offered by a financial institution;

(19) "Demand account" means an account into which demand deposits may be made;

(20) "Demand deposit" means a deposit that is payable on demand, a deposit issued with an original maturity or required notice period of less than seven days or a deposit representing funds for which the bank does not reserve the right to require at least seven days' written notice of the intended withdrawal, but does not include any time deposit;

(21) "Deposit" means funds deposited with a depository;

(22) "Deposit account" means an account into which deposits may be made;

(23) "Depositor" includes a member of a mutual savings and loan association;

(24) "Director" means a member of the governing board of a financial institution;

(25) "Equity capital" means the excess of a Connecticut bank's total assets over its total liabilities, as defined in the instructions of the federal Financial Institutions Examination Council for consolidated

House Bill No. 7116

reports of condition and income;

(26) "Executive officer" means every officer of a Connecticut bank who participates or has authority to participate, otherwise than in the capacity of a director, in major policy-making functions of such bank, regardless of whether such officer has an official title or whether that title contains a designation of assistant and regardless of whether such officer is serving without salary or other compensation. The president, vice president, secretary and treasurer of such bank are deemed to be executive officers, unless, by resolution of the governing board or by such bank's bylaws, any such officer is excluded from participation in major policy-making functions, otherwise than in the capacity of a director of such bank, and such officer does not actually participate in such policy-making functions;

(27) "Federal agency" has the meaning given to that term in 12 USC Section 3101, as from time to time amended;

(28) "Federal bank" means a national banking association, federal savings bank or federal savings and loan association having its principal office in this state;

(29) "Federal branch" has the meaning given to that term in 12 USC Section 3101, as from time to time amended;

(30) "Federal credit union" means any institution chartered or organized as a federal credit union pursuant to the laws of the United States having its principal office in this state;

(31) "Fiduciary" means a person undertaking to act alone or jointly with others primarily for the benefit of another or others in all matters connected with its undertaking and includes a person acting in the capacity of trustee, executor, administrator, guardian, assignee, receiver, conservator, agent, custodian under the Connecticut Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting

House Bill No. 7116

in any other similar capacity;

(32) "Financial institution" means any Connecticut bank, Connecticut credit union, or other person whose activities in this state are subject to the supervision of the commissioner, but does not include a person whose activities are subject to the supervision of the commissioner solely pursuant to chapter 672a, 672b or 672c or any combination thereof;

(33) "Foreign bank" has the meaning given to that term in 12 USC Section 3101, as from time to time amended;

(34) "Foreign country" means any country other than the United States and includes any colony, dependency or possession of any such country;

(35) "Governing board" means the group of persons vested with the management of the affairs of a financial institution irrespective of the name by which such group is designated;

(36) "Holding company" means a bank holding company or a savings and loan holding company, except, as used in sections 36a-180 to 36a-191, inclusive, "holding company" means a company that controls a bank;

(37) "Insured depository institution" has the meaning given to that term in 12 USC Section 1813, as from time to time amended;

(38) "Licensee" means any person who is licensed or required to be licensed pursuant to the applicable provisions of this title;

(39) "Loan" includes any line of credit or other extension of credit;

(40) "Merger" means the combination of one or more institutions with another which continues its corporate existence; all institutions party to the merger are "constituent" institutions; the merging

House Bill No. 7116

institution which upon the merger continues its existence is the "resulting" institution;

(41) "Mutual" when used in conjunction with any institution that is a bank or out-of-state bank means any such institution without capital stock;

(42) "Mutual holding company" means a mutual holding company organized under sections 36a-192 to 36a-199, inclusive, and unless otherwise indicated, a subsidiary holding company controlled by a mutual holding company organized under sections 36a-192 to 36a-199, inclusive;

(43) "National mortgage licensing system" means the national mortgage licensing system to be implemented pursuant to a uniform mortgage licensing project under the auspices of the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators;

[(43)] (44) "Out-of-state" includes any state other than Connecticut and any foreign country;

[(44)] (45) "Out-of-state bank" means any institution that engages in the business of banking, but does not include a bank, Connecticut credit union, federal credit union or out-of-state credit union;

[(45)] (46) "Out-of-state credit union" means any credit union other than a Connecticut credit union or a federal credit union;

[(46)] (47) "Out-of-state trust company" means any company chartered to act as a fiduciary but does not include a company chartered under the laws of this state, a bank, an out-of-state bank, a Connecticut credit union, a federal credit union or an out-of-state credit union;

House Bill No. 7116

[(47)] (48) "Person" means an individual, company, including a company described in subparagraphs (A) and (B) of subdivision (11) of this section, or any other legal entity, including a federal, state or municipal government or agency or any political subdivision thereof;

[(48)] (49) "Point of sale terminal" means a device located in a commercial establishment at which sales transactions can be charged directly to the buyer's deposit, loan or credit account, but at which deposit transactions cannot be conducted;

[(49)] (50) "Reorganized savings bank" means any savings bank incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(50)] (51) "Reorganized savings and loan association" means any savings and loan association incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(51)] (52) "Reorganized savings institution" means any reorganized savings bank or reorganized savings and loan association;

[(52)] (53) "Representative office" has the meaning given to that term in 12 USC Section 3101, as from time to time amended;

[(53)] (54) "Reserves for loan and lease losses" means the amounts reserved by a Connecticut bank against possible loan and lease losses as shown on the bank's consolidated reports of condition and income;

[(54)] (55) "Retail deposits" means any deposits made by individuals who are not "accredited investors", as defined in 17 CFR Section 230.501(a);

[(55)] (56) "Satellite device" means an automated teller machine which is not part of an office of the bank, Connecticut credit union or federal credit union which has established such machine;

House Bill No. 7116

[(56)] (57) "Savings account" means a deposit account, other than an escrow account established pursuant to section 49-2a, into which savings deposits may be made and which account must be evidenced by periodic statements delivered at least semiannually or by a passbook;

[(57)] (58) "Savings and loan association" means an institution chartered or organized under the laws of this state as a savings and loan association;

[(58)] (59) "Savings bank" means an institution chartered or organized under the laws of this state as a savings bank;

[(59)] (60) "Savings deposit" means any deposit other than a demand deposit or time deposit on which interest or a dividend is paid periodically;

[(60)] (61) "Savings and loan holding company" has the meaning given to that term in 12 USC Section 1467a, as from time to time amended;

[(61)] (62) "Share account holder" means a person who maintains a share account in a Connecticut credit union, federal credit union or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b;

[(62)] (63) "State" means any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the trust territory of the Pacific Islands, the Virgin Islands and the Northern Mariana Islands;

[(63)] (64) "State agency" has the meaning given to that term in 12 USC Section 3101, as from time to time amended;

[(64)] (65) "State branch" has the meaning given to that term in 12

House Bill No. 7116

USC Section 3101, as from time to time amended;

[(65)] (66) "Subsidiary" has the meaning given to that term in 12 USC Section 1841(d), as from time to time amended;

[(66)] (67) "Subsidiary holding company" means a stock holding company, controlled by a mutual holding company, that holds one hundred per cent of the stock of a reorganized savings institution;

[(67)] (68) "Supervisory agency" means: (A) The commissioner; (B) the Federal Deposit Insurance Corporation; (C) the Resolution Trust Corporation; (D) the Office of Thrift Supervision; (E) the National Credit Union Administration; (F) the Board of Governors of the Federal Reserve System; (G) the United States Comptroller of the Currency; and (H) any successor to any of the foregoing agencies or individuals;

[(68)] (69) "Time account" means an account into which time deposits may be made;

[(69)] (70) "Time deposit" means a deposit that the depositor or share account holder does not have a right and is not permitted to make withdrawals from within six days after the date of deposit, unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit, subject to those exceptions permissible under 12 CFR Part 204, as from time to time amended;

[(70)] (71) "Trust bank" means a Connecticut bank organized to function solely in a fiduciary capacity; and

[(71)] (72) "Uninsured bank" means a Connecticut bank that does not accept retail deposits and for which insurance of deposits by the Federal Deposit Insurance Corporation or its successor agency is not required.

House Bill No. 7116

Sec. 3. Section 36a-21 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) Notwithstanding any provision of state law and except as provided in subsection (b) of this section, the following records of the Department of Banking shall not be disclosed by the commissioner or any employee of the Department of Banking, or be subject to public inspection or discovery:

(1) Examination and investigation reports and information contained in or derived from such reports, including examination reports prepared by the commissioner or prepared on behalf of or for the use of the commissioner;

(2) Confidential supervisory or investigative information obtained from a state, federal or foreign regulatory or law enforcement agency; and

(3) Information obtained, collected or prepared in connection with examinations, inspections or investigations, and complaints from the public received by the Department of Banking, if such records are protected from disclosure under federal or state law or, in the opinion of the commissioner, such records would disclose, or would reasonably lead to the disclosure of: (A) Investigative information the disclosure of which would be prejudicial to such investigation, until such time as the investigation and all related administrative and legal actions are concluded; (B) personal or financial information, including account or loan information, without the written consent of the person or persons to whom the information pertains; or (C) information that would harm the reputation of any person or affect the safety and soundness of any person whose activities in this state are subject to the supervision of the commissioner, and the disclosure of such information under this subparagraph would not be in the public interest.

House Bill No. 7116

(b) The commissioner may, without waiving any privilege, disclose the records described in subsection (a) of this section for any appropriate supervisory, governmental, law enforcement or other public purpose. Any such disclosure shall be made under safeguards designed to prevent further dissemination of such records. In any proceeding before a court, the court may issue a protective order in appropriate circumstances to protect the confidentiality of any such record and order that any such record on file with the court or filed in connection with the court proceeding be sealed and that the public be excluded from any portion of the proceeding at which any such record is disclosed.

(c) No director, officer, employee or agent of any Connecticut bank or Connecticut credit union shall disclose without the prior written consent of the commissioner any information contained in an examination report about such bank or credit union, which information is not otherwise a matter of public record.

(d) The provisions of this section shall not apply to the disclosure of (1) any record that is maintained by the commissioner with the national mortgage licensing system to any supervisory, governmental or law enforcement agency that is authorized to access such record on the system, provided such record shall remain the property of the Department of Banking and may not be further disclosed to any person without the consent of the commissioner, or (2) any record of a licensee that is maintained by the commissioner with such system to such licensee. No person may obtain information from the national mortgage licensing system that could not otherwise be obtained under state law. No information obtained from the national mortgage licensing system shall be admissible as evidence in, or used to initiate, a civil proceeding in this state unless such information would otherwise be admissible in such proceeding under state law.

Sec. 4. Section 36a-485 of the general statutes is repealed and the

House Bill No. 7116

following is substituted in lieu thereof (*Effective September 30, 2008*):

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

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

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

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

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

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

House Bill No. 7116

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

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

(8) "Originator" means an individual who is employed or retained by a mortgage lender or first mortgage broker that is required to be licensed under sections 36a-485 to 36a-498a, inclusive, as amended by this act, for, or with the expectation of, a fee, commission or other valuable consideration, to negotiate, solicit, arrange or find a first mortgage loan. "Originator" does not include an officer, if the mortgage lender or first mortgage broker licensee is a corporation; a general partner, if the licensee is a partnership; a member, if the licensee is a limited liability company; or a sole proprietor, if the licensee is a sole proprietorship;

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

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

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

(12) "Warehouse agreement" means an agreement to provide credit

House Bill No. 7116

to a person to enable the person to have funds to make mortgage loans and hold such loans pending sale to other persons.

Sec. 5. Section 36a-486 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

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

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

(c) Each first mortgage loan negotiated, solicited, placed, found or made without a license [or registration] shall constitute a separate

House Bill No. 7116

violation for purposes of section 36a-50.

Sec. 6. Section 36a-488 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) (1) The commissioner shall not issue a license as a first mortgage lender, a first mortgage correspondent lender or a first mortgage broker to any person unless such person meets the following tangible net worth and experience requirements, as applicable: (A) The minimum tangible net worth requirement for a first mortgage lender shall be two hundred fifty thousand dollars and the minimum tangible net worth requirement for a first mortgage correspondent lender and a first mortgage broker shall be twenty-five thousand dollars, and (B) a mortgage lender shall have, at the location for which the license is sought, a person with supervisory authority over the lending activities who has at least three years' experience in the mortgage lending business within the five years immediately preceding the application for the license and a first mortgage broker shall have, at the location for which the license is sought, a person with supervisory authority over the brokerage activities who has at least three years' experience in the mortgage lending or mortgage brokerage business within the five years immediately preceding the application for the license. [provided such experience requirements shall not apply to any person whose license is renewed effective October 1, 2002.]

(2) Each licensee shall maintain the net worth required by this subsection and shall promptly notify the commissioner if such licensee's net worth falls below the net worth required by this subsection.

(b) The commissioner may issue a first mortgage lender license, a first mortgage correspondent lender license, or a first mortgage broker license. Each first mortgage lender licensee may also act as a first mortgage correspondent lender and a first mortgage broker, and each

House Bill No. 7116

first mortgage correspondent lender licensee may also act as a first mortgage broker. An application for a license or renewal of such license shall be made under oath and on a form provided by the commissioner. The application shall include: (1) The type of license sought; (2) the name and address of the applicant; (3) the location for which the license is sought; (4) the name and address of each member, partner, officer, director, authorized agent and shareholder owning ten per cent or more of the outstanding stock, as applicable; (5) if the applicant is a trust or the lead lender in one or more participation loans, the name and address of each trustee or lead lender and each beneficiary of the trust or other participant lenders in all outstanding participation loans; (6) a financial statement as of a date not more than six months prior to the filing of the application which reflects tangible net worth, and if such financial statement is unaudited, the proprietor, general partner, or duly authorized officer, trustee or member shall swear to its accuracy under oath before a notary public; (7) evidence that the person with supervisory authority over the lending or brokerage activities at the location for which the license is sought meets the experience required by subsection (a) of this section; and (8) [an application for registration of each originator or prospective originator of the applicant at such location; and (9)] such other information pertaining to the applicant, the applicant's background, the background of its principals and employees, and the applicant's activities as the commissioner may require. The commissioner may conduct a criminal history records check of the applicant, of each member, partner, officer or director of the applicant and of the person with supervisory authority at the location for which the license is sought, and require the applicant to submit the fingerprints of such persons as part of the application. The application shall be filed with the national mortgage licensing system, which shall process the fingerprints through the Federal Bureau of Investigation.

(c) An application for [registration of] an originator license or

House Bill No. 7116

renewal of such [registration] license shall be made on a form provided by the commissioner. The commissioner may conduct a criminal history records check of the applicant and require the applicant to submit fingerprints as part of the application. The application shall be filed with the national mortgage licensing system, which shall process the fingerprints through the Federal Bureau of Investigation.

[(d) It shall be considered a violation of section 36a-53a if a licensee files an application for registration of an originator with knowledge that such application contains a material misstatement by an originator.]

Sec. 7. Section 36a-489 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) If the commissioner finds, upon the filing of an application for a mortgage lender or first mortgage broker license, that the applicant meets the requirements of subsection (a) of section 36a-488, as amended by this act, and that the financial responsibility, character, reputation, integrity and general fitness of the applicant and of the partners thereof if the applicant is a partnership, of the members if the applicant is a limited liability company or association, and of the officers, directors and principal employees if the applicant is a corporation, are such as to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-485 to 36a-498a, inclusive, as amended by this act, the commissioner may thereupon issue the applicant the license. If the commissioner fails to make such findings, or if the commissioner finds that the applicant has made a material misstatement in such application, [or in the application for registration of an originator, or files an application for registration of an originator with knowledge that such application contains a material misstatement by an originator,] the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for

House Bill No. 7116

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

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

Sec. 8. Section 36a-490 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) Each mortgage lender and first mortgage broker license shall state the location at which the business is to be conducted and shall state fully the name of the licensee. If the licensee desires to make first mortgage loans in more than one location or to act as a first mortgage broker in more than one location, the licensee shall procure a license for each location where the business is to be conducted. Each license shall be maintained at the location for which the license was issued and shall be available for public inspection. Such license shall not be transferable or assignable. Any change of location of a licensee shall require only prior written notice to the commissioner. No licensee shall

House Bill No. 7116

use any name other than the name stated on the license issued by the commissioner.

(b) The licensee shall promptly notify the commissioner, in writing, of any change in the information provided in the application for license or most recent renewal of such license.

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

Sec. 9. Section 36a-491 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) (1) Each applicant for a first mortgage lender license, [or] a first mortgage correspondent lender license or a first mortgage broker license shall, at the time of making such application, pay to the [commissioner a license fee of eight hundred dollars, provided if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay to the commissioner a license fee of four hundred dollars. Each applicant for a first mortgage broker license shall, at the time of making such application, pay to the commissioner a license fee of four hundred dollars, provided if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay to the commissioner a license fee of two hundred dollars] national mortgage licensing system the required license fee and processing fee for an initial or renewal application. Each license issued pursuant to section 36a-489, as amended by this act, shall expire at the close of business on [September thirtieth of the even-numbered] December thirty-first of the year following its issuance unless such license is renewed. [Such licensee shall, on or before September first of the year in which the license expires, pay to the commissioner the appropriate license fee as

House Bill No. 7116

provided in this section for the succeeding two years, commencing October first, together with such renewal application as the commissioner may require. Any renewal application filed with the commissioner after September first shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182. Whenever an application for a license, other than a renewal application, is filed under sections 36a-485 to 36a-498a, inclusive, by any person who was a licensee under said sections and whose license expired less than sixty days prior to the date such application was filed, such application shall be accompanied by a one-hundred-dollar processing fee in addition to the application fee.]

(2) [A licensee filing an application for registration of] Each applicant for an originator license shall, at the time of making such application, pay to the [commissioner a registration fee of one hundred dollars for each such originator] national mortgage licensing system the required license fee and processing fee for an initial or renewal application. Each [registration] such license shall expire at [such time as the licensee's license expires] the close of business on December thirty-first of the year following its issuance unless such [registration] license is renewed. [Such licensee shall file an application for renewal of the registration and pay to the commissioner the appropriate registration fee as provided in this subsection for the succeeding two years, commencing October first.]

[(3) (A) If the commissioner determines that a check filed with the commissioner to pay a license fee under subdivision (1) of this subsection has been dishonored, the commissioner shall automatically suspend the license or a renewal license that has been issued but is not yet effective. The commissioner shall give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance

House Bill No. 7116

with section 36a-51.

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

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

Sec. 10. Subsection (a) of section 36a-492 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) No [such] mortgage lender or first mortgage broker license, and no renewal thereof, shall be granted unless the applicant has filed a bond with the commissioner written by a surety authorized to write such bonds in this state, in the sum of forty thousand dollars, the form of which shall be approved by the Attorney General. Such bond shall be conditioned upon such licensee faithfully performing any and all written agreements or commitments with or for the benefit of borrowers and prospective borrowers, truly and faithfully accounting for all funds received from a borrower or prospective borrower by the licensee in the licensee's capacity as a mortgage lender or a first mortgage broker, and conducting such mortgage business consistent with the provisions of sections 36a-485 to 36a-498a, inclusive, as amended by this act. Any borrower or prospective borrower who may

House Bill No. 7116

be damaged by failure to perform any written agreements or commitments, or by the wrongful conversion of funds paid by a borrower or prospective borrower to a licensee, may proceed on such bond against the principal or surety thereon, or both, to recover damages. The commissioner may proceed on such bond against the principal or surety thereon, or both, to collect any civil penalty imposed upon the licensee pursuant to subsection (a) of section 36a-50. The proceeds of the bond, even if commingled with other assets of the licensee, shall be deemed by operation of law to be held in trust for the benefit of such claimants against the licensee in the event of bankruptcy of the licensee and shall be immune from attachment by creditors and judgment creditors. The bond shall run concurrently with the period of the license granted to the applicant, and the aggregate liability under the bond shall not exceed the penal sum of the bond.

Sec. 11. Subsection (a) of section 36a-493 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) Each mortgage lender and first mortgage broker licensee shall maintain adequate records of each loan transaction at the location named in the license, or shall make such records available at such location not later than five business days after requested by the commissioner to do so. Such records shall provide the following information: (1) A copy of any disclosures required under part III of chapter 669; (2) whether the licensee acted as a mortgage lender, a first mortgage broker or both; (3) if the licensee is acting as a mortgage lender, and retains the first mortgage loan or receives payments thereon, an adequate loan history for those loans retained or upon which payments are received, itemizing the amount and date of each payment and the unpaid balance at all times; (4) the purpose for which the loan was made; (5) the original or an exact copy of the note and

House Bill No. 7116

mortgage deed; (6) a statement signed by the borrowers acknowledging the receipt of such statement which discloses the full amount of any fee, commission or consideration paid to the first mortgage broker for all services in connection with the mortgage loan; and (7) the name and address of the broker, if any, involved in the loan transaction.

Sec. 12. Section 36a-494 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) (1) The commissioner may suspend, revoke or refuse to renew any mortgage lender or first mortgage broker license, in accordance with the provisions of section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for [a] such license under sections 36a-485 to 36a-498a, inclusive, as amended by this act, or if the commissioner finds that the licensee or any proprietor, director, officer, member, partner, shareholder, trustee, employee or agent of such licensee has done any of the following: (A) Made any material misstatement in the application; (B) committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any first mortgage loan transaction, including disclosures required by subdivision (6) of subsection (a) of section 36a-493, as amended by this act, or part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information; (C) violated any of the provisions of this title or of any regulations adopted pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (D) failed to perform any agreement with a licensee or a borrower.

(2) The commissioner may suspend, revoke or refuse to renew any [registration of an] originator license, in accordance with the provisions of section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for [a

House Bill No. 7116

registration] such license under sections 36a-485 to 36a-498a, inclusive, as amended by this act, or if the commissioner finds that the [registrant] licensee has committed any fraud, misappropriated funds, misrepresented any of the material particulars of any first mortgage loan transaction or has violated any of the provisions of this title or of any regulations adopted pursuant to such title or any other law or regulation applicable to the conduct of such [registrant's] licensee's business.

(b) Whenever it appears to the commissioner that any person has violated, is violating or is about to violate any of the provisions of sections 36a-485 to 36a-498a, inclusive, as amended by this act, or any regulation adopted pursuant thereto, or any licensee [or registrant] has failed to perform any agreement with a borrower, committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any mortgage loan transaction, including disclosures required by subdivision (6) of subsection (a) of section 36a-493, as amended by this act, or part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information, the commissioner may take action against such person [,] or licensee [or registrant] in accordance with sections 36a-50 and 36a-52.

Sec. 13. Section 36a-496 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

No person engaged in the business of making first mortgage loans in this state, whether licensed in accordance with the provisions of sections 36a-485 to 36a-498a, inclusive, as amended by this act, or exempt from licensing, shall accept applications or referral of applicants from, or pay a fee to, any first mortgage broker or originator who is required to be licensed [or registered] under said sections but is not licensed [or registered] to act as such by the commissioner, if the

House Bill No. 7116

mortgage lender has actual knowledge that the first mortgage broker or originator is not licensed [or registered] by the commissioner.

Sec. 14. Section 36a-498 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

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

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

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

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

House Bill No. 7116

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

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

(f) (1) No mortgage lender or first mortgage broker required to be licensed pursuant to sections 36a-485 to 36a-498a, inclusive, as amended by this act, shall enter into an agreement with or otherwise require any person to pay the mortgage lender or first mortgage broker for any fee, commission or other valuable consideration lost as a result of such person failing to consummate a first mortgage loan, provided the mortgage lender or first mortgage broker may collect such fee, commission or consideration as an advance fee subject to the requirements of this section.

(2) No first mortgage broker required to be licensed pursuant to sections 36a-485 to 36a-498a, inclusive, as amended by this act, shall enter into an agreement with or otherwise require any person to pay the first mortgage broker any fee, commission or other valuable consideration for the prepayment of the principal of a first mortgage loan by such person before the date on which the principal is due.

House Bill No. 7116

Sec. 15. Section 36a-498a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

No mortgage lender or first mortgage broker licensee under section 36a-489, as amended by this act, and no person exempt from licensure under subdivisions (1), (2), (5) and (6) of section 36a-487 making a first mortgage loan shall charge, impose or cause to be paid, directly or indirectly, prepaid finance charges that exceed in the aggregate, the greater of five per cent of the principal amount of the loan or two thousand dollars. If the proceeds of the loan are used to refinance an existing loan, the aggregate of the prepaid finance charges for the current refinancing and any previous financings by such licensee or exempt person or affiliate of such licensee or exempt person within two years of the current refinancing shall not exceed the greater of five per cent of the principal amount of the initial loan or two thousand dollars. The provisions of this section shall not prohibit such licensee or exempt person from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in addition to those permitted by this section in connection with any additional proceeds received by the borrower in the refinancing, provided such prepaid finance charges on the additional proceeds shall not exceed five per cent of the additional proceeds. For purposes of this section, "additional proceeds" has the meaning given to that term in subdivision (3) of section 36a-746e and "prepaid finance charge" has the meaning given to that term in subdivision (7) of section 36a-746a.

Sec. 16. Section 36a-510 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

As used in sections 36a-510 to 36a-524, inclusive, as amended by this act, unless the context otherwise requires:

(1) "Advance fee" means any consideration paid or given, directly or indirectly, to a mortgage lender, secondary mortgage broker or

House Bill No. 7116

originator required to be licensed [or registered] pursuant to sections 36a-510 to 36a-524, inclusive, as amended by this act, prior to the closing of a secondary mortgage loan to any person, including, but not limited to, loan fees, points, broker's fees or commissions, transaction fees, or similar prepaid finance charges;

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

(3) "Licensee" means any person who is required to be licensed pursuant to section 36a-511, as amended by this act;

(4) "Mortgage lender" means a secondary mortgage lender or a secondary mortgage correspondent lender, or both;

(5) "Originator" means an individual who is employed or retained by a mortgage lender or secondary mortgage broker that is required to be licensed under sections 36a-510 to 36a-524, inclusive, as amended by this act, for, or with the expectation of, a fee, commission or other valuable consideration, to negotiate, solicit, arrange or find a secondary mortgage loan. "Originator" does not include an officer, if the mortgage lender or secondary mortgage broker licensee is a corporation; a general partner, if the licensee is a partnership; a member, if the licensee is a limited liability company; or a sole proprietor, if the licensee is a sole proprietorship;

(6) "Principal amount of the loan" means the gross loan amount the borrower is obligated to repay including any prepaid finance charge and other charges which are financed. The provisions of this subdivision apply to all loans negotiated before, on and after June 14, 1993;

(7) "Secondary mortgage broker" means a person who, for a fee, commission or other valuable consideration, directly or indirectly,

House Bill No. 7116

negotiates, solicits, arranges, places or finds a secondary mortgage loan that is to be made by a mortgage lender, whether or not the mortgage lender is required to be licensed under sections 36a-510 to 36a-524, inclusive, as amended by this act;

(8) "Secondary mortgage correspondent lender" means a person engaged in the business of making secondary mortgage loans in such person's own name where the loans are not held by such person for more than ninety days and are funded by another person through a warehouse agreement, table funding agreement or similar agreement;

(9) "Secondary mortgage lender" means a person engaged in the business of making secondary mortgage loans: (A) In such person's own name utilizing such person's own funds, or (B) by funding loans through a table funding agreement;

(10) "Secondary mortgage loan" means (A) a loan or an extension of credit, including, but not limited to, an extension of credit pursuant to a contract or an assigned contract for the sale of goods or services, made to a person, the proceeds of which are to be used primarily for personal, family or household purposes, and which is secured in whole or in part by a mortgage upon any interest in one-to-four-family residential owner-occupied real property located in this state, provided such real property is subject to one or more prior mortgages, and (B) the renewal or refinancing of any existing loan or extension of credit described in subparagraph (A) of this subdivision;

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

(12) "Table funding agreement" has the meaning given to that term in subdivision (11) of section 36a-485; and

(13) "Warehouse agreement" has the meaning given to that term in subdivision (12) of section 36a-485.

House Bill No. 7116

Sec. 17. Section 36a-511 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) No person shall engage in the business of making secondary mortgage loans or act as a secondary mortgage broker unless such person has first obtained the required license under sections 36a-510 to 36a-524, inclusive, as amended by this act. A person shall be deemed to be engaged in the business of making secondary mortgage loans if such person advertises, causes to be advertised, solicits, offers to make or makes secondary mortgage loans, either directly or indirectly. A secondary mortgage correspondent lender shall not be deemed to be acting as a secondary mortgage lender if such secondary mortgage correspondent lender makes a loan utilizing its own funds in a situation where another person does not honor such person's commitment to fund the loan.

(b) No [~~licensee~~] person licensed as a mortgage lender or secondary mortgage broker shall employ or retain an originator [~~without first registering~~] unless such originator is licensed under sections 36a-510 to 36a-524, inclusive, as amended by this act, provided such [~~registration~~] license shall not be required for any originator who is [~~registered by such licensee~~] licensed under sections 36a-485 to 36a-498a, inclusive, as amended by this act. No individual may act as an originator without being [~~registered~~] licensed, or act as an originator, as defined in sections 36a-485 and 36a-510, as amended by this act, for more than one person. The [~~registration~~] license of an originator is not effective during any period when such originator is not associated with a [~~licensee~~] licensed mortgage lender or secondary mortgage broker. Both the originator and the [~~licensee~~] mortgage lender and secondary mortgage broker shall promptly notify the commissioner, in writing, of the termination of employment or services of an originator.

(c) Each secondary mortgage loan negotiated, solicited, placed, found or made without a license shall constitute a separate violation

House Bill No. 7116

for purposes of section 36a-50.

Sec. 18. Section 36a-513 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) (1) The commissioner shall not issue a license as a secondary mortgage lender, a secondary mortgage correspondent lender or a secondary mortgage broker to any person unless such person meets the following tangible net worth and experience requirements, as applicable: (A) The minimum tangible net worth requirement for a secondary mortgage lender shall be one hundred thousand dollars and the minimum tangible net worth requirement for a secondary mortgage correspondent lender and a secondary mortgage broker shall be twenty-five thousand dollars, and (B) a mortgage lender shall have at the location for which the license is sought, a person with supervisory authority over the lending activities who has had at least three years' experience in the mortgage lending business within the five years immediately preceding the application for the license, and a secondary mortgage broker shall have, at the location for which the license is sought, a person with supervisory authority over the brokerage activities who has at least three years' experience in the mortgage lending or mortgage brokerage business within the five years immediately preceding the application for the license. [provided such experience requirements shall not apply to any person whose license is renewed effective July 1, 2003.]

(2) Each licensee shall maintain the net worth required by this subsection and shall promptly notify the commissioner if such licensee's net worth falls below the net worth required by this subsection.

(b) The commissioner may issue a secondary mortgage lender license, a secondary mortgage correspondent lender license or a secondary mortgage broker license. Each secondary mortgage lender

House Bill No. 7116

licensee may also act as a secondary mortgage correspondent lender and a secondary mortgage broker, and each secondary mortgage correspondent lender licensee may also act as a secondary mortgage broker. Any application for a license or renewal of such license shall be under oath and on a form provided by the commissioner. The application shall include: (1) The type of license sought; (2) the name and address of the applicant; (3) the location for which the license is sought; (4) the name and address of each member, partner, officer, director, authorized agent and shareholder owning ten per cent or more of the outstanding stock, as applicable; (5) if the applicant is a trust or the lead lender in one or more participation loans, the name and address of each trustee or lead lender and each beneficiary of the trust or other participant lenders in all outstanding participation loans; (6) a financial statement as of a date not more than six months prior to the filing of the application which reflects tangible net worth, and if such financial statement is unaudited, the proprietor, general partner, or duly authorized officer, trustee or member shall swear to its accuracy under oath before a notary public; (7) evidence that the person with supervisory authority over the lending or brokerage activities at the location for which the license is sought meets the experience required by subsection (a) of this section; and (8) [an application for registration of each originator or prospective originator of the applicant at such location; and (9)] such other information pertaining to the applicant, the applicant's background, the background of its principals and employees and the applicant's activities as the commissioner may require. The commissioner may conduct a criminal history records check of the applicant, of each member, partner, officer or director of the applicant and of the person with supervisory authority at the location for which the license is sought, and require the applicant to submit the fingerprints of such persons as part of the application. The application shall be filed with the national mortgage licensing system, which shall process the fingerprints through the Federal Bureau of Investigation.

House Bill No. 7116

(c) If the commissioner finds, upon the filing of an application for a mortgage lender or secondary mortgage broker license, that the applicant meets the requirements of subsection (a) of this section, and that the financial responsibility, character, reputation, integrity and general fitness of the applicant and of the partners thereof if the applicant is a partnership, of the members if the applicant is a limited liability company or association, and of the officers, directors and principal employees if the applicant is a corporation, are such as to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-510 to 36a-524, inclusive, as amended by this act, the commissioner may thereupon issue the applicant the license. If the commissioner fails to make such findings, or if the commissioner finds that the applicant made any material misstatement in such application, [or in the application for registration of an originator, or files an application for registration of an originator with knowledge that such application contains a material misstatement by an originator,] the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80.

(d) An application for [registration] an originator license or renewal of such [registration] license shall be made on a form provided by the commissioner. The commissioner may conduct a criminal history records check of the applicant and require the applicant to submit fingerprints as part of the application. The application shall be filed with the national mortgage licensing system, which shall process the fingerprints through the Federal Bureau of Investigation.

(e) Upon the filing of an application for [registration] an originator license, the commissioner shall [register] license the originator named in the application unless the commissioner finds that such [originator

House Bill No. 7116

or the] applicant has made any material misstatement in the application or that the financial responsibility, character, reputation, integrity and general fitness of such originator, are not such as to warrant belief that granting such [registration] license would be in the public interest and consistent with the purposes of sections 36a-510 to 36a-524, inclusive, as amended by this act. If the commissioner denies [registration] an application for an originator license, the commissioner shall notify such [originator and the] applicant [filing the application] of the denial and the reasons for such denial. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80. Each license shall remain in force and effect until it has been surrendered, revoked or suspended or expires in accordance with the provisions of sections 36a-510 to 36a-524, inclusive, as amended by this act.

[(f) It shall be considered a violation of section 36a-53a if a licensee files an application for registration of an originator with knowledge that such application contains a material misstatement by an originator.]

Sec. 19. Section 36a-514 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) (1) Each applicant for a secondary mortgage lender license, [or] a secondary mortgage correspondent lender license or a secondary mortgage broker license, at the time of making such application, shall pay to the [commissioner a license fee of eight hundred dollars, provided if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay to the commissioner a license fee of four hundred dollars, and if such application is for renewal of a license that expires on June 30, 2003, the applicant shall pay to the commissioner a license fee of five hundred dollars. Each applicant for a secondary mortgage broker license, at the time of making such application, shall pay to the commissioner a

House Bill No. 7116

license fee of four hundred dollars, provided if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay to the commissioner a license fee of two hundred dollars, and if such application is for renewal of a license that expires on June 30, 2003, the applicant shall pay to the commissioner a license fee of two hundred fifty dollars] national mortgage licensing system the required license fee and processing fee for an initial or renewal application. Each license issued pursuant to this section shall expire at the close of business on [September thirtieth of the even-numbered] December thirty-first of the year following its issuance unless such license is renewed. [Each licensee shall, on or before September first of the year in which the license expires, or in the case of a license that expires on June 30, 2003, on or before June 1, 2003, file a renewal application and pay to the commissioner the appropriate license fee as provided in this section to renew the license. Any renewal application filed with the commissioner after September first, or in the case of a license that expires on June 30, 2003, after June 1, 2003, shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182. (2) Whenever an application for a license, other than a renewal application, is filed under this section by any person who was a licensee and whose license expired less than sixty days prior to the date such application was filed, such application shall be accompanied by a one-hundred-dollar processing fee in addition to the application fee.]

(b) [A licensee filing an application for registration of] Each applicant for an originator license shall, at the time of making such application, pay to the [commissioner a registration fee of one hundred dollars for each such originator] national mortgage licensing system the required license fee and processing fee for an initial or renewal application. Each [registration] such license shall expire at [such time as the licensee's license expires] the close of business on December

House Bill No. 7116

thirty-first of the year following its issuance unless such [registration] license is renewed. [Such licensee shall file an application for renewal of the registration and pay to the commissioner the appropriate registration fee as provided in this subsection for the succeeding two years, commencing October first.]

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

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

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

Sec. 20. Section 36a-515 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) Each mortgage lender and secondary mortgage broker license

House Bill No. 7116

shall state the location at which the business is to be conducted and shall state fully the name of the licensee. If the licensee desires to make secondary mortgage loans in more than one location or to act as a mortgage broker in more than one location, the licensee shall procure a license for each location where the business is to be conducted. Each license shall be maintained at the location for which the license was issued and shall be available for public inspection. Such license shall not be transferable or assignable. Any change of location of a licensee shall require only prior written notice to the commissioner. No licensee shall use any name other than the name stated on the license issued by the commissioner.

(b) The licensee shall promptly notify the commissioner, in writing, of any change in the information provided in the application for license or most recent renewal of such license.

(c) Each license [and registration] shall remain in force and effect until it has been surrendered, revoked, suspended or expires in accordance with the provisions of sections 36a-510 to 36a-524, inclusive, as amended by this act.

Sec. 21. Subsection (a) of section 36a-516 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) Each mortgage lender and secondary mortgage broker licensee shall maintain adequate records of each loan transaction at the place of business named in the license or shall make such records available at such place of business not later than five business days after requested by the commissioner to do so. Such records shall provide the following information: (1) A copy of any disclosures required under part III of chapter 669; (2) whether the licensee acted as mortgage lender, secondary mortgage broker, or both; (3) in the case of a licensee acting as a mortgage lender, an adequate loan history, itemizing the amount

House Bill No. 7116

and date of each payment and the unpaid balance at all times; (4) the purpose for which the loan was made; (5) the original or an exact copy of the note, contract or other evidence of indebtedness and the mortgage deed; and (6) the name and address of the mortgage broker, if any, involved in the loan transaction.

Sec. 22. Section 36a-517 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(a) (1) The commissioner may suspend, revoke or refuse to renew any mortgage lender or secondary mortgage broker license, in accordance with section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for [a] such license under sections 36a-510 to 36a-524, inclusive, as amended by this act, or if the commissioner finds that the licensee or any proprietor, director, officer, member, partner, shareholder, trustee, employee or agent of such licensee has done any of the following: (A) Made any material misstatement in the application; (B) committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any secondary mortgage loan transaction, including disclosures required by part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information; (C) violated any of the provisions of this title, or of any regulations adopted pursuant thereto or any other law or regulation applicable to the conduct of its business; or (D) failed to perform any agreement with a licensee or a borrower.

(2) The commissioner may suspend, revoke or refuse to renew any [registration of an] originator license, in accordance with the provisions of section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for [a registration] such license under sections 36a-510 to 36a-524, inclusive, as amended by this act, or if the commissioner finds that the

House Bill No. 7116

[registrant] licensee has committed any fraud, misappropriated funds, misrepresented any of the material particulars of any secondary mortgage loan transaction or has violated any of the provisions of this title or of any regulations adopted pursuant to such title or any other law or regulation applicable to the conduct of such [registrant's] licensee's business.

(b) Whenever it appears to the commissioner that any person has violated, is violating or is about to violate any of the provisions of sections 36a-510 to 36a-524, inclusive, as amended by this act, or any licensee [or registrant] has failed to perform any agreement with a borrower, committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any mortgage loan transaction, including disclosures required by part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information, the commissioner may take action against such person [,] or licensee [or registrant] in accordance with sections 36a-50 and 36a-52.

Sec. 23. Subsection (d) of section 36a-521 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective September 30, 2008*):

(d) No originator required to be [registered] licensed pursuant to sections 36a-510 to 36a-524, inclusive, as amended by this act, shall accept payment of any advance fee except an advance fee on behalf of a mortgage lender or secondary mortgage broker licensee. Nothing in this subsection shall be construed as prohibiting the mortgage lender or secondary mortgage broker licensee from paying an originator all or part of an advance fee, provided such advance fee paid is not refundable under this section.

Sec. 24. Section 36a-523 of the general statutes is repealed and the

House Bill No. 7116

following is substituted in lieu thereof (*Effective September 30, 2008*):

No person engaged in the business of making secondary mortgage loans in this state, whether licensed in accordance with the provisions of sections 36a-510 to 36a-524, inclusive, as amended by this act, or exempt from licensing, shall accept applications or referral of applicants from, or pay a fee to, any secondary mortgage broker or originator who is required to be licensed under said sections but is not licensed to act as such by the commissioner, if the mortgage lender has actual knowledge that the secondary mortgage broker or originator is not licensed by the commissioner.

Sec. 25. (*Effective September 30, 2008*) The Banking Commissioner shall submit to the joint standing committee of the General Assembly having cognizance of matters relating to banks three annual reports that shall include financial statements of the State Regulatory Registry, LLC, concerning the national mortgage licensing system described in section 1 of this act. Each such financial statement shall cover a twelve-month period. The commissioner shall submit such reports for three consecutive years not later than ten days after receipt of such financial statements by the commissioner.

Approved June 25, 2007