TESTIMONY SUBMITTED TO THE BANKS COMMITTEE
March 6, 2012

Commissioner Howard F. Pitkin
Department of Banking

SB158, AN ACT CONCERNING ENFORCEMENT BY THE BANKING COMMISSIONER,
SB 160, AAC THE S.A.F.E. MORTGAGE LICENSING ACT and
HB 5070, AAC LOAN PRODUCTION OFFICES, INTERSTATE BRANCHING AND NONBANK TRUSTEES

Good afternoon Chairman Duff, Chairman Tong and members of the committee. My name is Howard F. Pitkin and I am the Commissioner of the Connecticut Department of Banking. I am here to testify in favor of three pieces of legislation proposed by the agency.

The first bill I wish to comment on is ***SB 158, AN ACT CONCERNING ENFORCEMENT BY THE BANKING COMMISSIONER.*** This proposal provides certain aspects of the Banking Commissioner's authority and department practices concerning persons and licensees engaged in the consumer credit business (e.g., mortgage brokers, check cashers, debt negotiators, etc.) are consistent with those governing persons and licensees engaged in the securities business.

Such consistency in the department's enforcement actions will aid in the administration of the department's laws and further the department's ability to protect consumers.

The next bill I am here to speak on is ***SB 160, AN ACT CONCERNING THE S.A.F.E. MORTGAGE LICENSING ACT.*** The original S.A.F.E. Mortgage Licensing Act ("SAFE") developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators, enacted during the 2011 session, sets forth a policy statement from the Model Act for implementation of procedures designed to better regulate the mortgage industry.

This proposal is designed to implement certain rule comments and clarifications that have emerged as a result of the Department of Housing and Urban Development's final rule issued on June 30, 2011.

The Consumer Financial Protection Bureau, (CFPB) the federal authority that will now be monitoring state compliance with the federal SAFE Act as a result of a transfer of such authority from the Department of Housing and Urban Development under the Dodd-Frank Wall Street Reform and Consumer Protection Act, stated in a letter addressed to the agency, that it does not expect to exercise its authority under the law to determine state compliance with the federal SAFE Act until at least December 31, 2012. The

changes embodied in the proposal will be timely if made in this year's legislative session, with changed provisions to have an effective date of October 1, 2012.

The new SAFE language is mainly technical in nature and deals with certain exemptions for brokers, licensing requirements and term definitions.

As I have stated previously, this proposal is necessary because if Connecticut fails to implement SAFE provisions, the CFPB may take over regulation of mortgage loan originators in Connecticut. This action would dramatically limit the oversight the Connecticut Department of Banking would have over these individuals.

The last bill I wish to speak on is, ***HB 5070, AN ACT CONCERNING LOAN PRODUCTION OFFICES, INTERSTATE BRANCHING AND NONBANK TRUSTEES.*** The bill makes a number of changes to the statutes regarding the oversight of Connecticut banks.

The sections of the bill concerning establishment of a loan production office recognizes the distinction between such office and a branch or limited branch. This provision is consistent with the position taken under federal law and by most other states.

The amendment to Section 36a-262(a) is necessary to ensure that Connecticut banks have continued authority to invest in derivatives following the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which prohibits state-chartered banks from making such investments effective January 21, 2013, unless state lending limits take derivatives into consideration.

The changes to Sections 36a-380 and 36a-381 would close a loophole under current law, whereby a person could form an entity other than a corporation and act as a trustee without being licensed.

The amendment to Section 36a-412(a) (2) is necessary to conform the provision to the Dodd-Frank Act, which deleted reciprocity from the interstate de novo branching provisions.

Finally, the modification to Section 47a-21(i)(1) is a technical amendment that is necessary to preserve the reference to the minimum security deposit interest rate prior to the amendment made by Public Act 11-94.

Thank you for your attention to these matters and I am happy to answer any questions you may have.