



# Senate

General Assembly

**File No. 256**

February Session, 2010

Substitute Senate Bill No. 361

*Senate, April 1, 2010*

The Committee on Banks reported through SEN. DUFF of the 25th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING IMPLEMENTATION OF THE S.A.F.E.  
MORTGAGE LICENSING ACT.***

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

1 Section 1. Subdivision (1) of subsection (b) of section 36a-486 of the  
2 2010 supplement to the general statutes is repealed and the following  
3 is substituted in lieu thereof (*Effective July 31, 2010*):

4 (b) (1) No person licensed as a mortgage lender, mortgage  
5 correspondent lender or mortgage broker shall engage the services of a  
6 mortgage loan originator unless such mortgage loan originator is  
7 licensed under section 36a-489, as amended by this act. An individual,  
8 unless specifically exempted under subdivision (2) of this subsection,  
9 shall not engage in the business of a mortgage loan originator on  
10 behalf of a licensee or a person exempt under section 36a-487, as  
11 amended by this act, with respect to any dwelling, as defined in  
12 Section 103 of the Consumer Credit Protection Act, 15 USC 1602,  
13 located in this state without first obtaining and maintaining annually a  
14 license as a mortgage loan originator under section 36a-489, as

15 amended by this act. Each licensed mortgage loan originator shall  
16 register with and maintain a valid unique identifier issued by the  
17 system. No individual may act as a mortgage loan originator for more  
18 than one person at the same time. The license of a mortgage loan  
19 originator is not effective during any period when such mortgage loan  
20 originator is not sponsored by a licensed mortgage lender, mortgage  
21 correspondent lender or mortgage broker, or by a person registered as  
22 an exempt registrant under subsection (c) of section 36a-487, as  
23 amended by this act, or during any period in which the license of the  
24 mortgage lender, mortgage correspondent lender or mortgage broker  
25 with whom such originator is associated has been suspended. Either  
26 the mortgage loan originator or the [mortgage lender, mortgage  
27 correspondent lender or mortgage broker] sponsor may file a  
28 notification of the termination of sponsorship of a mortgage loan  
29 originator with the system.

30 Sec. 2. Section 36a-487 of the 2010 supplement to the general statutes  
31 is amended by adding subsection (c) as follows (*Effective July 31, 2010*):

32 (NEW) (c) Any person exempt from licensure under this section  
33 may register on the system as an exempt registrant for purposes of  
34 sponsoring a mortgage loan originator pursuant to subdivision (1) of  
35 subsection (b) of section 36a-486, as amended by this act, and for  
36 purposes of satisfying the mortgage loan originator bonding  
37 requirements set forth in section 36a-492, as amended by this act. Such  
38 registration shall not affect the exempt status of such person.

39 Sec. 3. Subsection (a) of section 36a-488 of the 2010 supplement to  
40 the general statutes is repealed and the following is substituted in lieu  
41 thereof (*Effective from passage*):

42 (a) (1) The commissioner shall not issue a mortgage lender license, a  
43 mortgage correspondent lender license or a mortgage broker license to  
44 any person unless such person meets the following tangible net worth  
45 and experience requirements, as applicable: (A) The minimum tangible  
46 net worth requirement for a mortgage lender shall be two hundred  
47 fifty thousand dollars and the minimum tangible net worth

48 requirement for a mortgage correspondent lender and a mortgage  
49 broker shall be (i) prior to March 2, 2009, twenty-five thousand dollars,  
50 and (ii) on and after March 2, 2009, fifty thousand dollars, and (B) a  
51 mortgage lender, mortgage correspondent lender or mortgage broker  
52 shall have, at the main office for which the license is sought, a qualified  
53 individual and, at each branch office, a branch manager who have  
54 supervisory authority over the lending or brokerage activities who  
55 have at least three years' experience in the mortgage business within  
56 the five years immediately preceding the date of the application for the  
57 license and who, effective April 1, 2010, have completed the  
58 prelicensing education requirement described in section 36a-489a, as  
59 amended by this act, and passed a written test that meets the test  
60 requirement described in section 36a-489a, as amended by this act,  
61 except that such qualified individual and branch manager shall pass  
62 the state-specific component of such test on or before a date to be  
63 determined by the commissioner. As used in this subdivision,  
64 "experience in the mortgage business" means paid experience in the  
65 origination, processing or underwriting of residential mortgage loans,  
66 the marketing of such loans in the secondary market or in the  
67 supervision of such activities, or any other relevant experience as  
68 determined by the commissioner.

69 (2) Each licensee shall maintain the net worth required by this  
70 subsection.

71 (3) Not later than April 1, 2010, each qualified individual and  
72 branch manager shall have completed the prelicensing education  
73 requirement described in section 36a-489a, as amended by this act, and  
74 passed a written test that meets the test requirement described in  
75 section 36a-489a, as amended by this act, except that (A) such qualified  
76 individual and branch manager shall pass the state-specific component  
77 of the test on or before a date to be determined by the commissioner,  
78 and (B) a qualified individual or branch manager who was a qualified  
79 individual or branch manager on July 9, 2009, and was a licensed  
80 mortgage loan originator on July 9, 2009, shall have completed such  
81 prelicensing education requirement and passed such written test not

82 later than October 31, 2010.

83 Sec. 4. Subsection (b) of section 36a-488 of the 2010 supplement to  
84 the general statutes is repealed and the following is substituted in lieu  
85 thereof (*Effective July 31, 2010*):

86 (b) The commissioner may issue a mortgage lender license, a  
87 mortgage correspondent lender license, or a mortgage broker license.  
88 Each mortgage lender licensee may also act as a mortgage  
89 correspondent lender and a mortgage broker, and each mortgage  
90 correspondent lender licensee may also act as a mortgage broker. On  
91 and after July 1, 2008, an application for a license as a mortgage lender,  
92 mortgage correspondent lender or mortgage broker office or renewal  
93 of such license shall be filed, in a form prescribed by the commissioner,  
94 with the system. Each such form shall contain content as set forth by  
95 instruction or procedure of the commissioner and may be changed or  
96 updated as necessary by the commissioner in order to carry out the  
97 purpose of sections 36a-21, 36a-485 to 36a-498f, inclusive, 36a-534a and  
98 36a-534b. The applicant shall, at a minimum, furnish to the system  
99 information concerning the identity of the applicant, any control  
100 person of the applicant, the qualified individual and any branch  
101 manager, including personal history and experience in a form  
102 prescribed by the system and information related to any  
103 administrative, civil or criminal findings by any governmental  
104 jurisdiction. The following supplementary information shall be filed  
105 directly with the commissioner: (1) In the case of an initial application  
106 for a license for the main office, (A) a financial statement as of a date  
107 not more than twelve months prior to the filing of the application  
108 which reflects tangible net worth, and if such financial statement is  
109 unaudited, the proprietor, general partner, or duly authorized officer,  
110 trustee or member shall swear to its accuracy under oath before a  
111 notary public, ~~;~~ (2) and (B) a bond as required by section 36a-492, as  
112 amended by this act; ~~[(3)]~~ (2) evidence that the qualified individual or  
113 branch manager meets the experience required by subsection (a) of this  
114 section; and ~~[(4)]~~ (3) such other information pertaining to the applicant,  
115 the applicant's background, the background of its principals,

116 employees, and mortgage loan originators, and the applicant's  
117 activities as the commissioner may require. For the purpose of this  
118 subsection, evidence of experience of the qualified individual or  
119 branch manager shall include: (A) A statement specifying the duties  
120 and responsibilities of such person's employment, the term of  
121 employment, including month and year, and the name, address and  
122 telephone number of a supervisor, employer or, if self-employed, a  
123 business reference; and (B) if required by the commissioner, copies of  
124 W-2 forms, 1099 tax forms or, if self-employed, 1120 corporate tax  
125 returns, signed letters from the employer on the employer's letterhead  
126 verifying such person's duties and responsibilities and term of  
127 employment including month and year, and if such person is unable to  
128 provide such letters, other proof satisfactory to the commissioner that  
129 such person meets the experience requirement. The commissioner may  
130 conduct a criminal history records check of the applicant, any control  
131 person of the applicant and the qualified individual or branch manager  
132 with supervisory authority at the office for which the license is sought  
133 and require the applicant to submit the fingerprints of such persons  
134 and authorization of such persons for the system and the  
135 commissioner to obtain an independent credit report from a consumer  
136 reporting agency, as described in Section 603(p) of the Fair Credit  
137 Reporting Act, 15 USC 1681a, as part of the application.

138 Sec. 5. Subsection (b) of section 36a-489 of the 2010 supplement to  
139 the general statutes is repealed and the following is substituted in lieu  
140 thereof (*Effective from passage*):

141 (b) (1) The commissioner shall not issue an initial license for a  
142 mortgage loan originator unless the commissioner, at a minimum,  
143 finds that the applicant has: (A) Never had a mortgage loan originator  
144 license revoked in any governmental jurisdiction, except that a  
145 subsequent formal vacating of such revocation shall not be deemed a  
146 revocation; (B) notwithstanding the provisions of section 46a-80, not  
147 been convicted of, or pled guilty or nolo contendere to, a felony in a  
148 domestic, foreign or military court during the seven-year period  
149 preceding the date of the application for licensing or at any time

150 preceding such date of application if such felony involved an act of  
151 fraud, dishonesty, a breach of trust, or money laundering, provided  
152 any pardon of a conviction shall not be a conviction for purposes of  
153 this subdivision; (C) demonstrated financial responsibility, character  
154 and general fitness so as to command the confidence of the community  
155 and to warrant a determination that the mortgage loan originator will  
156 operate honestly, fairly and efficiently within the purpose of sections  
157 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and  
158 36a-534b; (D) effective April 1, 2010, completed the prelicensing  
159 education requirement described in section 36a-489a, as amended by  
160 this act, and passed a written test that meets the test requirement  
161 described in section 36a-489a, as amended by this act, except that the  
162 applicant shall pass the state-specific component of the test by a date to  
163 be determined by the commissioner; (E) effective July 31, 2010, met the  
164 surety bond requirement under section 36a-492, as amended by this  
165 act; and (F) not made a material misstatement in the application. If the  
166 commissioner denies an application for a mortgage loan originator  
167 license, the commissioner shall notify the applicant and may notify the  
168 sponsor or any other person the commissioner deems appropriate of  
169 the denial and the reasons for such denial.

170 (2) (A) The minimum standards for license renewal for a mortgage  
171 loan originator shall include the following: (i) The mortgage loan  
172 originator continues to meet the minimum standards for license  
173 issuance under subdivision (1) of this subsection; (ii) the mortgage loan  
174 originator has satisfied the annual continuing education requirements  
175 described in subsection (c) of section 36a-489a, as amended by this act;  
176 and (iii) the mortgage loan originator has paid all required fees for  
177 renewal of the license.

178 (B) The license of a mortgage loan originator that fails to satisfy the  
179 minimum standards for license renewal shall expire. The  
180 commissioner may adopt procedures for the reinstatement of expired  
181 licenses consistent with the standards established by the system.

182 (3) No later than April 1, 2010, each mortgage loan originator

183 licensee shall have completed the prelicensing education requirement  
184 described in section 36a-489a, as amended by this act, and passed a  
185 written test that meets the test requirement described in section 36a-  
186 489a, as amended by this act, [provided] except that (A) the applicant  
187 shall pass the state-specific component of the test by a date to be  
188 determined by the commissioner, and (B) a mortgage loan originator  
189 licensee who was licensed [as of the enactment of public act 09-209] on  
190 July 9, 2009, shall have completed such prelicensing education  
191 requirement and passed such written test not later than October 31,  
192 2010.

193 Sec. 6. Subsection (e) of section 36a-489 of the 2010 supplement to  
194 the general statutes is repealed and the following is substituted in lieu  
195 thereof (*Effective from passage*):

196 (e) Notwithstanding the provisions of this section, the commissioner  
197 may deem an application for a license as a mortgage lender, mortgage  
198 correspondent lender, mortgage broker or mortgage loan originator  
199 abandoned if the applicant fails to respond to any request for  
200 information required under sections 36a-485 to [36a-498a] 36a-498f,  
201 inclusive, 36a-534a and 36a-534b or the regulations adopted pursuant  
202 to said sections. The commissioner shall notify the applicant, in  
203 writing, on the system that if such information is not submitted within  
204 sixty days the application shall be deemed abandoned. An application  
205 filing fee paid prior to the date an application is deemed abandoned  
206 pursuant to this subsection shall not be refunded. Abandonment of an  
207 application pursuant to this subsection shall not preclude the applicant  
208 from submitting a new application for a license under said sections  
209 36a-485 to [36a-498a] 36a-498f, inclusive, 36a-534a and 36a-534b.

210 Sec. 7. Section 36a-492 of the 2010 supplement to the general statutes  
211 is repealed and the following is substituted in lieu thereof (*Effective July*  
212 *31, 2010*):

213 [(a) (1) No mortgage lender, mortgage correspondent lender or  
214 mortgage broker license, and no renewal thereof, shall be granted  
215 unless the applicant has filed a bond with the commissioner written by

216 a surety authorized to write such bonds in this state, in the sum of  
217 forty thousand dollars, the form of which shall be approved by the  
218 Attorney General. Effective July 31, 2010, the penal sum of the bond  
219 shall be maintained in an amount that reflects the dollar amount of the  
220 loans originated by the mortgage lender, mortgage correspondent  
221 lender or mortgage broker, as determined by the commissioner.

222 (2) Effective July 31, 2010, each person licensed as a mortgage loan  
223 originator shall be covered by a surety bond in accordance with this  
224 section, provided such coverage shall be provided through the bond of  
225 the mortgage lender, mortgage correspondent lender or mortgage  
226 broker who sponsors such mortgage loan originator. The penal sum of  
227 the bond shall be maintained in an amount that reflects the dollar  
228 amount of loans originated by the mortgage loan originator, as  
229 determined by the commissioner.]

230 (a) (1) Each licensed mortgage lender, mortgage correspondent  
231 lender and mortgage broker shall file with the commissioner a single  
232 surety bond written by a surety authorized to write such bonds in this  
233 state in a penal sum determined in accordance with subsection (d) of  
234 this section, provided the penal sum of the bond shall be not less than  
235 fifty thousand dollars. The bond shall cover all mortgage loan  
236 originators sponsored by such licensee.

237 (2) Each mortgage loan originator licensee shall be covered by a  
238 surety bond with a penal sum in an amount that reflects the dollar  
239 amount of loans originated by such mortgage loan originator in  
240 accordance with this section, provided such coverage shall be  
241 provided through the bond of the person who sponsors such mortgage  
242 loan originator. In the case of a mortgage loan originator licensee  
243 sponsored by an exempt registrant, the mortgage loan originator  
244 licensee shall be covered by a single surety bond filed with the  
245 commissioner by the exempt registrant. Such surety bond shall cover  
246 all mortgage loan originators sponsored by such exempt registrant and  
247 shall be written by a surety authorized to write such bonds in this state  
248 in a sum determined in accordance with subsection (d) of this section,

249 provided the penal sum of the bond shall be not less than fifty  
250 thousand dollars.

251 (3) The principal on a bond required by subsection (a) of this section  
252 shall file a bond rider or endorsement to the surety bond on file with  
253 the commissioner to reflect any changes necessary to maintain the  
254 surety bond coverage required by this section.

255 (4) The commissioner may adopt regulations in accordance with  
256 chapter 54 with respect to the requirements for such surety bonds.

257 (b) The bond required by subsection (a) of this section shall be (1) in  
258 a form approved by the Attorney General, and (2) conditioned upon  
259 [such] the mortgage lender, mortgage correspondent lender or  
260 mortgage broker licensee and [, effective July 31, 2010,] any mortgage  
261 loan originator [who is covered by the surety bond of a mortgage  
262 lender, mortgage correspondent lender or mortgage broker,] licensee  
263 sponsored by such mortgage lender, mortgage correspondent lender  
264 or mortgage broker or, in the case of a mortgage loan originator  
265 licensee sponsored by an exempt registrant, upon such mortgage loan  
266 originator licensee faithfully performing any and all written  
267 agreements or commitments with or for the benefit of borrowers and  
268 prospective borrowers, truly and faithfully accounting for all funds  
269 received from a borrower or prospective borrower by the licensee in  
270 the licensee's capacity as a mortgage lender, mortgage correspondent  
271 lender, [or a] mortgage broker or [, effective July 31, 2010, a] mortgage  
272 loan originator, and conducting such mortgage business consistent  
273 with the provisions of sections 36a-485 to 36a-498f, inclusive, as  
274 amended by this act, 36a-534a and 36a-534b. Any borrower or  
275 prospective borrower who may be damaged by failure to perform any  
276 written agreements or commitments, or by the wrongful conversion of  
277 funds paid by a borrower or prospective borrower to a licensee, may  
278 proceed on such bond against the principal or surety thereon, or both,  
279 to recover damages. Commencing August 1, 2009, any borrower or  
280 prospective borrower who may be damaged by a mortgage lender,  
281 mortgage correspondent lender, mortgage broker or mortgage loan

282 originator licensee's failure to satisfy a judgment against the licensee  
283 arising from the making or brokering of a nonprime home loan, as  
284 defined in section 36a-760, as amended by this act, may proceed on  
285 such bond against the principal or surety thereon, or both, to recover  
286 the amount of the judgment. The commissioner may proceed on such  
287 bond against the principal or surety thereon, or both, to collect any  
288 civil penalty imposed upon [the] a licensee pursuant to subsection (a)  
289 of section 36a-50 and any unpaid costs of examination of [the] a  
290 licensee as determined pursuant to section 36a-65. The proceeds of the  
291 bond, even if commingled with other assets of the [licensee] principal,  
292 shall be deemed by operation of law to be held in trust for the benefit  
293 of such claimants against the [licensee] principal in the event of  
294 bankruptcy of the [licensee] principal and shall be immune from  
295 attachment by creditors and judgment creditors. The bond shall run  
296 concurrently with the period of the license [granted to the applicant,]  
297 for the main office and the aggregate liability under the bond shall not  
298 exceed the penal sum of the bond. The [licensee] principal shall notify  
299 the commissioner of the commencement of an action on the [licensee's]  
300 bond. When an action is commenced on a [licensee's] principal's bond,  
301 the commissioner may require the filing of a new bond and  
302 immediately on recovery on any action on the bond, the [licensee]  
303 principal shall file a new bond.

304 (c) The surety company shall have the right to cancel the bond at  
305 any time by a written notice to the [licensee] principal stating the date  
306 cancellation shall take effect. Such notice shall be sent by certified mail  
307 to the [licensee] principal at least thirty days prior to the date of  
308 cancellation. A surety bond shall not be cancelled unless the surety  
309 company notifies the commissioner in writing not less than thirty days  
310 prior to the effective date of cancellation. After receipt of such  
311 notification from the surety company, the commissioner shall give  
312 written notice to the [licensee] principal of the date such bond  
313 cancellation shall take effect and, in the case where the principal is an  
314 exempt registrant, such notice shall be deemed notice to each mortgage  
315 loan originator licensee sponsored by such principal for the purposes  
316 of subsection (c) of section 4-182. The commissioner shall automatically

317 suspend the [license] licenses of a mortgage lender, mortgage  
318 correspondent lender or mortgage broker on such date, and, in the case  
319 of a cancellation of an exempt registrant's bond, shall automatically  
320 suspend the licenses of the mortgage loan originators sponsored by  
321 such exempt registrant, unless prior to the date that the bond  
322 cancellation shall take effect, (1) the [licensee prior to such date]  
323 principal submits a letter of reinstatement of the bond from the surety  
324 company or a new bond, [or] (2) the mortgage lender, mortgage  
325 correspondent lender or mortgage broker licensee has ceased business  
326 and has surrendered [the license] all licenses in accordance with  
327 subsection (a) of section 36a-490, or (3) in the case of a mortgage loan  
328 originator licensee sponsored by an exempt registrant, the sponsorship  
329 has been terminated. After a mortgage lender, mortgage  
330 correspondent lender, mortgage broker or mortgage loan originator  
331 license has been automatically suspended pursuant to this section, the  
332 commissioner shall give [the] such licensee notice of the automatic  
333 suspension, pending proceedings for revocation or refusal to renew  
334 pursuant to section 36a-494 and an opportunity for a hearing on such  
335 action in accordance with section 36a-51 and require [the] such licensee  
336 to take or refrain from taking such action as in the opinion of the  
337 commissioner will effectuate the purposes of this section. The  
338 commissioner may provide information to an exempt registrant  
339 concerning actions taken by the commissioner pursuant to this  
340 subsection against any mortgage loan originator licensee that was  
341 sponsored and bonded by such exempt registrant.

342 (d) The penal sum of the bond required by subsection (a) of this  
343 section shall be determined as follows:

344 (1) (A) If the aggregate dollar amount of the residential mortgage  
345 loans originated by all mortgage loan originator licensees in the  
346 preceding calendar year is less than thirty million dollars, the penal  
347 sum of the bond shall be fifty thousand dollars. (B) If the aggregate  
348 dollar amount of the residential mortgage loans originated by all  
349 mortgage loan originator licensees in the preceding calendar year is  
350 thirty million dollars or more but less than fifty million dollars, the

351 penal sum of the bond shall be one hundred thousand dollars. (C) If  
352 the aggregate dollar amount of the residential mortgage loans  
353 originated by all mortgage loan originator licensees in the preceding  
354 calendar year is fifty million dollars or more, the penal sum of the  
355 bond shall be one hundred fifty thousand dollars;

356 (2) For purposes of this subsection, the aggregate dollar amount of  
357 residential mortgage loans originated by all mortgage loan originator  
358 licensees in the preceding calendar year shall be such amount as is  
359 reflected in reports filed on the system and in accordance with  
360 subdivision (1) of this subsection. If such reports are not available on  
361 the system, the licensee and exempt registrant shall submit to the  
362 commissioner, at the time the bond is filed, such financial information  
363 in such form as the commissioner deems necessary to verify the  
364 aggregate dollar amount; and

365 (3) The commissioner may require a change in the penal sum of the  
366 bond if the commissioner determines at any time that the aggregate  
367 dollar amount of the residential mortgage loans originated by all  
368 mortgage loan originator licensees warrants a change in the penal sum  
369 of the bond.

370 Sec. 8. Section 36a-489a of the 2010 supplement to the general  
371 statutes is repealed and the following is substituted in lieu thereof  
372 (*Effective from passage*):

373 (a) (1) In order to meet the prelicensing education and testing  
374 [requirement] requirements referred to in [section] sections 36a-488, as  
375 amended by this act, and 36a-489, as amended by this act, an  
376 [applicant] individual shall complete at least twenty hours of  
377 education approved in accordance with subdivision (2) of this  
378 subsection, which shall include at least (A) three hours of instruction  
379 on relevant federal law and regulations; (B) three hours of ethics,  
380 including instruction on fraud, consumer protection and fair lending  
381 issues; and (C) two hours of training related to lending standards for  
382 the nontraditional mortgage product marketplace.

383 (2) For purposes of subdivision (1) of this subsection, prelicensing  
384 education courses shall be reviewed and approved by the system  
385 based upon reasonable standards. Review and approval of a  
386 prelicensing education course shall include review and approval of the  
387 course provider.

388 (3) Nothing in this subsection shall preclude any prelicensing  
389 education course, as approved by the system, that is provided by the  
390 individual's sponsor [of the applicant] or employer or an entity which  
391 is affiliated with the [applicant] individual by an agency contract, or  
392 any subsidiary or affiliate of such sponsor, employer or entity.

393 (4) Prelicensing education may be offered either in a classroom,  
394 online or by any other means approved by the system.

395 (5) When prelicensing education requirements described in  
396 subdivision (1) of this subsection are completed in another state, such  
397 out-of-state prelicensing education requirements shall be accepted as  
398 credit towards completion of the prelicensing education requirements  
399 of this state, provided such out-of-state prelicensing education  
400 requirements are approved by the system.

401 (6) (A) [A person] An individual previously licensed under section  
402 36a-489, as amended by this act, subsequent to the applicable effective  
403 date of the prelicensing and testing requirements referred to in section  
404 36a-489, as amended by this act, who is applying to be [licensed again]  
405 relicensed shall prove that such [person] individual has completed all  
406 of the continuing education requirements for the year in which the  
407 license was last held.

408 (B) An individual who previously held a position as a qualified  
409 individual or branch manager subsequent to the applicable effective  
410 date of the prelicensing and testing requirements referred to in section  
411 36a-488, as amended by this act, may not hold such position again  
412 until such individual has completed all of the continuing education  
413 requirements for the year in which such individual last held such  
414 position.

415 (b) (1) In order to meet the written test [requirement] requirements  
416 referred to in [section] sections 36a-488, as amended by this act, and  
417 36a-489, as amended by this act, an individual shall pass, in accordance  
418 with the standards established under this subsection, a qualified  
419 written test developed by the system and administered by a test  
420 provider approved by the system based upon reasonable standards.

421 (2) A written test shall not be treated as a qualified written test for  
422 purposes of subdivision (1) of this subsection unless the test  
423 adequately measures the [applicant's] individual's knowledge and  
424 comprehension in appropriate subject areas, including ethics, federal  
425 law and regulation pertaining to mortgage origination, state law and  
426 regulation pertaining to mortgage origination, and federal and state  
427 law and regulation, including instruction on fraud, consumer  
428 protection, the nontraditional mortgage marketplace and fair lending  
429 issues.

430 (3) Nothing in this subsection shall prohibit a test provider  
431 approved by the system from providing a test at the location of the  
432 sponsor [of the applicant] or employer, any subsidiary or affiliate of  
433 the sponsor [of the applicant] or employer, or any entity with which  
434 the [applicant] individual holds an exclusive arrangement to conduct  
435 the business of a mortgage loan originator or acts as a qualified  
436 individual or branch manager.

437 (4) (A) An individual shall not be considered to have passed a  
438 qualified written test unless the individual achieves a test score of not  
439 less than seventy-five per cent correct answers to questions.

440 (B) An individual may retake a test [~~three~~] four consecutive times  
441 with each consecutive taking occurring at least thirty days after the  
442 preceding test. After failing [~~three~~] four consecutive tests, an  
443 individual shall wait at least six months before taking the test again.

444 (C) [A licensed mortgage lender, mortgage correspondent lender,  
445 mortgage broker or] (i) An individual who has not been licensed as a  
446 mortgage loan originator [who fails to maintain a valid license for a

447 period of five years or longer] within the five-year period preceding  
448 the date of the filing of such individual's application for a mortgage  
449 loan originator license, not taking into account any time during which  
450 such individual is a registered mortgage loan originator, shall retake  
451 such test, and (ii) a qualified individual or branch manager who has  
452 not held such position within the five-year period preceding the date  
453 of the filing on the system designating such individual as a qualified  
454 individual or branch manager shall retake such test, unless such  
455 individual was licensed as a mortgage loan originator during the five-  
456 year period preceding the date of the filing on the system designating  
457 such individual as a qualified individual or branch manger, not taking  
458 into account any time during which such individual is a registered  
459 mortgage loan originator. [, shall retake the test.]

460 (c) (1) In order to meet the annual continuing education  
461 requirements referred to in [subdivision (2) of subsection] subsections  
462 (a) and (b) of section 36a-489, as amended by this act, a licensed  
463 mortgage loan originator or a qualified individual or branch manager  
464 shall complete at least eight hours of education approved in  
465 accordance with subdivision (2) of this subsection. Such courses shall  
466 include at least (A) three hours of instruction on relevant federal law  
467 and regulation; (B) two hours of ethics, including instruction on fraud,  
468 consumer protection and fair lending issues; and (C) two hours of  
469 training related to lending standards for the nontraditional mortgage  
470 product marketplace.

471 (2) For purposes of subdivision (1) of this subsection, continuing  
472 education courses shall be reviewed and approved by the system  
473 based upon reasonable standards. Review and approval of a  
474 continuing education course shall include review and approval of the  
475 course provider.

476 (3) Nothing in this subsection shall preclude any education course  
477 approved by the system that is provided by the sponsor [of the  
478 mortgage loan originator] or employer or an entity that is affiliated  
479 with the mortgage loan originator, qualified individual or branch

480 manager by an agency contract, or by any subsidiary or affiliate of  
481 such sponsor, employer or entity.

482 (4) Continuing education may be offered either in a classroom,  
483 online or by any other means approved by the system.

484 (5) Except as [otherwise] provided in procedures adopted under  
485 [subparagraph (B) of subdivision (2) of subsection] subsections (a) and  
486 (b) of section 36a-489, as amended by this act, or in regulations  
487 adopted under subdivision (9) of this subsection, a licensed mortgage  
488 loan originator or a qualified individual or branch manager may only  
489 receive credit for a continuing education course in the year in which  
490 the course is taken, and may not take the same approved course in the  
491 same or successive years to meet the annual requirements for  
492 continuing education.

493 (6) A licensed mortgage loan originator or a qualified individual or  
494 branch manager who is an approved instructor of an approved  
495 continuing education course may receive credit for the [licensee's]  
496 individual's own annual continuing education requirement at the rate  
497 of two hours credit for every one hour taught.

498 (7) When education requirements described in subdivision (1) of  
499 subsection (a) of this section are completed in another state, such out-  
500 of-state education requirements shall be accepted as credit towards  
501 completion of the education requirements of this state, provided such  
502 out-of-state education requirements are approved by the system.

503 (8) A licensed mortgage loan originator who subsequently becomes  
504 unlicensed must complete the continuing education requirements for  
505 the last year in which the license was held prior to issuance of an initial  
506 or renewed license. A qualified individual or branch manager who  
507 ceases to hold such position must complete the continuing education  
508 requirements for the last year in which such position was held prior to  
509 holding such position again.

510 (9) A person who meets the requirements of subparagraphs (A)(i)

511 and (A)(iii) of subdivision (2) of subsection (a) or (b) of section 36a-489,  
512 as amended by this act, may compensate for any deficiency in  
513 continuing education requirements pursuant to regulations adopted  
514 by the commissioner.

515 (d) For purposes of this section "nontraditional mortgage product"  
516 means any mortgage product other than a thirty-year fixed rate  
517 mortgage, [, and "system" has the same meaning as provided in section  
518 36a-485.]

519 Sec. 9. Subsection (b) of section 36a-490 of the 2010 supplement to  
520 the general statutes is repealed and the following is substituted in lieu  
521 thereof (*Effective July 31, 2010*):

522 (b) A mortgage lender, mortgage correspondent lender or mortgage  
523 broker licensee may change the name of the licensee or address of the  
524 office specified on the most recent filing with the system if (1) at least  
525 thirty calendar days prior to such change, the licensee files such  
526 change with the system and, in the case of a main office, provides,  
527 directly to the commissioner, a bond rider or endorsement to the  
528 surety bond on file with the commissioner that reflects the new name  
529 or address of the main office, and (2) the commissioner does not  
530 disapprove such change, in writing, or request further information  
531 within such thirty-day period. The licensee shall promptly file any  
532 change in the information most recently submitted in connection with  
533 the license with the system or, if the information cannot be filed on the  
534 system, directly notify the commissioner, in writing, of such change in  
535 the information.

536 Sec. 10. Subsection (d) of section 36a-490 of the 2010 supplement to  
537 the general statutes is repealed and the following is substituted in lieu  
538 thereof (*Effective from passage*):

539 (d) Each mortgage loan originator licensee shall promptly file with  
540 the system or, if the information cannot be filed on the system, directly  
541 notify the commissioner, in writing, of any change in the information  
542 most recently submitted in connection with the license and of the

543 occurrence of any of the following developments:

544 (1) Filing for bankruptcy of the mortgage loan originator licensee;

545 (2) Filing of a criminal indictment against the mortgage loan  
546 originator licensee;

547 (3) Receiving notification of the institution of license or registration  
548 denial, cease and desist, suspension or revocation procedures, or other  
549 formal or informal regulatory action by any governmental agency  
550 against the mortgage loan originator licensee and the reasons therefor;  
551 or

552 (4) Receiving notification of the initiation of any action against the  
553 mortgage loan originator licensee by the Attorney General or the  
554 attorney general of any other state and the reasons therefor.

555 Sec. 11. Subsection (a) of section 36a-760 of the 2010 supplement to  
556 the general statutes is repealed and the following is substituted in lieu  
557 thereof (*Effective from passage*):

558 (a) As used in this section and sections 36a-760a to 36a-760j,  
559 inclusive:

560 (1) "APR" has the same meaning as provided in section 36a-746a;

561 (2) "CHFA loan" means a loan made, insured, purchased, subsidized  
562 or guaranteed by the Connecticut Housing Finance Authority;

563 (3) "FHA loan" means a loan made, insured, purchased, subsidized  
564 or guaranteed by the Federal Housing Administration;

565 (4) "First mortgage loan" has the same meaning as provided in  
566 section 36a-485;

567 (5) "Lender" means any person engaged in the business of the  
568 making of mortgage loans who is required to be licensed by the  
569 Department of Banking under chapter 668, or their successors or  
570 assigns, and shall also mean any bank, out-of-state bank, Connecticut

571 credit union, federal credit union, out-of-state credit union, or an  
572 operating subsidiary of a federal bank or a federally chartered out-of-  
573 state bank where such subsidiary engages in the business of making  
574 mortgage loans, and their successors and assigns, but shall not include  
575 any mortgage broker, as defined in this section, or any mortgage loan  
576 originator, as defined in section 36a-485;

577 (6) "Mortgage broker" means any person, other than a lender, who  
578 (A) for a fee, commission or other valuable consideration, negotiates,  
579 solicits, arranges, places or finds a mortgage, and (B) who is required  
580 to be licensed by the Department of Banking under chapter 668, or  
581 their successors or assigns;

582 (7) "Nonprime home loan" means any loan or extension of credit,  
583 excluding an open-end line of credit, and further excluding a reverse  
584 mortgage transaction, as defined in 12 CFR 226.33, as amended from  
585 time to time:

586 (A) In which the borrower is a natural person;

587 (B) The proceeds of which are to be used primarily for personal  
588 family or household purposes;

589 (C) In which the loan is secured by a mortgage upon any interest in  
590 one-to-four family [residential] improved real property located in this  
591 state which is, or when the loan is made, intended to be used or  
592 occupied by the borrower as a principal residence;

593 (D) In which the principal amount of the loan does not exceed (i)  
594 four hundred seventeen thousand dollars for a loan originated on or  
595 after July 1, 2008, but before July 1, 2010; and (ii) the then current  
596 conforming loan limit, as established from time to time by the Federal  
597 National Mortgage Association, for a loan originated on or after July 1,  
598 2010;

599 (E) Where the loan is not a CHFA loan; and

600 (F) In which the conditions set forth in clauses (i) and (ii) of this

601 subparagraph apply, subject to any adjustments made pursuant to  
602 clause (iii) of this subparagraph:

603 (i) The difference, at the time of consummation, between the APR  
604 for the loan and the conventional mortgage rate is either equal to or  
605 greater than (I) one and three-quarters percentage points, if the loan is  
606 a first mortgage loan, or (II) three and three-quarters percentage  
607 points, if the loan is a secondary mortgage loan. For purposes of such  
608 calculation, "conventional mortgage rate" means the contract interest  
609 rate on commitments for fixed-rate mortgages published by the Board  
610 of Governors of the Federal Reserve System in its statistical release  
611 H.15, or any publication that may supersede it, during the week  
612 preceding the week in which the interest rate for the loan is set.

613 (ii) The difference, at the time of consummation, between the APR  
614 for the loan or extension of credit and the average prime offer rate for a  
615 comparable transaction, as of the date the interest rate is set, is greater  
616 than one and one-half percentage points if the loan is a first mortgage  
617 loan or three and one-half percentage points if the loan is a secondary  
618 mortgage loan. For purposes of this subparagraph, "average prime  
619 offer rate" has the meaning as provided in 12 CFR 226.35, as amended  
620 from time to time.

621 (iii) The commissioner shall have the authority, after consideration  
622 of the relevant factors, to increase the percentages set forth in clauses  
623 (i) and (ii) of this subparagraph. The authority of the commissioner,  
624 and any increases or decreases made under this clause, shall expire on  
625 August 31, 2010. For purposes of this clause, the relevant factors to be  
626 considered by the commissioner shall include, but not be limited to,  
627 the existence and amount of increases in fees or charges in connection  
628 with purchases of mortgages by the Federal National Mortgage  
629 Association or the Federal Home Loan Mortgage Corporation and  
630 increases in fees or charges imposed by mortgage insurers and the  
631 impact, including the magnitude of the impact, that such increases  
632 have had, or will likely have, on APRs for mortgage loans in this state.  
633 When considering such factors, the commissioner shall focus on those

634 increases that are related to the deterioration in the housing market  
635 and credit conditions. The commissioner may refrain from increasing  
636 such percentages if it appears that lenders are increasing interest rates  
637 or fees in bad faith or if increasing the percentages would be contrary  
638 to the purposes of sections 36a-760 to 36a-760f, inclusive, as amended  
639 by this act. No increase authorized by the commissioner to a particular  
640 percentage shall exceed one-quarter of one percentage point, and the  
641 total of all increases to a particular percentage under this clause shall  
642 not exceed one-half of one percentage point. No increase shall be made  
643 unless: (I) The increase is noticed in the Banking Department Bulletin  
644 and the Connecticut Law Journal, and (II) a public comment period of  
645 twenty days is provided. Any increase made under this clause shall be  
646 reduced proportionately when the need for the increase has  
647 diminished or no longer exists. The commissioner, in the exercise of his  
648 discretion, may authorize an increase in the percentages with respect  
649 to all loans or just with respect to a certain class or classes of loans;

650 (8) "Open-end line of credit" means a mortgage extended by a  
651 lender under a plan in which: (A) The lender reasonably contemplates  
652 repeated transactions; (B) the lender may impose a finance charge from  
653 time to time on an outstanding unpaid balance; (C) the amount of  
654 credit that may be extended to the consumer during the term of the  
655 plan, up to any limit set by the lender, is generally made available to  
656 the extent that any outstanding balance is repaid; and (D) none of the  
657 proceeds of the open-end line of credit are used at closing to (i)  
658 purchase the borrower's primary residence, or (ii) refinance a  
659 mortgage loan that had been used by the borrower to purchase the  
660 borrower's primary residence;

661 [(9) "Residential property" has the same meaning as provided in  
662 section 36a-485;]

663 [(10)] (9) "Secondary mortgage loan" has the same meaning as  
664 provided in section 36a-485.

665 (b) The provisions of sections 36a-760a to 36a-760i, inclusive, as  
666 amended by this act, shall be applicable to nonprime home loans and

667 mortgages, as appropriate, for which applications have been received  
 668 on or after August 1, 2008.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 31, 2010</i>	36a-486(b)(1)
Sec. 2	<i>July 31, 2010</i>	36a-487
Sec. 3	<i>from passage</i>	36a-488(a)
Sec. 4	<i>July 31, 2010</i>	36a-488(b)
Sec. 5	<i>from passage</i>	36a-489(b)
Sec. 6	<i>from passage</i>	36a-489(e)
Sec. 7	<i>July 31, 2010</i>	36a-492
Sec. 8	<i>from passage</i>	36a-489a
Sec. 9	<i>July 31, 2010</i>	36a-490(b)
Sec. 10	<i>from passage</i>	36a-490(d)
Sec. 11	<i>from passage</i>	36a-760(a)

**BA**      *Joint Favorable Subst.*

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The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

There is no fiscal impact to the Department of Banking as the bill impacts mortgage lenders and makes technical changes.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****sSB 361*****AN ACT CONCERNING IMPLEMENTATION OF THE S.A.F.E. MORTGAGE LICENSING ACT.*****SUMMARY:**

PA 09-209 implemented the 2008 federal Secure and Fair Enforcement for Mortgage Licensing (S.A.F.E.) Act. This bill further implements the S.A.F.E. Act. It:

1. allows a person exempt from the mortgage licensing requirements to sponsor a mortgage loan originator and makes other changes concerning sponsorship;
2. changes the testing deadline for (a) mortgage loan originators and (b) qualified individuals and branch managers of mortgage lenders, correspondent lenders, and brokers;
3. extends the annual continuing education requirements to qualified individuals or branch managers and makes changes to those requirements and the prelicensing education requirements;
4. makes several changes to the surety bond requirement; and
5. makes minor and technical changes.

EFFECTIVE DATE: Upon passage, except the provisions concerning mortgage loan originator sponsorship and surety bonds are effective July 31, 2010.

**§§ 1, 2 — SPONSORSHIP OF MORTGAGE LOAN ORIGINATORS**

By law, a mortgage loan originator license is not effective unless the originator is sponsored by a licensed mortgage lender, mortgage

correspondent lender, or mortgage broker. The bill permits a person exempt from the mortgage licensing requirements to register on the Nationwide Mortgage Licensing System and Registry (hereinafter, the system, see BACKGROUND) to sponsor a mortgage loan originator and to satisfy the mortgage loan originator bonding requirements without affecting the person's exempt status.

As for other sponsors under current law, the bill (1) permits an exempt person to file a notice of termination of sponsorship on the system and (2) makes a mortgage loan originator's license ineffective when sponsorship terminates.

### **CHANGES TO PRELICENSING EDUCATION, TESTING, AND CONTINUING EDUCATION**

#### ***§§ 3, 5, and 8— Extension of Testing Deadline; Other Changes to Testing Requirements***

By law, mortgage lenders, correspondent lenders, and brokers seeking licensure must have qualified individuals at the main office and branch managers at each branch office who (1) meet certain experience and prelicensing education requirements and (2) passed a written test developed by the system by April 1, 2010. By law, starting April 1, 2010, initial mortgage loan originator license applicants must also pass a written test to be licensed. Originators who are already licensed must also pass the test by that date.

The bill allows (1) qualified individuals, (2) branch managers, and (3) mortgage loan originator applicants and licensees to pass the state-specific component of the test by a date the banking commissioner specifies, rather than April 1, 2010. The bill also provides that a person who was on July 9, 2009 (1) both (a) a qualified individual or branch manager and (b) a licensed mortgage loan originator or (2) a licensed mortgage loan originator must pass the written test and complete the prelicensing education requirements by October 31, 2010.

The bill allows an approved test provider to provide a test at the tested individual's (1) employer, (2) a subsidiary or affiliate of the

employer, or (3) any entity where the tested individual acts as a qualified individual or branch manager.

It increases, from three to four, the number of consecutive times an individual may retake a test, with each consecutive test occurring at least 30 days after the previous test, before the individual must wait at least six months to retake the test.

The bill requires an individual who has not been licensed as a mortgage loan originator within the five years before applying for such a license, not counting any time during which he or she is a registered mortgage loan originator, to retake the test. It also requires a qualified individual or branch manager who has not held the position within the five years before the date of filing on the system as a qualified individual or branch manager to retake the test, unless he or she was licensed as a mortgage loan originator during the five years preceding the filing, not counting any time while the individual is a registered mortgage loan originator. Current law requires a licensed mortgage lender, correspondent lender, broker, or loan originator who fails to maintain a valid license for five years or longer, not counting any time while the individual is a registered mortgage loan originator, to retake the test.

#### **§ 8 — *Prelicensing Education; Continuing Education***

The bill allows prelicensing education and continuing education courses to be provided by the employer of the individual taking the test or the employer's subsidiary or affiliate, if such courses are approved by the system.

#### **§ 8 — *Continuing Education for Qualified Individuals and Branch Managers***

The bill extends to qualified individuals or branch managers the annual continuing education requirement that currently applies to mortgage loan originators. It requires an individual who previously held a position as a qualified individual or branch manager after the effective date of the prelicensing and testing requirements to complete all continuing education requirements for the year in which the

individual last held such a position, before the individual may hold such a position again.

The bill allows qualified individuals or branch managers to receive credit for a continuing education course only in the year in which the course is taken and prohibits them from taking the same approved course in the same or successive years to meet the annual continuing education requirements. However, other provisions of law can provide otherwise. These provisions already apply to mortgage loan originators.

The bill allows a qualified individual or branch manager who is an approved instructor of an approved continuing education course to receive credit for his or her own annual continuing education requirement at the rate of two hours credit for every one hour taught. This provision already applies to mortgage loan originators.

The bill requires a qualified individual or branch manager who no longer holds such a position to complete the continuing education requirements for the last year in which he or she held the position before the individual can hold such a position again.

#### **§ 4, 7, AND 9 — SURETY BOND**

The bill changes the amount of the surety bond required for mortgage lenders, brokers, and originators and also sets requirements for originators sponsored by licensees who are exempt from registration. It requires the principal on a required bond to file a rider or endorsement to reflect any changes necessary to maintain the required coverage.

Under current law, the bond required for a broker or lender license is (1) \$40,000 and (2) starting July 31, 2010, the penal sum of the bond must reflect the dollar amount of the loans originated by the lender or broker, as determined by the banking commissioner. The bill specifies that the bond must be a single bond with a penal sum of at least \$50,000 and must cover all originators sponsored by the licensee. It ties the bond amount to the aggregate dollar amount of the residential

mortgage loans originated by all mortgage loan originator licensees in the preceding calendar year, as shown in Table 1.

**Table 1: Bond Amounts for Brokers and Lenders Under the Bill**

<i><b>Aggregate Amount of Residential Mortgage Loans</b></i>	<i><b>Penal Sum of Bond</b></i>
Less than \$30 million	\$50,000
\$30 million but less than \$50 million	\$100,000
\$50 million or more	\$150,000

The bill specifies that the aggregate dollar amount must be the amount reflected in reports filed on the system. If the reports are not available, the licensee and exempt registrant must, at the time the bond is filed, submit the financial information to the commissioner in the form he deems necessary to verify the aggregate dollar amount.

The bill allows the commissioner to require a change in the penal sum if he determines that the aggregate dollar amount of the residential mortgage loans originated by all mortgage loan originator licensees warrants it.

Also under current law, starting July 31, 2010, originators must be covered by a surety bond provided by their sponsoring broker or lender. The bond must reflect the amount of loans originated by the originator, as determined by the commissioner. The bill specifies that an exempt registrant (see BACKGROUND) sponsoring originators must obtain a single surety bond covering all originators it sponsors (in the same amount the bill requires for lenders and brokers).

### **§ 7 — Cancellation**

The bond-related requirements for exempt registrants are generally the same as for licensees. However, the bill specifically sets requirements for cancellation of an exempt registrant's bond. By law, a surety company can cancel a bond but must first notify the commissioner. The commissioner must provide notice of the cancellation date to the principal. The bill specifies that, in the case of

an exempt registrant, this notification counts as notification of the sponsored originator licensee.

Also, by law, the commissioner must automatically suspend a lender or broker's license on the cancellation date unless certain conditions are met. In the case of an exempt registrant, the bill requires the commissioner to suspend the license of the sponsored originator. Finally, by law, the commissioner does not have to suspend the license if the lender or broker has ceased doing business and surrendered the license. For exempt registrants, the bill provides that the commissioner does not have to suspend the license if the sponsorship has been terminated.

The bill allows the commissioner to provide information to the exempt registrant about actions he takes related to a bond cancellation against an originator licensee for which it has provided sponsorship and a bond.

#### **§§ 4, 9 — Filing a Bond**

In connection with an application for a mortgage lender, correspondent lender, or broker license, the bill limits the need to file a bond with the commissioner only to an initial license application for the licensee's main office. It also specifies that when such licensees seek to change their licensee name or address most recently filed in the system, they only need to provide the banking commissioner a bond rider or endorsement to the surety bond on file that reflects the new name or address if the change relates to the licensee's main office.

### **LICENSING AND APPLICATION REQUIREMENTS**

#### **§ 6 — Notification Regarding Abandoned Applications**

The bill specifically requires the banking commissioner to notify mortgage license applicants in writing on the system that their applications may be deemed abandoned if they fail to respond to his information request within 60 days. Current law requires only that the notification be provided in writing.

#### **§ 10 — Mortgage Loan Originators**

The bill requires a mortgage loan originator licensee, following any change in the most recent information submitted in connection with the license, to promptly file the change with the system. If the information cannot be filed on the system, the licensee must notify the commissioner in writing of the change. As under current law, the licensee must provide information about bankruptcy, criminal indictments, regulatory actions, or actions by an attorney general.

## **BACKGROUND**

### ***Nationwide Mortgage Licensing System and Registry***

By law, the banking commissioner must participate in the system and allow it to process applications for and maintain records on mortgage professionals. PA 09-209 specified that the banking commissioner must require these individuals to be licensed and registered through the system.

### ***Exemptions from Mortgage Licensing Requirements***

By law, the following institutions are exempt from the mortgage licensing requirements, and therefore, registration: any bank, out-of-state bank, and Connecticut, federal, or out-of-state credit union, provided the bank or credit union is federally insured. Also exempt are the operating subsidiaries of federal banks or federally chartered out-of-state banks, as well as the wholly-owned subsidiaries of Connecticut banks and Connecticut credit unions.

Additionally, the following are exempt from licensure as a mortgage lender or correspondent lender:

1. people or entities making five or fewer residential mortgage loans within any 12-month period;
2. bona fide nonprofit corporations making residential mortgage loans to promote home ownership for economically disadvantaged people;
3. federal, state, municipal, or quasi-governmental agencies making residential mortgage loans under the authority of federal

- or any state's law;
4. people licensed as small loan lenders when making residential mortgage loans authorized by law;
  5. people owning real property who take back from the buyer of such property a secondary mortgage loan in lieu of any portion of the purchase price;
  6. any corporation or its affiliate that makes residential mortgage loans exclusively for the benefit of its employees or agents;
  7. a licensed insurance company or health care center, or its affiliate or subsidiary, that makes residential mortgage loans to promote home ownership in urban areas;
  8. people acting as fiduciaries for any employee pension benefit plan qualified under the Internal Revenue Code, who make residential mortgage loans solely to plan participants from plan assets; and
  9. people making secondary mortgage loans to individuals related to them by blood or marriage.

### ***Prelicensing Education, Testing, and Continuing Education***

The prelicensing education requirements include 20 hours of instruction, which must include at least (1) three hours on relevant federal law and regulations; (2) three hours of ethics, including instruction on fraud, consumer protection, and fair lending issues; and (3) two hours related to lending standards for the nontraditional mortgage product marketplace (defined as any mortgage product other than a 30-year, fixed rate mortgage). The system must review and approve these courses based on reasonable standards. It must also review and approve the course provider. The annual continuing education requirement consists of at least eight hours of approved courses in similar subjects. Continuing education courses are subject to the same review and approval conditions as are required for

prelicensing courses.

By law, individuals must pass, with a score of at least 75%, a qualified written test developed by the system and administered by a system-approved test provider based on reasonable standards. The written test measures the applicant's knowledge and comprehension in appropriate subject areas, including (1) ethics; (2) federal and state law and regulation pertaining to mortgage origination; and (3) federal and state law and regulation, including instruction on fraud, consumer protection, the nontraditional mortgage marketplace, and fair lending issues.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/16/2010)