



General Assembly

February Session, 2012

Raised Bill No. 160

LCO No. 1007

01007_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

AN ACT CONCERNING 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. Section 36a-3 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2012*):

3 Other definitions applying to this title or to specified parts thereof
4 and the sections in which they appear are:

T1 "Account". Sections 36a-155 and 36a-365.

T2 "Additional proceeds". Section 36a-746e.

T3 "Administrative expense". Section 36a-237.

T4 "Advance fee". Sections 36a-485, as amended by this act, and 36a-615.

T5 "Advertise", [or] "advertisement" or "advertising". Section 36a-485, as
T6 amended by this act.

T7 "Agency bank". Section 36a-285.

T8 "Agent". Section 36a-494, as amended by this act.

T9 "Alternative mortgage loan". Section 36a-265.

T10 "Amount financed". Section 36a-690.

T11 "Annual percentage rate". Section 36a-690.

T12 "Annual percentage yield". Section 36a-316.

- T13 "Annuities". Section 36a-455a.
- T14 "Applicant". Section 36a-736.
- T15 "APR". Section 36a-746a.
- T16 "Assessment area". Section 36a-37.
- T17 "Assets". Section 36a-70.
- T18 "Associate". Section 36a-184.
- T19 "Associated member". Section 36a-458a.
- T20 "Bank". Section 36a-30.
- T21 "Bankers' bank". Section 36a-70.
- T22 "Banking business". Section 36a-425.
- T23 "Basic services". Section 36a-437a.
- T24 "Billing cycle". Section 36a-565.
- T25 "Bona fide nonprofit organization". Section 36a-487, as amended by this
- T26 act, and section 36a-655.
- T27 "Branch". Sections 36a-145, 36a-410 and 36a-435b.
- T28 "Branch office". Section 36a-485, as amended by this act.
- T29 "Branch or agency net payment entitlement". Section 36a-428n.
- T30 "Branch or agency net payment obligation". Section 36a-428n.
- T31 "Broker". Section 36a-746a.
- T32 "Business and industrial development corporation". Section 36a-626.
- T33 "Business and property in this state". Section 36a-428n.
- T34 "Capital". Section 36a-435b.
- T35 "Cash advance". Section 36a-564.
- T36 "Cash price". Section 36a-770.
- T37 "Certificate of incorporation". Section 36a-435b.
- T38 "CHFA loan". Section 36a-760.
- T39 "Clerical or support duties". Section 36a-485, as amended by this act.
- T40 "Closely related activities". Sections 36a-250 and 36a-455a.
- T41 "Collective managing agency account". Section 36a-365.
- T42 "Commercial vehicle". Section 36a-770.
- T43 "Community bank". Section 36a-70.
- T44 "Community credit union". Section 36a-37.
- T45 "Community development bank". Section 36a-70.
- T46 "Community reinvestment performance". Section 36a-37.

- T47 "Connecticut holding company". Sections 36a-53 and 36a-410.
- T48 "Consolidate". Section 36a-145.
- T49 "Construction loan". Section 36a-458a.
- T50 "Consumer". Sections 36a-155, 36a-676 and 36a-695.
- T51 "Consumer Credit Protection Act". Section 36a-676.
- T52 "Consumer debtor" and "debtor". Sections 36a-645 and 36a-800.
- T53 "Consumer collection agency". Section 36a-800.
- T54 "Consummation". Section 36a-746a.
- T55 "Control person". Section 36a-485, as amended by this act.
- T56 "Controlling interest". Section 36a-276.
- T57 "Conventional mortgage rate". Section 36a-760.
- T58 "Corporate". Section 36a-435b.
- T59 "Credit". Sections 36a-645 and 36a-676.
- T60 "Credit manager". Section 36a-435b.
- T61 "Creditor". Sections 36a-676, 36a-695 and 36a-800.
- T62 "Credit card", "cardholder" and "card issuer". Section 36a-676.
- T63 "Credit clinic". Section 36a-700.
- T64 "Credit rating agency". Section 36a-695.
- T65 "Credit report". Section 36a-695.
- T66 "Credit sale". Section 36a-676.
- T67 "Credit union service organization". Section 36a-435b.
- T68 "Credit union service organization services". Section 36a-435b.
- T69 "De novo branch". Section 36a-410.
- T70 "Debt". Section 36a-645.
- T71 "Debt adjustment". Section 36a-655.
- T72 "Debt mutual fund". Sections 36a-275 and 36a-459a.
- T73 "Debt securities". Sections 36a-275 and 36a-459a.
- T74 "Debtor". Section 36a-655.
- T75 "Deliver". Section 36a-316.
- T76 "Deposit". Section 36a-316.
- T77 "Deposit account". Section 36a-316.
- T78 "Deposit account charge". Section 36a-316.
- T79 "Deposit account disclosures". Section 36a-316.
- T80 "Deposit contract". Section 36a-316.

- T81 "Deposit services". Section 36a-425.
- T82 "Depositor". Section 36a-316.
- T83 "Depository institution". Section 36a-485, as amended by this act.
- T84 "Director". Section 36a-435b.
- T85 "Dwelling". Section 36a-485, as amended by this act.
- T86 "Earning period". Section 36a-316.
- T87 "Electronic payment instrument". Section 36a-596.
- T88 "Eligible collateral". Section 36a-330.
- T89 "Eligible entity". Section 36a-34.
- T90 "Employee". Section 36a-485, as amended by this act.
- T91 "Equity mutual fund". Sections 36a-276 and 36a-459a.
- T92 "Equity security". Sections 36a-276 and 36a-459a.
- T93 "Executive officer". Sections 36a-263 and 36a-469c.
- T94 "Expedited Connecticut bank". Section 36a-70.
- T95 "Experience in the mortgage business". Section 36a-488, as amended by
T96 this act.
- T97 "Federal banking agency". Section 36a-485, as amended by this act.
- T98 "Federal Credit Union Act". Section 36a-435b.
- T99 "Federal Home Mortgage Disclosure Act". Section 36a-736.
- T100 "FHA loan". Section 36a-760.
- T101 "Fiduciary". Section 36a-365.
- T102 "Filing fee". Section 36a-770.
- T103 "Finance charge". Sections 36a-690 and 36a-770.
- T104 "Financial institution". Sections 36a-41, 36a-44a, 36a-155, 36a-316, 36a-330,
T105 36a-435b, 36a-736 and 36a-755.
- T106 "Financial records". Section 36a-41.
- T107 "First mortgage loan". Sections 36a-485, as amended by this act, 36a-705,
T108 36a-715 and 36a-725.
- T109 "Foreign banking corporation". Section 36a-425.
- T110 "Fully indexed rate". Section 36a-760b.
- T111 "General facility". Section 36a-580.
- T112 "Global net payment entitlement". Section 36a-428n.
- T113 "Global net payment obligation". Section 36a-428n.
- T114 "Goods". Sections 36a-535 and 36a-770.

- T115 "Graduated payment mortgage loan". Section 36a-265.
- T116 "Guardian". Section 36a-365.
- T117 "High cost home loan". Section 36a-746a.
- T118 "Holder". Section 36a-596.
- T119 "Home banking services". Section 36a-170.
- T120 "Home banking terminal". Section 36a-170.
- T121 "Home improvement loan". Section 36a-736.
- T122 "Home purchase loan". Section 36a-736.
- T123 "Home state". Section 36a-410.
- T124 "Housing finance agency". Section 36a-487, as amended by this act.
- T125 "Immediate family member". Section 36a-435b and section 36a-485, as
- T126 amended by this act.
- T127 "Independent contractor". Section 36a-485, as amended by this act.
- T128 "Individual". Section 36a-485, as amended by this act.
- T129 "Insider". Section 36a-454b.
- T130 "Installment loan contract". Sections 36a-535 and 36a-770.
- T131 "Insurance". Section 36a-455a.
- T132 "Insurance bank". Section 36a-285.
- T133 "Insurance department". Section 36a-285.
- T134 "Interest". Section 36a-316.
- T135 "Interest rate". Section 36a-316.
- T136 "Interim interest". Section 36a-746a.
- T137 "Lender". Sections 36a-746a, 36a-760 and 36a-770.
- T138 "Lessor". Section 36a-676.
- T139 "License". Section 36a-626.
- T140 "Licensee". Sections 36a-596 and 36a-626.
- T141 "Limited branch". Section 36a-145.
- T142 "Limited facility". Section 36a-580.
- T143 "Loan broker". Section 36a-615.
- T144 "Loan processor or underwriter". Section 36a-485, as amended by this act.
- T145 "Loss". Section 36a-330.
- T146 "Made in this state". Section 36a-770.
- T147 "Main office". Section 36a-485, as amended by this act.
- T148 "Managing agent". Section 36a-365.

- T149 "Manufactured home". Section 36a-457b.
- T150 "Material litigation". Section 36a-596.
- T151 "Member". Section 36a-435b.
- T152 "Member business loan". Section 36a-458a.
- T153 "Member in good standing". Section 36a-435b.
- T154 "Membership share". Section 36a-435b.
- T155 "Mobile branch". Sections 36a-145 and 36a-435b.
- T156 "Money order". Section 36a-596.
- T157 "Money transmission". Section 36a-365.
- T158 "Mortgage". Section 36a-760g.
- T159 "Mortgage broker". Sections 36a-485, as amended by this act, 36a-705 and
- T160 36a-760.
- T161 "Mortgage correspondent lender". Section 36a-485, as amended by this act.
- T162 "Mortgage insurance". Section 36a-725.
- T163 "Mortgage lender". Sections 36a-485, as amended by this act, 36a-705 and
- T164 36a-725.
- T165 "Mortgage loan". Sections 36a-261, 36a-265, 36a-457b [, 36a-485] and 36a-
- T166 736.
- T167 "Mortgage loan originator". Section 36a-485, as amended by this act.
- T168 "Mortgage rate lock-in". Section 36a-705.
- T169 "Mortgage servicing company". Section 36a-715.
- T170 "Mortgagor". Section 36a-715.
- T171 "Motor vehicle". Section 36a-770.
- T172 "Multiple common bond membership". Section 36a-435b.
- T173 "Municipality". Section 36a-800.
- T174 "Net outstanding member business loan balance". Section 36a-458a.
- T175 "Net worth". Sections 36a-441a, 36a-458a and 36a-596.
- T176 "Network". Section 36a-155.
- T177 "Nonprime home loan". Section 36a-760.
- T178 "Nonrefundable". Section 36a-498.
- T179 "Nontraditional mortgage product". Section 36a-489a, as amended by this
- T180 act.
- T181 "Note account". Sections 36a-301 and 36a-456b.
- T182 "Office". Sections 36a-23, 36a-316 and 36a-485, as amended by this act.

- T183 "Officer". Section 36a-435b.
- T184 "Open-end credit plan". Section 36a-676.
- T185 "Open-end line of credit". Section 36a-760.
- T186 "Open-end loan". Section 36a-565.
- T187 "Organization". Section 36a-800.
- T188 "Out-of-state holding company". Section 36a-410.
- T189 "Outstanding". Section 36a-596.
- T190 "Passbook savings account". Section 36a-316.
- T191 "Payment instrument". Section 36a-596.
- T192 "Periodic statement". Section 36a-316.
- T193 "Permissible investment". Section 36a-596.
- T194 "Person". Section 36a-184 and section 36a-485, as amended by this act.
- T195 "Post". Section 36a-316.
- T196 "Prepaid finance charge". Section 36a-746a.
- T197 "Prime quality". Section 36a-596.
- T198 "Principal amount of the loan". Section 36a-485, as amended by this act.
- T199 "Processor". Section 36a-155.
- T200 "Public deposit". Section 36a-330.
- T201 "Purchaser". Section 36a-596.
- T202 "Qualified financial contract". Section 36a-428n.
- T203 "Qualified public depository" and "depository". Section 36a-330.
- T204 "Real estate". Section 36a-457b.
- T205 "Real estate brokerage activity". Section 36a-485, as amended by this act.
- T206 "Records". Section 36a-17.
- T207 "Registered mortgage loan originator". Section 36a-485, as amended by
T208 this act.
- T209 "Related person". Section 36a-53.
- T210 "Relocate". Sections 36a-145 and 36a-462a.
- T211 "Residential mortgage loan". Section 36a-485, as amended by this act.
- T212 ["Residential property". Section 36a-485.]
- T213 "Residential real estate". Section 36a-485, as amended by this act.
- T214 "Resulting entity". Section 36a-34.
- T215 "Retail buyer". Sections 36a-535 and 36a-770.
- T216 "Retail credit transaction". Section 42-100b.

- T217 "Retail installment contract". Sections 36a-535 and 36a-770.
- T218 "Retail installment sale". Sections 36a-535 and 36a-770.
- T219 "Retail seller". Sections 36a-535 and 36a-770.
- T220 "Reverse annuity mortgage loan". Section 36a-265.
- T221 "Sales finance company". Sections 36a-535 and 36a-770.
- T222 "Savings department". Section 36a-285.
- T223 "Savings deposit". Section 36a-316.
- T224 "Secondary mortgage loan". Section 36a-485, as amended by this act.
- T225 "Security convertible into a voting security". Section 36a-184.
- T226 "Senior management". Section 36a-435b.
- T227 "Settlement agent". Section 36a-494, as amended by this act.
- T228 "Share". Section 36a-435b.
- T229 "Simulated check". Section 36a-485, as amended by this act.
- T230 "Single common bond membership". Section 36a-435b.
- T231 "Special mortgage". Section 36a-760c.
- T232 "Social purpose investment". Section 36a-277.
- T233 "Sponsored". Section 36a-485, as amended by this act.
- T234 "Standard mortgage loan". Section 36a-265.
- T235 "System". Section 36a-485, as amended by this act.
- T236 "Table funding agreement". Section 36a-485, as amended by this act.
- T237 "Tax and loan account". Sections 36a-301 and 36a-456b.
- T238 "The Savings Bank Life Insurance Company". Section 36a-285.
- T239 "Time account". Section 36a-316.
- T240 "Travelers check". Section 36a-596.
- T241 "Troubled Connecticut credit union". Section 36a-448a.
- T242 "Unique identifier". Section 36a-485, as amended by this act.
- T243 "Unsecured loan". Section 36a-615.
- T244 "Warehouse agreement". Section 36a-485, as amended by this act.

5 Sec. 2. Section 36a-485 of the 2012 supplement to the general statutes
6 is repealed and the following is substituted in lieu thereof (*Effective*
7 *October 1, 2012*):

8 As used in this section and sections 36a-486 to 36a-498f, inclusive,

9 36a-534a [and 36a-534b] to 36a-534c, inclusive, as amended by this act,
10 unless the context otherwise requires:

11 (1) "Advance fee" means any consideration paid or given, directly or
12 indirectly, to a mortgage lender, mortgage correspondent lender or
13 mortgage broker required to be licensed pursuant to sections 36a-485
14 to [36a-498a] ~~36a-498f~~, inclusive, and sections 36a-534a and 36a-534b,
15 as amended by this act, prior to the closing of a residential mortgage
16 loan to any person, including, but not limited to, loan fees, points,
17 broker's fees or commissions, transaction fees or similar prepaid
18 finance charges;

19 (2) "Advertise", "advertisement" or "advertising" means the use of
20 any announcement, statement, assertion or representation that is
21 placed before the public in a newspaper, magazine or other
22 publication, or in the form of a notice, circular, pamphlet, letter or
23 poster or over any radio or television station, by means of the Internet,
24 or by other electronic means of distributing information, by personal
25 contact, or in any other way;

26 (3) "Branch office" means a location other than the main office at
27 which a licensee or any person on behalf of a licensee acts as a
28 mortgage lender, mortgage correspondent lender or mortgage broker;

29 (4) "Control person" means an individual that directly or indirectly
30 exercises control over another person. Any person that (A) is a
31 director, general partner or executive officer; (B) directly or indirectly
32 has the right to vote ten per cent or more of a class of any voting
33 security or has the power to sell or direct the sale of ten per cent or
34 more of any class of voting securities; (C) in the case of a limited
35 liability company, is a managing member; or (D) in the case of a
36 partnership, has the right to receive upon dissolution, or has
37 contributed, ten per cent or more of the capital, is presumed to be a
38 control person. For purposes of this subdivision, "control" means the
39 power, directly or indirectly, to direct the management or policies of a
40 company, whether through ownership of securities, by contract or

41 otherwise;

42 (5) "Depository institution" has the same meaning as provided in
43 Section 3 of the Federal Deposit Insurance Act, 12 USC 1813, and
44 includes any Connecticut credit union, federal credit union or out-of-
45 state credit union;

46 (6) "Dwelling" has the same meaning as provided in Section 103 of
47 the Consumer Civil Protection Act, 15 USC 1602;

48 (7) "Employee" means an individual (A) whose manner and means
49 of work performance are subject to the right of control of, or are
50 controlled by, a person, and (B) whose compensation is reported or
51 required to be reported on a W-2 form issued by the controlling
52 person. For purposes of the definition of "registered mortgage loan
53 originator", "employee" has the foregoing meaning or such other
54 meaning as the federal banking agencies may issue in connection with
55 such agencies' implementation of such agencies' responsibilities under
56 the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC 5101 et seq.;

57 ~~[(6)]~~ (8) "Federal banking agency" means the Board of Governors of
58 the Federal Reserve System, the Comptroller of the Currency, the
59 Director of the Office of Thrift Supervision, the National Credit Union
60 Administration and the Federal Deposit Insurance Corporation;

61 ~~[(7)]~~ (9) "First mortgage loan" means a residential mortgage loan
62 that is secured by a first mortgage;

63 ~~[(8)]~~ (10) "Immediate family member" means a spouse, child, sibling,
64 parent, grandparent or grandchild and includes stepparents,
65 stepchildren, stepsiblings and adoptive relationships;

66 (11) "Independent contractor" means an individual retained on a
67 basis where the individual is not an employee of any person in
68 connection with the services such individual provides and whose
69 compensation is reported or required to be reported on an Internal
70 Revenue Service Form 1099 issued by the retaining person;

71 [(9)] (12) "Individual" means a natural person;

72 [(10)] (13) "Loan processor or underwriter" means an individual
73 who performs clerical or support duties. The term "clerical or support
74 duties" includes, subsequent to the receipt of an application, (A) the
75 receipt, collection, distribution and analysis of information common
76 for the processing or underwriting of a residential mortgage loan, and
77 (B) communication with a consumer to obtain the information
78 necessary for the processing or underwriting of a loan to the extent
79 that such communication does not include offering or negotiating loan
80 rates or terms or counseling consumers about residential mortgage
81 loan rates or terms;

82 [(11)] (14) "Main office" means the main address designated on the
83 system;

84 [(12)] (15) "Mortgage broker" (A) means a person who [,] (i) for
85 compensation or gain or [in] with the expectation of compensation or
86 gain [(A)] (I) takes a residential mortgage loan application, or [(B)] (II)
87 offers or negotiates terms of a residential mortgage loan, [excluding]
88 and (ii) is not the prospective source of the funds for the residential
89 mortgage loan, (B) but does not include (i) an individual who is
90 [sponsored by another] licensed as a mortgage loan originator acting
91 as a mortgage loan originator on behalf of such mortgage loan
92 originator's sponsoring mortgage lender, mortgage correspondent
93 lender, [or] mortgage broker or exempt registrant, or (ii) an individual
94 exempt from mortgage loan originator licensure under subdivision (2)
95 of subsection (b) of section 36a-486, as amended by this act, when
96 acting within the scope of such exemption;

97 [(13)] (16) "Mortgage correspondent lender" means a person
98 engaged in the business of making residential mortgage loans in such
99 person's own name where the loans are not held by such person for
100 more than ninety days and are funded by another person through a
101 warehouse agreement, table funding agreement or similar agreement;

102 [(14)] (17) "Mortgage lender" means a person engaged in the
103 business of making residential mortgage loans in such person's own
104 name utilizing such person's own funds or by funding loans through a
105 warehouse agreement, table funding agreement or similar agreement;

106 [(15)] (18) "Mortgage loan originator" means an individual who for
107 compensation or gain or with the expectation of compensation or gain,
108 either for such individual or for the person employing or retaining
109 such individual, (A) takes a residential mortgage loan application, or
110 (B) offers or negotiates terms of a residential mortgage loan. "Mortgage
111 loan originator" does not include (i) an individual engaged solely as a
112 loan processor or underwriter; (ii) a person who only performs real
113 estate brokerage activities and is licensed in accordance with chapter
114 392, unless the person is compensated by a mortgage lender, mortgage
115 correspondent lender, mortgage broker or other mortgage loan
116 originator or by any agent of such mortgage lender, mortgage
117 correspondent lender, mortgage broker or other mortgage loan
118 originator; (iii) a person solely involved in extensions of credit relating
119 to timeshare plans, as that term is defined in Paragraph 53D of 11 USC
120 101; or (iv) any individual who solely renegotiates terms for existing
121 mortgage loans on behalf of a mortgagee and who does not otherwise
122 act as a mortgage loan originator, unless the United States Department
123 of Housing and Urban Development, the Bureau of Consumer
124 Financial Protection or a court of competent jurisdiction determines
125 that the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC Section 5101
126 et seq., requires such individual to be licensed as a mortgage loan
127 originator under state laws implementing said S.A.F.E. Mortgage
128 Licensing Act;

129 [(16)] (19) "Office" means a branch office or a main office;

130 [(17)] (20) "Person" means a natural person, corporation, company,
131 limited liability company, partnership or association;

132 [(18)] (21) "Principal amount of the loan" means the gross amount
133 the borrower is obligated to repay including any prepaid finance

134 charge that is financed, and any other charge that is financed;

135 [(19)] (22) "Real estate brokerage activity" means any activity that
136 involves offering or providing real estate brokerage services to the
137 public, including (A) acting as a real estate agent or real estate broker
138 for a buyer, seller, lessor or lessee of real property; (B) bringing
139 together parties interested in the sale, purchase, lease, rental or
140 exchange of real property; (C) negotiating, on behalf of any party, any
141 portion of a contract relating to the sale, purchase, lease, rental or
142 exchange of real property, other than in connection with providing
143 financing with respect to any such transaction; (D) engaging in any
144 activity for which a person engaged in the activity is required to be
145 registered or licensed as a real estate agent or real estate broker under
146 any applicable law; and (E) offering to engage in any activity, or act in
147 any capacity, described in this subdivision;

148 [(20)] (23) "Registered mortgage loan originator" means any
149 individual who (A) meets the definition of mortgage loan originator
150 and is an employee of a depository institution, a subsidiary that is
151 owned and controlled by a depository institution and regulated by a
152 federal banking agency, or an institution regulated by the Farm Credit
153 Administration; and (B) is registered with and maintains a unique
154 identifier through the system;

155 [(21)] (24) "Residential mortgage loan" means any loan primarily for
156 personal, family or household use that is secured by a mortgage, deed
157 of trust or other equivalent consensual security interest on a dwelling
158 [as defined in Section 103 of the Consumer Credit Protection Act, 15
159 USC 1602,] or residential real estate upon which is constructed or
160 intended to be constructed a dwelling; [, as so defined;]

161 [(22)] (25) "Residential real estate" means any real property located
162 in this state, upon which is constructed or intended to be constructed a
163 dwelling; [as defined in Section 103 of the Consumer Credit Protection
164 Act, 15 USC 1602]

165 [(23)] (26) "Secondary mortgage loan" means a residential mortgage
166 loan that is secured, in whole or in part, by a mortgage, provided such
167 property is subject to one or more prior mortgages;

168 [(24)] (27) "Simulated check" means a document that imitates or
169 resembles a check but is not a negotiable instrument;

170 [(25)] (28) "Sponsored" means employed or retained as an
171 independent contractor;

172 [(26)] (29) "System" means the Nationwide Mortgage Licensing
173 System and Registry developed and maintained by the Conference of
174 State Bank Supervisors and the American Association of Residential
175 Mortgage Regulators for the licensing and registration of mortgage
176 lenders, mortgage correspondent lenders, mortgage brokers, mortgage
177 loan originators and loan processors or underwriters;

178 [(27)] (30) "Table funding agreement" means an agreement wherein
179 a person agrees to fund mortgage loans to be made in another person's
180 name and to purchase such loans after they are made;

181 [(28)] (31) "Unique identifier" means a number or other identifier
182 assigned by protocols established by the system; and

183 [(29)] (32) "Warehouse agreement" means an agreement to provide
184 credit to a person to enable the person to have funds to make
185 residential mortgage loans and hold such loans pending sale to other
186 persons.

187 Sec. 3. Section 36a-486 of the 2012 supplement to the general statutes
188 is repealed and the following is substituted in lieu thereof (*Effective*
189 *October 1, 2012*):

190 (a) No person shall engage in the business of making residential
191 mortgage loans or act as a mortgage broker in this state unless such
192 person has first obtained the required license for its main office and
193 each branch office where such business is conducted in accordance

194 with the provisions of sections 36a-485 to 36a-498f, inclusive, 36a-534a
195 and 36a-534b, as amended by this act. Effective April 1, 2010, any such
196 person who is an individual shall also obtain a mortgage loan
197 originator license prior to conducting such business unless such
198 individual does not engage directly in the activities of a mortgage loan
199 originator. A person, other than a licensed mortgage loan originator
200 acting on behalf of a mortgage lender or mortgage correspondent
201 lender, shall be deemed to be engaged in the business of making
202 residential mortgage loans if such person advertises, causes to be
203 advertised, solicits or offers to make residential mortgage loans, either
204 directly or indirectly. A person, other than a licensed mortgage loan
205 originator acting on behalf of a mortgage broker, shall be deemed to be
206 acting as a mortgage broker if such person advertises or causes to be
207 advertised that such person will negotiate, solicit, place or find a
208 residential mortgage loan, either directly or indirectly. A mortgage
209 correspondent lender shall not be deemed to be acting as a mortgage
210 lender if such mortgage correspondent lender makes a loan utilizing
211 its own funds in a situation where another person does not honor such
212 person's commitment to fund the loan.

213 (b) (1) No person licensed as a mortgage lender, mortgage
214 correspondent lender or mortgage broker shall engage the services of a
215 mortgage loan originator or of a loan processor or underwriter
216 required to be licensed under [subdivision (3) of this subsection] this
217 section unless such mortgage loan originator or loan processor or
218 underwriter is licensed under section 36a-489, as amended by this act.
219 An individual, unless specifically exempted under subdivision (2) of
220 this subsection, shall not engage in the business of a mortgage loan
221 originator on behalf of a licensee or a person exempt under section 36a-
222 487, as amended by this act, with respect to any residential mortgage
223 loan without first obtaining and maintaining annually a license as a
224 mortgage loan originator under section 36a-489, as amended by this
225 act. An individual, unless specifically exempted under subdivision (2)
226 of this subsection, shall be deemed to be engaged in the business of a
227 mortgage loan originator if such individual: (A) Acts as a mortgage

228 loan originator in connection with any residential mortgage loan on
229 behalf of a licensee or person exempt under section 36a-487, as
230 amended by this act; or (B) makes any representation to the public
231 through advertising or other means of communication that such
232 individual can or will act as a mortgage loan originator on behalf of a
233 licensee or person exempt under section 36a-487, as amended by this
234 act. Each licensed mortgage loan originator and each licensed loan
235 processor or underwriter shall register with and maintain a valid
236 unique identifier issued by the system. No individual may act as a
237 mortgage loan originator or loan processor or underwriter for more
238 than one person at the same time. The license of a mortgage loan
239 originator or a loan processor or underwriter is not effective during
240 any period when such mortgage loan originator or a loan processor or
241 underwriter is not sponsored by a licensed mortgage lender, mortgage
242 correspondent lender or mortgage broker, or by a person registered as
243 an exempt registrant under subsection (c) of section 36a-487, or during
244 any period in which the license of the mortgage lender, mortgage
245 correspondent lender or mortgage broker with whom such originator
246 or loan processor or underwriter is associated has been suspended.
247 Either the mortgage loan originator, the loan processor or underwriter
248 or the sponsor may file a notification of the termination of sponsorship
249 with the system.

250 (2) The following are exempt from this section: (A) A registered
251 mortgage loan originator or an employee of an institution or
252 subsidiary described in subdivision [(20)] (23) of section 36a-485, as
253 amended by this act, who is not required to be registered under
254 Section 1507 of the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC
255 Section 5101 et seq., when acting for such institution or subsidiary; []
256 (B) an individual who offers or negotiates the terms of a residential
257 mortgage loan with or on behalf of an immediate family member of
258 such individual; [] (C) an individual who offers or negotiates the
259 terms of a residential mortgage loan secured by a dwelling [, as
260 defined in Section 103 of the Consumer Credit Protection Act, 15 USC
261 1602,] that served as the individual's residence, [and] unless the

262 context demonstrates that such individual engaged in such activities
263 with a degree of habitualness or repetition; (D) a licensed attorney who
264 negotiates the terms of a residential mortgage loan on behalf of a client
265 as an ancillary matter to the attorney's representation of the client,
266 unless the attorney is compensated by a mortgage lender, mortgage
267 correspondent lender, mortgage broker or other mortgage loan
268 originator or by any agent of such mortgage lender, mortgage
269 correspondent lender, mortgage broker or other mortgage loan
270 originator; (E) an individual who takes a residential mortgage loan
271 application or offers or negotiates terms of a residential mortgage loan
272 as an employee of a federal, state or local government agency or
273 housing finance agency exempt from licensure pursuant to section 36a-
274 487, as amended by this act, and who does so only pursuant to such
275 individual's official duties as an employee of such agency; (F) an
276 individual who takes a residential mortgage loan application or offers
277 or negotiates terms of a residential mortgage loan as an employee of an
278 organization that has obtained bona fide nonprofit status from the
279 commissioner and is exempt from licensure pursuant to section 36a-
280 487, as amended by this act, and who does so only pursuant to such
281 individual's official duties as an employee of such organization; and
282 (G) an individual who offers or negotiates the terms of a residential
283 mortgage loan secured by a dwelling that is not the individual's
284 residence but is owned by such individual, unless the context
285 demonstrates that such individual engaged in such activities with a
286 degree of habitualness or repetition.

287 [(3) A loan processor or underwriter who is: (A) An independent
288 contractor, or (B) employed by any person other than: (i) A licensed
289 mortgage lender, mortgage correspondent lender or mortgage broker;
290 or (ii) any person exempt from such licensure under subdivision (1) of
291 subsection (a) of section 36a-487 may not engage in the activities of a
292 loan processor or underwriter unless such loan processor or
293 underwriter obtains and maintains a license as a loan processor or
294 underwriter under section 36a-489.]

295 (3) No loan processor or underwriter shall engage in the activities of
296 a loan processor or underwriter unless such loan processor or
297 underwriter obtains and maintains a license as a loan processor or
298 underwriter under section 36a-489, as amended by this act, except an
299 individual engaged in loan processor or underwriter activities:

300 (A) As an employee of a licensed mortgage lender, mortgage
301 correspondent lender or mortgage broker and who engages in such
302 activities at the direction and subject to the supervision of a licensed
303 mortgage loan originator of such licensee;

304 (B) As an employee of a person exempt from licensure under
305 subdivision (1) of subsection (a) of section 36a-487 and who engages in
306 such activities at the direction of and subject to the supervision of
307 either a licensed mortgage loan originator or a registered mortgage
308 loan originator of such exempt entity; or

309 (C) In any capacity where the residential mortgage loans for which
310 such individual provides services were originated by an individual not
311 required to be licensed or registered as a mortgage loan originator
312 under part I of chapter 668.

313 (4) An individual engaging solely in loan processor or underwriter
314 activities shall not represent to the public, through advertising or other
315 means of communicating or providing information, including the use
316 of business cards, stationery, brochures, signs, rate lists or other
317 promotional items, that such individual can or will perform any of the
318 activities of a mortgage loan originator.

319 (c) If the United States Department of Housing and Urban
320 Development, the Bureau of Consumer Financial Protection or a court
321 of competent jurisdiction determines that the S.A.F.E. Mortgage
322 Licensing Act of 2008, 12 USC Section 5101 et seq., requires an
323 individual described in subparagraph (B) (iv) of subdivision [(15)] (18)
324 of section 36a-485, as amended by this act, to be licensed as a mortgage
325 loan originator under state laws implementing said S.A.F.E. Mortgage

326 Licensing Act, such individual may continue to act in such individual's
327 current capacity, provided such individual files an application for a
328 mortgage loan originator license not later than the date sixty days from
329 the date of such determination by the United States Department of
330 Housing and Urban Development, the Bureau of Consumer Financial
331 Protection or a court of competent jurisdiction.

332 (d) Each residential mortgage loan taken, offered, negotiated,
333 solicited, arranged, placed, found, [or] made, processed or
334 underwritten without a license shall constitute a separate violation for
335 purposes of section 36a-50.

336 Sec. 4. Subsection (b) of section 36a-487 of the 2012 supplement to
337 the general statutes is repealed and the following is substituted in lieu
338 thereof (*Effective October 1, 2012*):

339 (b) The following are exempt from licensing as a mortgage lender or
340 mortgage correspondent lender under sections 36a-485 to 36a-498f,
341 inclusive, 36a-534a and 36a-534b, as amended by this act:

342 (1) Persons making five or fewer residential mortgage loans within
343 any period of twelve consecutive months, provided nothing herein
344 shall relieve such persons from complying with all applicable laws;

345 (2) Bona fide nonprofit [corporations] organizations making
346 residential mortgage loans [to] that promote home ownership for the
347 economically disadvantaged. For purposes of this subdivision, a "bona
348 fide nonprofit organization" means an organization that has filed a
349 written certified submission to the commissioner in a form prescribed
350 by the commissioner and with such documentation as may be required
351 by the commissioner and that demonstrates to the satisfaction of the
352 commissioner that the organization: (A) Has the status of a tax-exempt
353 organization under Section 501(c)(3) of the Internal Revenue Code of
354 1986, or any subsequent corresponding internal revenue code of the
355 United States, as from time to time amended; (B) promotes affordable
356 housing or provides home ownership education or similar services; (C)

357 conducts its activities in a manner that serves public or charitable
358 purposes rather than commercial purposes; (D) receives funding and
359 revenue and charges fees in a manner that does not incentivize it or its
360 employees to act other than in the best interests of its clients; (E)
361 compensates its employees in a manner that does not incentivize
362 employees to act other than in the best interests of its clients; (F)
363 provides or identifies for the borrower residential mortgage loans (i)
364 with terms favorable to the borrower, which means such terms must
365 be consistent with loan origination in a public or charitable context, not
366 a commercial context, and (ii) comparable to mortgage loans and
367 housing assistance provided under government housing assistance
368 programs; (G) is certified either by the United States Department of
369 Housing and Urban Development or a state housing authority; and (H)
370 meets such other standards as the commissioner may by regulation
371 require. Any organization that demonstrates to the satisfaction of the
372 commissioner its status as a bona fide nonprofit organization shall, not
373 later than December thirty-first of each year, submit to the
374 commissioner a renewed certification and documentation to update all
375 information last filed in support of such status and timely report any
376 change in any information previously submitted;

377 (3) Agencies of the federal government, or any state or municipal
378 government, or any [quasi-governmental] housing finance agency
379 making residential mortgage loans under the specific authority of the
380 laws of any state or the United States. For purposes of this subdivision,
381 a "housing finance agency" means any authority: (A) Chartered by a
382 state to help meet the affordable housing needs of the residents of the
383 state; (B) supervised directly or indirectly by the state government; (C)
384 subject to audit and review by the state in which it operates; and (D)
385 whose activities make it eligible to be a member of the National
386 Council of State Housing Agencies;

387 (4) Persons licensed under sections 36a-555 to 36a-573, inclusive,
388 when making residential mortgage loans authorized by said sections;

389 (5) Persons owning real property who take back from the buyer of
390 such property a secondary mortgage loan in lieu of any portion of the
391 purchase price of the property;

392 (6) Any corporation or its affiliate that makes residential mortgage
393 loans exclusively for the benefit of its employees or agents;

394 (7) Any corporation, licensed in accordance with section 38a-41, or
395 its affiliate or subsidiary, that makes residential mortgage loans to
396 promote home ownership in urban areas;

397 (8) Persons acting as fiduciaries with respect to any employee
398 pension benefit plan qualified under the Internal Revenue Code of
399 1986, or any subsequent corresponding internal revenue code of the
400 United States, as from time to time amended, who make residential
401 mortgage loans solely to plan participants from plan assets; and

402 (9) Persons making secondary mortgage loans to [individuals
403 related to the maker by blood or marriage] immediate family
404 members.

405 Sec. 5. Subdivision (1) of subsection (a) of section 36a-488 of the 2012
406 supplement to the general statutes is repealed and the following is
407 substituted in lieu thereof (*Effective October 1, 2012*):

408 (a) (1) The commissioner shall not issue a mortgage lender license, a
409 mortgage correspondent lender license or a mortgage broker license to
410 any person unless such person meets the following tangible net worth
411 and experience requirements, as applicable: (A) The minimum tangible
412 net worth requirement for a mortgage lender shall be two hundred
413 fifty thousand dollars and the minimum tangible net worth
414 requirement for a mortgage correspondent lender and a mortgage
415 broker shall be (i) prior to March 2, 2009, twenty-five thousand dollars,
416 and (ii) on and after March 2, 2009, fifty thousand dollars, and (B) a
417 mortgage lender, mortgage correspondent lender or mortgage broker
418 shall have, at the main office for which the license is sought, a qualified

419 individual and, at each branch office, a branch manager (i) who have
420 supervisory authority over the lending or brokerage activities, (ii) who
421 have at least three years' experience in the mortgage business within
422 the five years immediately preceding the date of the application for the
423 license, [and] (iii) who, effective April 1, 2010, have completed the
424 prelicensing education requirement described in section 36a-489a, as
425 amended by this act, and passed a written test that meets the test
426 requirement described in section 36a-489a, as amended by this act, and
427 (iv) who, effective November 1, 2012, are licensed as a mortgage loan
428 originator under section 36a-489, as amended by this act. As used in
429 this subdivision, "experience in the mortgage business" means paid
430 experience in the origination, processing or underwriting of residential
431 mortgage loans, the marketing of such loans in the secondary market
432 or in the supervision of such activities, or any other relevant
433 experience as determined by the commissioner.

434 Sec. 6. Subsection (a) of section 36a-489 of the 2012 supplement to
435 the general statutes is repealed and the following is substituted in lieu
436 thereof (*Effective October 1, 2012*):

437 (a) (1) The commissioner shall not issue an initial license for a
438 mortgage lender, mortgage correspondent lender or mortgage broker
439 unless the commissioner, at a minimum, finds that: (A) The applicant
440 meets the requirements of subsection (a) of section 36a-488, as
441 amended by this act; (B) notwithstanding the provisions of section 46a-
442 80, the applicant, the control persons of the applicant and the qualified
443 individual or branch manager with supervisory authority at the office
444 for which the license is sought have not been convicted of, or pled
445 guilty or nolo contendere to, a felony in a domestic, foreign or military
446 court during the seven-year period preceding the date of the
447 application for licensing or at any time preceding the date of
448 application if such felony involved an act of fraud, dishonesty, a
449 breach of trust or money laundering, provided any pardon or
450 expungement of a conviction shall not be a conviction for purposes of
451 this subdivision; (C) the applicant demonstrates that the financial

452 responsibility, character and general fitness of the applicant, the
453 control persons of the applicant and the qualified individual or branch
454 manager having supervisory authority over the office for which the
455 license is sought are such as to command the confidence of the
456 community and to warrant a determination that the applicant will
457 operate honestly, fairly and efficiently within the purposes of sections
458 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b, as amended by
459 this act; (D) the applicant has met the surety bond requirement under
460 section 36a-492; and (E) the applicant has not made a material
461 misstatement in the application. If the commissioner fails to make such
462 findings, the commissioner shall not issue a license, and shall notify
463 the applicant of the denial and the reasons for such denial. For
464 purposes of this subsection, the level of offense of the crime and the
465 status of any conviction, pardon or expungement shall be determined
466 by reference to the law of the jurisdiction where the case was
467 prosecuted. In the event that such jurisdiction does not use the term
468 "felony", "pardon" or "expungement", such terms shall include legally
469 equivalent events.

470 (2) (A) The minimum standards for license renewal for a mortgage
471 lender, mortgage correspondent lender or mortgage broker shall
472 include the following: (i) The applicant continues to meet the
473 minimum standards under subdivision (1) of this subsection; (ii)
474 effective April 1, 2010, each qualified [person] individual and branch
475 manager has completed the prelicensing education requirement
476 described in section 36a-489a, as amended by this act, and passed a
477 written test that meets the test requirement described in section 36a-
478 489a, as amended by this act, or has satisfied the annual continuing
479 education requirements described in subsection (c) of section 36a-489a,
480 as amended by this act, as applicable, and effective November 1, 2012,
481 each qualified individual and branch manager is licensed as a
482 mortgage loan originator and has completed any applicable continuing
483 education requirements described in subsection (c) of section 36a-489a,
484 as amended by this act; and (iii) the mortgage lender, mortgage
485 correspondent lender or mortgage broker has paid all required fees for

486 renewal of the license.

487 (B) The license of a mortgage lender, mortgage correspondent
488 lender or mortgage broker failing to satisfy the minimum standards for
489 license renewal shall expire. The commissioner may adopt procedures
490 for the reinstatement of expired licenses consistent with the standards
491 established by the system. The commissioner may automatically
492 suspend a mortgage lender, mortgage correspondent lender or
493 mortgage broker license if the licensee receives a deficiency on the
494 system indicating that the payment required by subparagraph (A) of
495 this subdivision was Returned-ACH or returned pursuant to such
496 other term as may be utilized by the system to indicate that the
497 payment was not accepted. After a license has been automatically
498 suspended pursuant to this section, the commissioner shall give such
499 licensee notice of the automatic suspension, pending proceedings for
500 revocation or refusal to renew pursuant to section 36a-494, as amended
501 by this act, and an opportunity for a hearing on such action in
502 accordance with section 36a-51, and require such licensee to take or
503 refrain from taking such action that, in the opinion of the
504 commissioner, will effectuate the purposes of this section.

505 Sec. 7. Subdivision (1) of subsection (b) of section 36a-489 of the 2012
506 supplement to the general statutes is repealed and the following is
507 substituted in lieu thereof (*Effective October 1, 2012*):

508 (b) (1) The commissioner shall not issue an initial license for a
509 mortgage loan originator or a loan processor or underwriter unless the
510 commissioner, at a minimum, finds that the applicant has: (A) Never
511 had a mortgage loan originator or equivalent loan processor or
512 underwriter license revoked in any governmental jurisdiction, except
513 that a subsequent formal vacating of such revocation shall not be
514 deemed a revocation; (B) notwithstanding the provisions of section
515 46a-80, not been convicted of, or pled guilty or nolo contendere to, a
516 felony in a domestic, foreign or military court during the seven-year
517 period preceding the date of the application for licensing or at any

518 time preceding such date of application if such felony involved an act
519 of fraud, dishonesty, a breach of trust, or money laundering, provided
520 any pardon or expungement of a conviction shall not be a conviction
521 for purposes of this subdivision; (C) demonstrated financial
522 responsibility, character and general fitness so as to command the
523 confidence of the community and to warrant a determination that the
524 mortgage loan originator or loan processor or underwriter will operate
525 honestly, fairly and efficiently within the purposes of sections 36a-485
526 to 36a-498f, inclusive, 36a-534a and 36a-534b, as amended by this act;
527 (D) for mortgage loan originator applicants, effective April 1, 2010, and
528 for loan processor or underwriter applicants, effective October 1, 2011,
529 completed the prelicensing education requirement described in section
530 36a-489a, as amended by this act, and passed a written test that meets
531 the test requirement described in section 36a-489a, as amended by this
532 act, and, effective November 1, 2012, for qualified individuals or
533 branch managers seeking initial licensure as a mortgage loan
534 originator, completed any continuing education required of them in
535 their position as qualified individuals and branch managers pursuant
536 to section 36a-489a, as amended by this act; (E) effective July 31, 2010,
537 met the surety bond requirement under section 36a-492 and, effective
538 October 1, 2011, in the case of a mortgage loan originator required to
539 be licensed under section 36a-671e, met the surety bond requirements
540 under sections 36a-492 and 36a-671d; and (F) not made a material
541 misstatement in the application. If the commissioner denies an
542 application for a mortgage loan originator or a loan processor or
543 underwriter license, the commissioner shall notify the applicant and
544 may notify the sponsor or any other person the commissioner deems
545 appropriate of the denial and the reasons for such denial. For purposes
546 of this subsection, the level of offense of the crime and the status of any
547 conviction, pardon or expungement shall be determined by reference
548 to the law of the jurisdiction where the case was prosecuted. In the
549 event that such jurisdiction does not use the term "felony", "pardon" or
550 "expungement", those terms shall include legally equivalent events.

551 Sec. 8. Section 36a-489a of the 2012 supplement to the general

552 statutes is repealed and the following is substituted in lieu thereof
553 (*Effective October 1, 2012*):

554 (a) (1) In order to meet the prelicensing education and testing
555 requirements referred to in sections 36a-488 and 36a-489, as amended
556 by this act, an individual shall complete at least twenty hours of
557 education approved in accordance with subdivision (2) of this
558 subsection, which shall include at least (A) three hours of instruction
559 on relevant federal law and regulations; (B) three hours of ethics,
560 including instruction on fraud, consumer protection and fair lending
561 issues; and (C) two hours of training related to lending standards for
562 the nontraditional mortgage product marketplace.

563 (2) For purposes of subdivision (1) of this subsection, prelicensing
564 education courses shall be reviewed and approved by the system
565 based upon reasonable standards. Review and approval of a
566 prelicensing education course shall include review and approval of the
567 course provider.

568 (3) Nothing in this subsection shall preclude any prelicensing
569 education course, as approved by the system, that is provided by the
570 sponsor or employer of the individual or an entity which is affiliated
571 with the individual by an agency contract, or any subsidiary or affiliate
572 of such sponsor, employer or entity.

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

575 (5) When prelicensing education requirements described in
576 subdivision (1) of this subsection are completed in another state, such
577 out-of-state prelicensing education requirements shall be accepted as
578 credit towards completion of the prelicensing education requirements
579 of this state, provided such out-of-state prelicensing education
580 requirements are approved by the system.

581 (6) (A) An individual previously licensed under section 36a-489, as

582 amended by this act, subsequent to the applicable effective date of the
583 prelicensing and testing requirements referred to in section 36a-489, as
584 amended by this act, who is applying to be relicensed shall prove that
585 such individual has completed all of the continuing education
586 requirements for the year in which the license was last held.

587 (B) An individual who previously held a position as a qualified
588 individual or branch manager subsequent to the applicable effective
589 date of the prelicensing and testing requirements referred to in section
590 36a-488, as amended by this act, at a time when such individual was
591 not required to be licensed as a mortgage loan originator, may not hold
592 such position again until such individual has completed all of the
593 continuing education requirements for the year in which such
594 individual last held such position and, effective November 1, 2012, has
595 obtained the required mortgage loan originator license.

596 (b) (1) In order to meet the written test requirements referred to in
597 sections 36a-488 and 36a-489, as amended by this act, an individual
598 shall pass, in accordance with the standards established under this
599 subsection, a qualified written test developed by the system and
600 administered by a test provider approved by the system based upon
601 reasonable standards.

602 (2) A written test shall not be treated as a qualified written test for
603 purposes of subdivision (1) of this subsection unless the test
604 adequately measures the individual's knowledge and comprehension
605 in appropriate subject areas, including ethics, federal law and
606 regulation pertaining to mortgage origination, state law and regulation
607 pertaining to mortgage origination, and federal and state law and
608 regulation, including instruction on fraud, consumer protection, the
609 nontraditional mortgage marketplace and fair lending issues.

610 (3) Nothing in this subsection shall prohibit a test provider
611 approved by the system from providing a test at the location of the
612 sponsor or employer, any subsidiary or affiliate of the sponsor or
613 employer or any entity with which the individual holds an exclusive

614 arrangement to conduct the business of a mortgage loan originator, [or
615 acts as a qualified individual or branch manager.]

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

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

623 (C) (i) An individual who was licensed subsequent to the applicable
624 effective date of the prelicensing and testing requirements referred to
625 in section 36a-489, as amended by this act, who has not been licensed
626 as a mortgage loan originator within the five-year period preceding the
627 date of the filing of such individual's application for a mortgage loan
628 originator license, not taking into account any time during which such
629 individual is a registered mortgage loan originator, shall retake such
630 test; and (ii) [a qualified individual or branch manager who held such
631 a position after the effective date of prelicensing education and testing
632 referred to in section 36a-488 and who has not held such position
633 within the five-year period preceding the date of the filing on the
634 system designating such individual as a qualified individual or branch
635 manager shall retake such test, unless such individual was licensed as
636 a mortgage loan originator during the five-year period preceding the
637 date of the filing on the system designating such individual as a
638 qualified individual or branch manager, not taking into account any
639 time during which such individual is a registered mortgage loan
640 originator; and (iii)] effective October 1, 2011, an individual licensed as
641 a loan processor or underwriter who applies to be licensed again shall
642 retake the test if such individual has not been licensed as a loan
643 processor or underwriter within the five-year period preceding the
644 date of the filing of such application, not taking into account any time
645 during which such individual is engaged in loan processing or

646 underwriting but not required to be licensed under subdivision (3) of
647 subsection (b) of section 36a-486, as amended by this act.

648 (c) (1) In order to meet the annual continuing education
649 requirements referred to in subsections (a) and (b) of section 36a-489,
650 as amended by this act, a licensed mortgage loan originator, a qualified
651 individual or branch manager and, effective October 1, 2011, a licensed
652 loan processor or underwriter, shall complete at least eight hours of
653 education approved in accordance with subdivision (2) of this
654 subsection. Such courses shall include at least (A) three hours of
655 instruction on relevant federal law and regulation; (B) two hours of
656 ethics, including instruction on fraud, consumer protection and fair
657 lending issues; and (C) two hours of training related to lending
658 standards for the nontraditional mortgage product marketplace.

659 (2) For purposes of subdivision (1) of this subsection, continuing
660 education courses shall be reviewed and approved by the system
661 based upon reasonable standards. Review and approval of a
662 continuing education course shall include review and approval of the
663 course provider.

664 (3) Nothing in this subsection shall preclude any education course
665 approved by the system that is provided by the sponsor or employer
666 or an entity that is affiliated with the mortgage loan originator,
667 qualified individual or branch manager or, effective October 1, 2011,
668 loan processor or underwriter by an agency contract, or by any
669 subsidiary or affiliate of such sponsor, employer or entity.

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

672 (5) Except as provided in procedures adopted under subsections (a)
673 and (b) of section 36a-489, as amended by this act, or in regulations
674 adopted under subdivision (9) of this subsection, a licensed mortgage
675 loan originator, qualified individual or branch manager or, effective
676 October 1, 2011, a licensed loan processor or underwriter, may only

677 receive credit for a continuing education course in the year [in] for
678 which the course is taken, and may not take the same approved course
679 in the same or successive years to meet the annual requirements for
680 continuing education.

681 (6) A licensed mortgage loan originator or a qualified individual or
682 branch manager or, effective October 1, 2011, a licensed loan processor
683 or underwriter who is an approved instructor of an approved
684 continuing education course may receive credit for the licensee's own
685 annual continuing education requirement at the rate of two hours
686 credit for every one hour taught.

687 (7) When education requirements described in subdivision (1) of
688 subsection (a) of this section are completed in another state, such out-
689 of-state education requirements shall be accepted as credit towards
690 completion of the education requirements of this state, provided such
691 out-of-state education requirements are approved by the system.

692 (8) A licensed mortgage loan originator and, effective October 1,
693 2011, a licensed loan processor or underwriter who subsequently
694 becomes unlicensed must complete the continuing education
695 requirements for the last year in which the license was held prior to
696 issuance of an initial or renewed license. A qualified individual or
697 branch manager who ceases to hold such position shall complete the
698 continuing education requirements for the last year in which such
699 individual or branch manager held such position prior to [holding
700 such position again] licensure as a mortgage loan originator.

701 (9) [A person] An individual who meets the requirements of
702 subparagraphs (A)(i) and (A)(iii) of subdivision (2) of subsection (a) or
703 (b) of section 36a-489, as amended by this act, may compensate for any
704 deficiency in such individual's continuing education requirements
705 pursuant to regulations adopted by the commissioner.

706 (d) For purposes of this section "nontraditional mortgage product"
707 means any mortgage product other than a thirty-year fixed rate

708 mortgage.

709 Sec. 9. Subdivision (1) of subsection (a) of section 36a-494 of the 2012
710 supplement to the general statutes is repealed and the following is
711 substituted in lieu thereof (*Effective October 1, 2012*):

712 (a) (1) The commissioner may suspend, revoke or refuse to renew
713 any mortgage lender, mortgage correspondent lender or mortgage
714 broker license or take any other action, in accordance with the
715 provisions of section 36a-51, for any reason which would be sufficient
716 grounds for the commissioner to deny an application for such license
717 under sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b, as
718 amended by this act, or if the commissioner finds that the licensee, any
719 control person of the licensee, the qualified individual or branch
720 manager with supervisory authority, trustee, employee or agent of
721 such licensee has done any of the following: (A) Made any material
722 misstatement in the application; (B) committed any fraud,
723 misappropriated funds or misrepresented, concealed, suppressed,
724 intentionally omitted or otherwise intentionally failed to disclose any
725 of the material particulars of any residential mortgage loan transaction,
726 including disclosures required by subdivision (6) of subsection (a) of
727 section 36a-493, or part III of chapter 669 or regulations adopted
728 pursuant thereto, to anyone entitled to such information; (C) violated
729 any of the provisions of this title or of any regulations adopted
730 pursuant thereto, or any other law or regulation applicable to the
731 conduct of its business; or (D) failed to perform any agreement with a
732 licensee or a borrower. For purposes of this subdivision, "agent"
733 includes any settlement agent used by the licensee and "settlement
734 agent" means the person specified in any HUD-1 settlement statement
735 or other settlement statement.

736 Sec. 10. Subsection (a) of section 36a-498a of the general statutes is
737 repealed and the following is substituted in lieu thereof (*Effective*
738 *October 1, 2012*):

739 (a) No mortgage lender licensee or mortgage correspondent lender

740 licensee under section 36a-489, as amended by this act, and no person
741 exempt from licensure under subdivision (1) of subsection (a) and
742 subdivisions (1), (4) and (5) of subsection (b) of section 36a-487, as
743 amended by this act, making a first mortgage loan may charge, impose
744 or cause to be paid, directly or indirectly, prepaid finance charges that
745 exceed in the aggregate, the greater of five per cent of the principal
746 amount of the loan or two thousand dollars. If the proceeds of the loan
747 are used to refinance an existing loan, the aggregate of the prepaid
748 finance charges for the current refinancing and any previous
749 financings by such licensee or exempt person or affiliate of such
750 licensee or exempt person within two years of the current refinancing
751 shall not exceed the greater of five per cent of the principal amount of
752 the initial loan or two thousand dollars. The provisions of this section
753 shall not prohibit such licensee or exempt person from charging,
754 imposing or causing to be paid, directly or indirectly, prepaid finance
755 charges in addition to those permitted by this section in connection
756 with any additional proceeds received by the borrower in the
757 refinancing, provided such prepaid finance charges on the additional
758 proceeds shall not exceed five per cent of the additional proceeds.

759 Sec. 11. Subdivision (3) of subsection (c) of section 36a-534b of the
760 2012 supplement to the general statutes is repealed and the following
761 is substituted in lieu thereof (*Effective October 1, 2012*):

762 (3) Any person making any filing or submission of any information
763 on the system shall do so in accordance with the procedures and
764 requirements of the system and pay the applicable fees or charges to
765 the system. Each mortgage lender, mortgage correspondent lender,
766 mortgage broker, mortgage loan originator and loan processor or
767 underwriter licensee and each exempt registrant, to the extent required
768 by the system, shall timely submit to the system accurate reports of
769 condition that shall be in such form and shall contain such information
770 as the system may require. Failure by a licensee to submit a timely and
771 accurate report of condition shall constitute a violation of this
772 provision. Failure of an exempt registrant to timely and accurately

773 submit a report of condition shall form a basis to inactivate the licenses
 774 of all sponsored mortgage loan originators or loan processor or
 775 underwriters. To the extent that the system does not require
 776 submission of reports of condition by individual mortgage loan
 777 originator or loan processor or underwriter licensees, such individual
 778 licensees shall timely and accurately report all required information in
 779 their possession to their licensee's sponsor for purposes of their
 780 sponsor's reporting obligation. Failure of an individual licensee to
 781 timely and accurately report required information in their possession
 782 to their sponsor shall constitute a violation of this provision.

783 Sec. 12. Section 36a-534c of the general statutes is repealed and the
 784 following is substituted in lieu thereof (*Effective October 1, 2012*):

785 The Banking Commissioner shall submit to the joint standing
 786 committee of the General Assembly having cognizance of matters
 787 relating to banks three annual reports that shall include financial
 788 statements of the State Regulatory Registry, LLC, concerning the
 789 [Nationwide Mortgage Licensing System described in section 36a-
 790 534b] system. Each such financial statement shall cover a twelve-
 791 month period. The commissioner shall submit such reports for three
 792 consecutive years not later than ten days after receipt of such financial
 793 statements by the commissioner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2012</i>	36a-3
Sec. 2	<i>October 1, 2012</i>	36a-485
Sec. 3	<i>October 1, 2012</i>	36a-486
Sec. 4	<i>October 1, 2012</i>	36a-487(b)
Sec. 5	<i>October 1, 2012</i>	36a-488(a)(1)
Sec. 6	<i>October 1, 2012</i>	36a-489(a)
Sec. 7	<i>October 1, 2012</i>	36a-489(b)(1)
Sec. 8	<i>October 1, 2012</i>	36a-489a
Sec. 9	<i>October 1, 2012</i>	36a-494(a)(1)
Sec. 10	<i>October 1, 2012</i>	36a-498a(a)

Sec. 11	<i>October 1, 2012</i>	36a-534b(c)(3)
Sec. 12	<i>October 1, 2012</i>	36a-534c

Statement of Purpose:

To implement certain rule comments and clarifications emerging from the Department of Housing and Urban Development's final rule issued on June 30, 2011, entitled "SAFE Mortgage Licensing Act: Minimum Licensing Standards and Oversight Responsibilities", 76 Federal Register 38464, and to make various corresponding and 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.]