



General Assembly

February Session, 2010

**Raised Bill No. 361**

LCO No. 1751

\*01751\_\_\_\_\_BA\_\*

Referred to Committee on Banks

Introduced by:

(BA)

**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2 2010 supplement to the general statutes is repealed and the following  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 or before July 9, 2009, and was a  
80 licensed mortgage loan originator on or before July 9, 2009, shall have  
81 completed such prelicensing education requirement and passed such

82 written test not 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\*  
190 shall have completed such prelicensing education requirement and  
191 passed such written test not later than October 31, 2010.

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193 the general statutes is repealed and the following is substituted in lieu  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

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

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210 is repealed and the following is substituted in lieu thereof (*Effective July*  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

212 [(a) (1) No mortgage lender, mortgage correspondent lender or  
213 mortgage broker license, and no renewal thereof, shall be granted  
214 unless the applicant has filed a bond with the commissioner written by  
215 a surety authorized to write such bonds in this state, in the sum of  
216 forty thousand dollars, the form of which shall be approved by the  
217 Attorney General. Effective July 31, 2010, the penal sum of the bond  
218 shall be maintained in an amount that reflects the dollar amount of the  
219 loans originated by the mortgage lender, mortgage correspondent  
220 lender or mortgage broker, as determined by the commissioner.]

221 (a) (1) Each licensed mortgage lender, mortgage correspondent  
222 lender and mortgage broker shall file with the commissioner a single  
223 surety bond written by a surety authorized to write such bonds in this  
224 state in a sum determined in accordance with subsection (d) of this  
225 section, provided the penal sum of the bond shall be not less than fifty  
226 thousand dollars. Each mortgage loan originator licensee, other than a  
227 licensee sponsored by a person registered as an exempt registrant  
228 under subsection (c) of section 36a-487, as amended by this act, shall be  
229 covered by such bond.

230 (2) Each mortgage loan originator licensee sponsored by an exempt  
231 registrant shall be covered by a single surety bond filed with the  
232 commissioner by the exempt registrant. Such surety bond shall be  
233 written by a surety authorized to write such bonds in this state in a  
234 sum determined in accordance with subsection (d) of this section,  
235 provided the penal sum of the bond shall be not less than fifty  
236 thousand dollars.

237 (3) The principal on a bond required by subsection (a) of this section  
238 shall file a bond rider or endorsement to the surety bond on file with  
239 the commissioner to reflect any changes necessary to maintain the  
240 surety bond coverage required by this section.

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

243 (b) The bond required by subsection (a) of this section shall be (1) in  
244 a form approved by the Attorney General, and (2) conditioned upon  
245 [such] the mortgage lender, mortgage correspondent lender or  
246 mortgage broker licensee and [, effective July 31, 2010,] any mortgage  
247 loan originator [who is covered by the surety bond of a mortgage  
248 lender, mortgage correspondent lender or mortgage broker,] licensee  
249 sponsored by such mortgage lender, mortgage correspondent lender  
250 or mortgage broker or, in the case of a mortgage loan originator  
251 licensee sponsored by an exempt registrant, upon such mortgage loan  
252 originator licensee faithfully performing any and all written  
253 agreements or commitments with or for the benefit of borrowers and  
254 prospective borrowers, truly and faithfully accounting for all funds  
255 received from a borrower or prospective borrower by the licensee in  
256 the licensee's capacity as a mortgage lender, mortgage correspondent  
257 lender, [or a] mortgage broker or [, effective July 31, 2010, a] mortgage  
258 loan originator, and conducting such mortgage business consistent  
259 with the provisions of sections 36a-485 to 36a-498f, inclusive, as  
260 amended by this act, 36a-534a and 36a-534b. Any borrower or  
261 prospective borrower who may be damaged by failure to perform any  
262 written agreements or commitments, or by the wrongful conversion of  
263 funds paid by a borrower or prospective borrower to a licensee, may  
264 proceed on such bond against the principal or surety thereon, or both,  
265 to recover damages. Commencing August 1, 2009, any borrower or  
266 prospective borrower who may be damaged by a mortgage lender,  
267 mortgage correspondent lender, mortgage broker or mortgage loan  
268 originator licensee's failure to satisfy a judgment against the licensee  
269 arising from the making or brokering of a nonprime home loan, as  
270 defined in section 36a-760, as amended by this act, may proceed on  
271 such bond against the principal or surety thereon, or both, to recover  
272 the amount of the judgment. The commissioner may proceed on such  
273 bond against the principal or surety thereon, or both, to collect any  
274 civil penalty imposed upon [the] a licensee pursuant to subsection (a)  
275 of section 36a-50 and any unpaid costs of examination of [the] a  
276 licensee as determined pursuant to section 36a-65. The proceeds of the

277 bond, even if commingled with other assets of the [licensee] principal,  
 278 shall be deemed by operation of law to be held in trust for the benefit  
 279 of such claimants against the [licensee] principal in the event of  
 280 bankruptcy of the [licensee] principal and shall be immune from  
 281 attachment by creditors and judgment creditors. The bond shall run  
 282 concurrently with the period of the license [granted to the applicant,]  
 283 for the main office and the aggregate liability under the bond shall not  
 284 exceed the penal sum of the bond. The [licensee] principal shall notify  
 285 the commissioner of the commencement of an action on the [licensee's]  
 286 bond. When an action is commenced on a [licensee's] principal's bond,  
 287 the commissioner may require the filing of a new bond and  
 288 immediately on recovery on any action on the bond, the [licensee]  
 289 principal shall file a new bond.

290 (c) The surety company shall have the right to cancel the bond at  
 291 any time by a written notice to the [licensee] principal stating the date  
 292 cancellation shall take effect. Such notice shall be sent by certified mail  
 293 to the [licensee] principal at least thirty days prior to the date of  
 294 cancellation. A surety bond shall not be cancelled unless the surety  
 295 company notifies the commissioner in writing not less than thirty days  
 296 prior to the effective date of cancellation. After receipt of such  
 297 notification from the surety company, the commissioner shall give  
 298 written notice to the [licensee] principal of the date such bond  
 299 cancellation shall take effect and, in the case where the principal is an  
 300 exempt registrant, such notice shall be deemed notice to each mortgage  
 301 loan originator licensee sponsored by such principal for the purposes  
 302 of subsection (c) of section 4-182. The commissioner shall automatically  
 303 suspend the [license] licenses of a mortgage lender, on such date, and,  
 304 in the case of a cancellation of an exempt registrant's bond, shall  
 305 automatically suspend the licenses of the mortgage loan originators  
 306 sponsored by such exempt registrant, unless prior to the date that the  
 307 bond cancellation shall take effect, (1) the [licensee prior to such date]  
 308 principal submits a letter of reinstatement of the bond from the surety  
 309 company or a new bond, [or] (2) the mortgage lender, mortgage  
 310 correspondent lender or mortgage broker licensee has ceased business

311 and has surrendered [the license] all licenses in accordance with  
312 subsection (a) of section 36a-490, or (3), in the case of a mortgage loan  
313 originator licensee sponsored by an exempt registrant, the sponsorship  
314 has been terminated. After a mortgage lender, mortgage  
315 correspondent lender, mortgage broker or mortgage loan originator  
316 license has been automatically suspended pursuant to this section, the  
317 commissioner shall give [the] such licensee notice of the automatic  
318 suspension, pending proceedings for revocation or failure to renew  
319 pursuant to section 36a-494 and an opportunity for a hearing on such  
320 action in accordance with section 36a-51 and require the mortgage  
321 lender, mortgage correspondent lender or mortgage broker licensee to  
322 take or refrain from taking such action as in the opinion of the  
323 commissioner will effectuate the purposes of this section. The  
324 commissioner may provide information to an exempt registrant  
325 concerning actions taken by the commissioner pursuant to this  
326 subsection against any mortgage loan originator licensee that was  
327 sponsored and bonded by such exempt registrant.

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

330 (1) Based on the aggregate dollar amount of residential mortgage  
331 loans originated by all mortgage loan originator licensees in the  
332 preceding calendar year as reflected in reports filed on the system and  
333 in accordance with subdivision (2) of this subsection. If such reports  
334 are not available on the system, the licensee and exempt registrant  
335 shall submit to the commissioner, at the time the bond is filed, such  
336 financial information in such form as the commissioner deems  
337 necessary to verify the applicable bond amount; and

338 (2) (A) If the aggregate dollar amount of the residential mortgage  
339 loans originated by all mortgage loan originator licensees in the  
340 preceding calendar year is less than thirty million dollars, the penal  
341 sum of the bond shall be fifty thousand dollars. (B) If the aggregate  
342 dollar amount of the residential mortgage loans originated by all

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

350 (3) The commissioner may require a change in the bond amount if  
351 the commissioner determines at any time that the aggregate dollar  
352 amount of the residential mortgage loans originated by all mortgage  
353 loan originator licensees warrants a change in the amount of the bond.

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

357 (a) (1) In order to meet the prelicensing education and testing  
358 [requirement] requirements referred to in [section] sections 36a-488, as  
359 amended by this act, and 36a-489, as amended by this act, an  
360 [applicant] individual shall complete at least twenty hours of  
361 education approved in accordance with subdivision (2) of this  
362 subsection, which shall include at least (A) three hours of instruction  
363 on relevant federal law and regulations; (B) three hours of ethics,  
364 including instruction on fraud, consumer protection and fair lending  
365 issues; and (C) two hours of training related to lending standards for  
366 the nontraditional mortgage product marketplace.

367 (2) For purposes of subdivision (1) of this subsection, prelicensing  
368 education courses shall be reviewed and approved by the system  
369 based upon reasonable standards. Review and approval of a  
370 prelicensing education course shall include review and approval of the  
371 course provider.

372 (3) Nothing in this subsection shall preclude any prelicensing  
373 education course, as approved by the system, that is provided by the

374 individual's sponsor [of the applicant] or employer or an entity which  
375 is affiliated with the [applicant] individual by an agency contract, or  
376 any subsidiary or affiliate of such sponsor, employer or entity.

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

379 (5) When prelicensing education requirements described in  
380 subdivision (1) of this subsection are completed in another state, such  
381 out-of-state prelicensing education requirements shall be accepted as  
382 credit towards completion of the prelicensing education requirements  
383 of this state, provided such out-of-state prelicensing education  
384 requirements are approved by the system.

385 (6) A person previously licensed under section 36a-489, as amended  
386 by this act, [subsequent to the applicable effective date of the] who is  
387 applying to be relicensed, shall be exempt from the prelicensing and  
388 testing requirements referred to in section 36a-489, as amended by this  
389 act, [applying to be licensed again shall prove that such person]  
390 provided such person establishes that he or she has completed all of  
391 the continuing education requirements for the year in which the  
392 license was last held.

393 (b) (1) In order to meet the written test [requirement] requirements  
394 referred to in [section] sections 36a-488, as amended by this act, and  
395 36a-489, as amended by this act, an individual shall pass, in accordance  
396 with the standards established under this subsection, a qualified  
397 written test developed by the system and administered by a test  
398 provider approved by the system based upon reasonable standards.

399 (2) A written test shall not be treated as a qualified written test for  
400 purposes of subdivision (1) of this subsection unless the test  
401 adequately measures the [applicant's] individual's knowledge and  
402 comprehension in appropriate subject areas, including ethics, federal  
403 law and regulation pertaining to mortgage origination, state law and  
404 regulation pertaining to mortgage origination, and federal and state

405 law and regulation, including instruction on fraud, consumer  
406 protection, the nontraditional mortgage marketplace and fair lending  
407 issues.

408 (3) Nothing in this subsection shall prohibit a test provider  
409 approved by the system from providing a test at the location of the  
410 sponsor [of the applicant] or employer, any subsidiary or affiliate of  
411 the sponsor [of the applicant] or employer, or any entity with which  
412 the [applicant] individual holds an exclusive arrangement to conduct  
413 the business of a mortgage loan originator or acts as a qualified  
414 individual or branch manager.

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

418 (B) An individual may retake a test three consecutive times with  
419 each consecutive taking occurring at least thirty days after the  
420 preceding test. After failing three consecutive tests, an individual shall  
421 wait at least six months before taking the test again.

422 (C) [A licensed mortgage lender, mortgage correspondent lender,  
423 mortgage broker or] (i) An individual who has not been licensed as a  
424 mortgage loan originator [who fails to maintain a valid license for a  
425 period of five years or longer] within the five-year period preceding  
426 the date of the filing of such individual's application for a mortgage  
427 loan originator license, not taking into account any time during which  
428 such individual is a registered mortgage loan originator, shall retake  
429 such test, and (ii) a qualified individual or branch manager who has  
430 not held such position within the five-year period preceding the date  
431 of the filing on the system designating such individual as a qualified  
432 individual or branch manager shall retake such test, unless such  
433 individual was licensed as a mortgage loan originator during the five-  
434 year period preceding the date of the filing on the system designating  
435 such individual as a qualified individual or branch manger, not taking  
436 into account any time during which such individual is a registered

437 mortgage loan originator, [ shall retake the test.]

438 (c) (1) In order to meet the annual continuing education  
439 requirements referred to in [subdivision (2) of subsection] subsections  
440 (a) and (b) of section 36a-489, as amended by this act, a licensed  
441 mortgage lender, a licensed mortgage correspondent lender, a licensed  
442 mortgage broker, a licensed mortgage loan originator or a qualified  
443 individual or branch manager shall complete at least eight hours of  
444 education approved in accordance with subdivision (2) of this  
445 subsection. Such courses shall include at least (A) three hours of  
446 instruction on relevant federal law and regulation; (B) two hours of  
447 ethics, including instruction on fraud, consumer protection and fair  
448 lending issues; and (C) two hours of training related to lending  
449 standards for the nontraditional mortgage product marketplace.

450 (2) For purposes of subdivision (1) of this subsection, continuing  
451 education courses shall be reviewed and approved by the system  
452 based upon reasonable standards. Review and approval of a  
453 continuing education course shall include review and approval of the  
454 course provider.

455 (3) Nothing in this subsection shall preclude any education course  
456 approved by the system that is provided by the sponsor [of the  
457 mortgage loan originator] or employer or an entity that is affiliated  
458 with the mortgage loan originator, qualified individual or branch  
459 manager by an agency contract, or by any subsidiary or affiliate of  
460 such sponsor, employer or entity.

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

463 (5) Except as [otherwise] provided in procedures adopted under  
464 [subparagraph (B) of subdivision (2) of subsection] subsections (a) and  
465 (b) of section 36a-489, as amended by this act, or in regulations  
466 adopted under subdivision (9) of this subsection, a licensed mortgage  
467 loan originator or a qualified individual or branch manager may only

468 receive credit for a continuing education course in the year in which  
469 the course is taken, and may not take the same approved course in the  
470 same or successive years to meet the annual requirements for  
471 continuing education.

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

477 (7) When education requirements described in subdivision (1) of  
478 subsection (a) of this section are completed in another state, such out-  
479 of-state education requirements shall be accepted as credit towards  
480 completion of the education requirements of this state, provided such  
481 out-of-state education requirements are approved by the system.

482 (8) A licensed mortgage loan originator who subsequently becomes  
483 unlicensed must complete the continuing education requirements for  
484 the last year in which the license was held prior to issuance of an initial  
485 or renewed license. A qualified individual or branch manager who  
486 ceases to hold such position must complete the continuing education  
487 requirements for the last year in which such position was held prior to  
488 holding such position again.

489 (9) A person who meets the requirements of subparagraphs (A)(i)  
490 and (A)(iii) of subdivision (2) of subsection (a) or (b) of section 36a-489,  
491 as amended by this act, may compensate for any deficiency in  
492 continuing education requirements pursuant to regulations adopted  
493 by the commissioner.

494 (d) For purposes of this section "nontraditional mortgage product"  
495 means any mortgage product other than a thirty-year fixed rate  
496 mortgage. [, and "system" has the same meaning as provided in section  
497 36a-485.]

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

501 (b) A mortgage lender, mortgage correspondent lender or mortgage  
502 broker licensee may change the name of the licensee or address of the  
503 office specified on the most recent filing with the system if (1) at least  
504 thirty calendar days prior to such change, the licensee files such  
505 change with the system and, in the case of a main office, provides,  
506 directly to the commissioner, a bond rider or endorsement to the  
507 surety bond on file with the commissioner that reflects the new name  
508 or address of the main office, and (2) the commissioner does not  
509 disapprove such change, in writing, or request further information  
510 within such thirty-day period. The licensee shall promptly file any  
511 change in the information most recently submitted in connection with  
512 the license with the system or, if the information cannot be filed on the  
513 system, directly notify the commissioner, in writing, of such change in  
514 the information.

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

518 (d) Each mortgage loan originator licensee shall promptly file with  
519 the system or, if the information cannot be filed on the system, directly  
520 notify the commissioner, in writing, of any change in the information  
521 most recently submitted in connection with the license and of the  
522 occurrence of any of the following developments:

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

524 (2) Filing of a criminal indictment against the mortgage loan  
525 originator licensee;

526 (3) Receiving notification of the institution of license or registration  
527 denial, cease and desist, suspension or revocation procedures, or other

528 formal or informal regulatory action by any governmental agency  
529 against the mortgage loan originator licensee and the reasons therefor;  
530 or

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

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

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

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

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

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

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

546 (5) "Lender" means any person engaged in the business of the  
547 making of mortgage loans who is required to be licensed by the  
548 Department of Banking under chapter 668, or their successors or  
549 assigns, and shall also mean any bank, out-of-state bank, Connecticut  
550 credit union, federal credit union, out-of-state credit union, or an  
551 operating subsidiary of a federal bank or a federally chartered out-of-  
552 state bank where such subsidiary engages in the business of making  
553 mortgage loans, and their successors and assigns, but shall not include  
554 any mortgage broker, as defined in this section, or any mortgage loan  
555 originator, as defined in section 36a-485;

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

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

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

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

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

572 (D) In which the principal amount of the loan does not exceed (i)  
573 four hundred seventeen thousand dollars for a loan originated on or  
574 after July 1, 2008, but before July 1, 2010; and (ii) the then current  
575 conforming loan limit, as established from time to time by the Federal  
576 National Mortgage Association, for a loan originated on or after July 1,  
577 2010;

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

579 (F) In which the conditions set forth in clauses (i) and (ii) of this  
580 subparagraph apply, subject to any adjustments made pursuant to  
581 clause (iii) of this subparagraph:

582 (i) The difference, at the time of consummation, between the APR  
583 for the loan and the conventional mortgage rate is either equal to or  
584 greater than (I) one and three-quarters percentage points, if the loan is

585 a first mortgage loan, or (II) three and three-quarters percentage  
586 points, if the loan is a secondary mortgage loan. For purposes of such  
587 calculation, "conventional mortgage rate" means the contract interest  
588 rate on commitments for fixed-rate mortgages published by the Board  
589 of Governors of the Federal Reserve System in its statistical release  
590 H.15, or any publication that may supersede it, during the week  
591 preceding the week in which the interest rate for the loan is set.

592 (ii) The difference, at the time of consummation, between the APR  
593 for the loan or extension of credit and the average prime offer rate for a  
594 comparable transaction, as of the date the interest rate is set, is greater  
595 than one and one-half percentage points if the loan is a first mortgage  
596 loan or three and one-half percentage points if the loan is a secondary  
597 mortgage loan. For purposes of this subparagraph, "average prime  
598 offer rate" has the meaning as provided in 12 CFR 226.35, as amended  
599 from time to time.

600 (iii) The commissioner shall have the authority, after consideration  
601 of the relevant factors, to increase the percentages set forth in clauses  
602 (i) and (ii) of this subparagraph. The authority of the commissioner,  
603 and any increases or decreases made under this clause, shall expire on  
604 August 31, 2010. For purposes of this clause, the relevant factors to be  
605 considered by the commissioner shall include, but not be limited to,  
606 the existence and amount of increases in fees or charges in connection  
607 with purchases of mortgages by the Federal National Mortgage  
608 Association or the Federal Home Loan Mortgage Corporation and  
609 increases in fees or charges imposed by mortgage insurers and the  
610 impact, including the magnitude of the impact, that such increases  
611 have had, or will likely have, on APRs for mortgage loans in this state.  
612 When considering such factors, the commissioner shall focus on those  
613 increases that are related to the deterioration in the housing market  
614 and credit conditions. The commissioner may refrain from increasing  
615 such percentages if it appears that lenders are increasing interest rates  
616 or fees in bad faith or if increasing the percentages would be contrary  
617 to the purposes of sections 36a-760 to 36a-760f, inclusive, as amended

618 by this act. No increase authorized by the commissioner to a particular  
619 percentage shall exceed one-quarter of one percentage point, and the  
620 total of all increases to a particular percentage under this clause shall  
621 not exceed one-half of one percentage point. No increase shall be made  
622 unless: (I) The increase is noticed in the Banking Department Bulletin  
623 and the Connecticut Law Journal, and (II) a public comment period of  
624 twenty days is provided. Any increase made under this clause shall be  
625 reduced proportionately when the need for the increase has  
626 diminished or no longer exists. The commissioner, in the exercise of his  
627 discretion, may authorize an increase in the percentages with respect  
628 to all loans or just with respect to a certain class or classes of loans;

629 (8) "Open-end line of credit" means a mortgage extended by a  
630 lender under a plan in which: (A) The lender reasonably contemplates  
631 repeated transactions; (B) the lender may impose a finance charge from  
632 time to time on an outstanding unpaid balance; (C) the amount of  
633 credit that may be extended to the consumer during the term of the  
634 plan, up to any limit set by the lender, is generally made available to  
635 the extent that any outstanding balance is repaid; and (D) none of the  
636 proceeds of the open-end line of credit are used at closing to (i)  
637 purchase the borrower's primary residence, or (ii) refinance a  
638 mortgage loan that had been used by the borrower to purchase the  
639 borrower's primary residence;

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

642 [(10)] (9) "Secondary mortgage loan" has the same meaning as  
643 provided in section 36a-485.

644 (b) The provisions of sections 36a-760a to 36a-760i, inclusive, as  
645 amended by this act, shall be applicable to nonprime home loans and  
646 mortgages, as appropriate, for which applications have been received  
647 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)

**Statement of Purpose:**

To further implement the S.A.F.E. Mortgage Licensing Act by addressing exempt registrant sponsorship and bonding of mortgage loan originators, establishing required surety bond amounts and making various other technical changes.

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