



Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE BANKS COMMITTEE
FEBRUARY 24, 2009*

I appreciate the opportunity to support House Bill 6366, An Act Concerning Consumer Credit Licensees.

This legislation tightens the regulation of various consumer credit licensees including small loan lenders, check cashing facilities and mortgage loan originators. In particular, the legislation uniformly allows the Banking Commissioner to suspend or revoke a license if the Commissioner determines that any officer or owner of more than 10% of such entity has been convicted of any violation of the regulations governing such entity or of any felony. In addition, the proposal requires notice to the Commissioner by any surety bond company of the cancellation of such lawfully-required bond.

Our current financial crisis has its origins in the financial markets and the failure of federal authorities to actively monitor and regulate them. While the National Bank Act and other federal laws have reduced state regulatory authority in the financial sector, states maintain some regulation over consumer credit lenders such as mortgage originators and check cashing facilities. We must ensure that the regulation of these entities is tight and tough. House Bill 6366 provides the Banking Commissioner with additional tools and authority to meet that goal.

One of the most critical sections of House Bill 6366 clarifies our current prohibition against pay day lending and extends the statutory prohibition to any person who offers such usurious loans to a resident of our state even if such person is located out of state.

The pay day loan business is a multi-billion dollar industry nationwide. Pay day loans are essentially short term cash advances at annual interest rates exceeding 400%. The industry targets the working poor and designs these loans to ensure that the borrower must continually renew the loan and keep paying exorbitant interest.

Sections 32 and 33 of this proposal are a joint effort of the Banking Department, consumer advocates and me. It requires that any person offering or making a small loan of under \$5,000 or assisting or brokering such loan arrangement to be licensed in the state of Connecticut. This includes individuals who make or assist such arrangements through the Internet. Many of the complaints received by my office involve out of state individuals using the Internet to lure unsuspecting consumers into usurious loans. These provisions also provide the Banking Commissioner with broad investigatory powers and impose tough civil penalties on violators.

I urge the committee's favorable consideration of House Bill 6366.