

**Proposed Substitute  
Bill No. 6801**

LCO No. 4686

**AN ACT CONCERNING CROWDFUNDING, PROHIBITED ACTS OF MORTGAGE SERVICERS, SMALL BUSINESS LENDING, ALTERNATIVE FORMS OF IDENTIFICATION FOR OPENING BANK ACCOUNTS, REVERSE MORTGAGES AND DISCLOSURES FOR PREPAID CARDS.**

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

1 Section 1. (*Effective July 1, 2015*) The Banking Commissioner shall  
2 study legislation in other states concerning statutory restrictions on  
3 crowdfunding and investment exemptions to provide small businesses  
4 and start-ups with more funding options. Such report shall include,  
5 but not be limited to, an overview of such legislation and  
6 recommendations for the implementation of such legislation in  
7 Connecticut. On or before January 1, 2016, the commissioner shall  
8 report, in accordance with the provisions of section 11-4a of the general  
9 statutes, the results of such study to the joint standing committees of  
10 the General Assembly having cognizance of matters relating to banks  
11 and commerce.

12 Sec. 2. Section 36a-719h of the general statutes is repealed and the  
13 following is substituted in lieu thereof (*Effective October 1, 2015*):

14 No mortgage servicer shall:

15 (1) Directly or indirectly employ any scheme, device or artifice to

16 defraud or mislead mortgagors or mortgagees or to defraud any  
17 person;

18 (2) Engage in any unfair or deceptive practice toward any person or  
19 misrepresent or omit any material information in connection with the  
20 servicing of the residential mortgage loan, including, but not limited  
21 to, misrepresenting the amount, nature or terms of any fee or payment  
22 due or claimed to be due on a residential mortgage loan, the terms and  
23 conditions of the servicing agreement or the mortgagor's obligations  
24 under the residential mortgage loan;

25 (3) Obtain property by fraud or misrepresentation;

26 (4) [Knowingly misapply or recklessly apply] Apply residential  
27 mortgage loan payments recklessly or knowingly misapply such  
28 payments to the outstanding balance of a residential mortgage loan;

29 (5) [Knowingly misapply or recklessly apply] Apply payments  
30 recklessly or knowingly misapply such payments to escrow accounts;

31 (6) Place hazard, homeowner's or flood insurance on the mortgaged  
32 property when the mortgage servicer knows or [has reason to know]  
33 should have known that the mortgagor has an effective policy for such  
34 insurance;

35 (7) Fail to comply with section 49-10a;

36 (8) Knowingly or recklessly provide inaccurate information to a  
37 credit bureau [, thereby harming a mortgagor's creditworthiness] that  
38 results in harm to a mortgagor's creditworthiness;

39 (9) Fail to report both the favorable and unfavorable payment  
40 history of the mortgagor to a nationally recognized consumer credit  
41 bureau at least annually if the mortgage servicer regularly reports  
42 information to a credit bureau;

43 (10) Collect private mortgage insurance beyond the date for which  
44 private mortgage insurance is required;

45 (11) Fail to issue a release of mortgage in accordance with section  
46 49-8;

47 (12) Fail to provide written notice to a mortgagor upon taking action  
48 to place hazard, homeowner's or flood insurance on the mortgaged  
49 property, including a clear and conspicuous statement of the  
50 procedures by which the mortgagor may demonstrate that he or she  
51 has the required insurance coverage and by which the mortgage  
52 servicer shall terminate the insurance coverage placed by it and refund  
53 or cancel any insurance premiums and related fees paid by or charged  
54 to the mortgagor;

55 (13) Place hazard, homeowner's or flood insurance on a mortgaged  
56 property, or require a mortgagor to obtain or maintain such insurance,  
57 in excess of the replacement cost of the improvements on the  
58 mortgaged property as established by the property insurer;

59 (14) Fail to provide to the mortgagor a refund of unearned  
60 premiums paid by a mortgagor or charged to the mortgagor for  
61 hazard, homeowner's or flood insurance placed by a mortgagee or the  
62 mortgage servicer if the mortgagor provides reasonable proof that the  
63 mortgagor has obtained coverage such that the forced placement  
64 insurance is no longer necessary and the property is insured. If the  
65 mortgagor provides reasonable proof that no lapse in coverage  
66 occurred such that the forced placement was not necessary, the  
67 mortgage servicer shall promptly refund the entire premium;

68 (15) Require any amount of funds to be remitted by means more  
69 costly to the mortgagor than a bank or certified check or attorney's  
70 check from an attorney's account to be paid by the mortgagor;

71 (16) Refuse to communicate with an authorized representative of the  
72 mortgagor who provides a written authorization signed by the  
73 mortgagor, provided the mortgage servicer may adopt procedures  
74 reasonably related to verifying that the representative is in fact  
75 authorized to act on behalf of the mortgagor;

76 (17) Conduct any business covered by sections 36a-715 to 36a-719l,  
77 inclusive, without holding a valid license as required under said  
78 sections, or assist or aid and abet any person in the conduct of business  
79 without a valid license as required under this title;

80 (18) Negligently make any false statement or knowingly and  
81 wilfully make any omission of a material fact in connection with any  
82 information or reports filed with a governmental agency or the system  
83 or in connection with any investigation conducted by the Banking  
84 Commissioner or another governmental agency; or

85 (19) Collect, charge, attempt to collect or charge or use or propose  
86 any agreement purporting to collect or charge any fee prohibited by  
87 sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b.

88 Sec. 3. (*Effective July 1, 2015*) The Department of Banking, in  
89 consultation with the Department of Economic and Community  
90 Development, shall, within available appropriations, conduct a study  
91 of small business lending in the state. Such study shall include, but not  
92 be limited to, the feasibility of: (1) Establishing a state-run business and  
93 industrial development corporation; (2) creating mechanisms to  
94 increase Small Business Administration lending to promote and  
95 finance small businesses; and (3) forming a partnership between the  
96 Department of Economic and Community Development and  
97 Connecticut banks and credit unions to increase access to credit for  
98 small businesses in underserved communities. The Banking  
99 Commissioner shall report, in accordance with the provisions of  
100 section 11-4a of the general statutes, the findings of such study to the  
101 joint standing committees of the General Assembly having cognizance  
102 of matters relating to banking and finance on or before January 1, 2016.

103 Sec. 4. (*Effective July 1, 2015*) The Department of Banking shall,  
104 within available appropriations, conduct a study of the feasibility of  
105 requiring Connecticut banks and Connecticut credit unions to accept  
106 alternative forms of identification for persons without a Social Security  
107 number, such as an Individual Taxpayer Identification Number issued

108 by the Internal Revenue Service, state-issued forms of identification or  
109 foreign documents, for purposes of providing such persons with the  
110 ability to open accounts at such banks or credit unions. The Banking  
111 Commissioner shall report, in accordance with the provisions of  
112 section 11-4a of the general statutes, the findings of such study to the  
113 joint standing committee of the General Assembly having cognizance  
114 of matters relating to banking on or before January 1, 2016.

115 Sec. 5. (NEW) (*Effective October 1, 2015*) (a) Any entity, including, but  
116 not limited to, any Connecticut bank or Connecticut credit union, prior  
117 to accepting a final and complete application for a reverse annuity  
118 mortgage loan or assessing any fees for such mortgage, shall:

119 (1) (A) Inform the prospective applicant of the counseling  
120 requirement in subdivision (2) of this subsection, and (B) provide the  
121 prospective applicant with a list of at least three independent housing  
122 counseling agencies approved by the United States Department of  
123 Housing and Urban Development to engage in reverse annuity  
124 mortgage loan counseling, as provided in 24 CFR 206.300. No such  
125 counseling agency shall receive any compensation, either directly or  
126 indirectly, from the lender or from any other person or entity involved  
127 in originating or servicing the loan;

128 (2) Receive a signed certification from the prospective applicant or  
129 the prospective applicant's authorized representative that the applicant  
130 has received counseling from an independent housing counseling  
131 agency, as described in subdivision (1) of this subsection.

132 (3) Provide the prospective applicant, prior to his or her counseling  
133 session with the independent agency counselor, with a reverse annuity  
134 mortgage loan worksheet containing issues that the prospective  
135 applicant is advised to consider and discuss with the counselor; and

136 (4) Receive a certification from the prospective applicant or the  
137 prospective applicant's authorized representative that either: (A) The  
138 reverse annuity mortgage loan origination, or (B) the counseling  
139 session required by subsection (2) of this section was conducted in

140 person. Any counseling not conducted in person shall be conducted by  
141 telephone. The certification shall be signed by the prospective  
142 applicant and either the independent agency counselor or the reverse  
143 annuity mortgage loan originator and shall include the date of the  
144 meeting, and the name, address and telephone number of both the  
145 prospective applicant and either the counselor or the loan originator.  
146 The lender shall maintain the certification in an accurate, reproducible  
147 and accessible format for the term of the reverse annuity mortgage  
148 loan.

149 (b) A violation of the provisions of this section shall be an unfair or  
150 deceptive act or practice in the conduct of trade or commerce pursuant  
151 to subsection (a) of section 42-110b of the general statutes.

152 Sec. 6. Section 42-460a of the general statutes is repealed and the  
153 following is substituted in lieu thereof (*Effective October 1, 2015*):

154 (a) As used in this section:

155 (1) "General-use prepaid card" has the same meaning given to that  
156 term in 12 CFR 1005.20(a)(3), as from time to time amended, but shall  
157 not include a linked prepaid card or any card, code or other device  
158 identified in 12 CFR 1005.20(b); and

159 (2) "Linked prepaid card" means a general-use prepaid card that  
160 enables the purchaser of or individual who increases or reloads funds  
161 onto the card, code or device (A) to receive back the remaining  
162 unexpended balance and the accrued interest earned on the  
163 unexpended balance on such card, code or device as of the date of  
164 expiration of such card, code or device by way of a financial account  
165 that is linked to the card, code or device; (B) to set the expiration date  
166 on such card, code or device at not less than ninety days from the date  
167 of purchase of or increasing or reloading of funds onto such card, code  
168 or device, for the purpose of receiving back the unexpended balance  
169 and accrued interest earned on the unexpended balance on such card,  
170 code or device in an expedited manner; and (C) to transfer the  
171 unexpended balance on such card, code or device to a bank offering a

172 higher yield on and full insurance from the Federal Deposit Insurance  
173 Corporation for the transferred balance until the consumer or recipient  
174 of such card, code or device utilizes the unexpended balance or until  
175 the date of expiration on such card, code or device has passed,  
176 provided such purchaser or individual has a financial account that is  
177 linked to such card, code or device.

178 (b) A general-use prepaid card shall not include an expiration date  
179 relative to the underlying funds that are redeemable through the use of  
180 the applicable card, code or device. Notwithstanding the provisions of  
181 this subsection, a general-use prepaid card may include an expiration  
182 date with regard to such card, code or device, provided: (1) The  
183 following disclosures are made, in writing, on such card, code or  
184 device and any packaging material related to such card, code or  
185 device: (A) [That] A statement, disclosed with equal prominence and  
186 in close proximity to the expiration date, that such card, code or device  
187 expires, but that the underlying funds do not expire and that the  
188 consumer may contact the issuer for a replacement card, code or  
189 device; (B) a toll-free telephone number and an Internet web site  
190 address, if one is maintained, that a holder of a general-use prepaid  
191 card may use to obtain a comprehensive list of all charges, fees and  
192 expenses to be borne by the holder of a general-use prepaid card; and  
193 [(B)] (C) a toll-free telephone number and an Internet web site address,  
194 if one is maintained, that a holder of a general-use prepaid card may  
195 use to obtain a replacement card, code or device after such card, code  
196 or device expires, provided the remaining balance is not otherwise  
197 returned to the holder; (2) no fee or charge is imposed on such holder  
198 for replacing the card, code or device or for providing such holder  
199 with the remaining balance in some other manner, provided the card,  
200 code or device has not been lost or stolen; and (3) the seller of the card,  
201 code or device has established policies and procedures to provide  
202 consumers a reasonable opportunity to purchase a card, code or device  
203 that has not less than five years remaining until the card, code or  
204 device expires.

205 (c) A linked prepaid card shall not include an expiration date

206 relative to the underlying funds that are redeemable through the use of  
207 the applicable card, code or device. Notwithstanding the provisions of  
208 this subsection, a linked prepaid card may include an expiration date  
209 with regard to such card, code or device, including an expiration date  
210 contemplated by subparagraph (B) of subdivision (2) of subsection (a)  
211 of this section, provided: (1) The following disclosures are made, in  
212 writing, on such card, code or device and any packaging material  
213 related to such card, code or device: (A) [That] A statement, disclosed  
214 with equal prominence and in close proximity to the expiration date,  
215 that such card, code or device expires, but that the underlying funds  
216 do not expire, provided the purchaser of or individual who increases  
217 or reloads funds onto such card, code or device has not set an  
218 expiration date in accordance with said subparagraph (B), and that the  
219 consumer may contact the issuer for a replacement card, code or  
220 device; (B) a toll-free telephone number and an Internet web site  
221 address, if one is maintained, that a holder of a linked prepaid card  
222 may use to obtain a comprehensive list of all charges, fees and  
223 expenses to be borne by the holder of a linked prepaid card; and [(B)]  
224 (C) a toll-free telephone number and an Internet web site address, if  
225 one is maintained, that a holder of a general-use prepaid card may use  
226 to obtain a replacement card, code or device after such card, code or  
227 device expires, provided the purchaser of or individual who increases  
228 or reloads funds onto such card, code or device has not set an  
229 expiration date in accordance with said subparagraph (B); (2) no fee or  
230 charge is imposed on such holder for replacing the card, code or device  
231 or providing such holder with the remaining balance in some other  
232 manner, provided the card, code or device has not been lost or stolen  
233 or, if an expiration date has been set in accordance with said  
234 subparagraph (B), expired; (3) no fee or charge is imposed on the  
235 purchaser of or individual who increases or reloads funds onto the  
236 card, code or device for replacing the card, code or device or providing  
237 such purchaser or individual with the unexpended balance in some  
238 other manner, provided the card, code or device has not been lost or  
239 stolen; and (4) the seller of the card, code or device has established  
240 policies and procedures to provide consumers a reasonable

241 opportunity to purchase a card, code or device that has not less than  
242 five years remaining until the card, code or device expires, unless the  
243 purchaser of or individual who increases or reloads funds onto such  
244 card, code or device has a financial account that is linked to such card,  
245 code or device and sets an expiration date on such card, code or device  
246 at not less than ninety days from the date of purchase or increasing or  
247 reloading at which time the unexpended balance and any accrued  
248 interest on the unexpended balance on such card, code or device shall  
249 be transferred to such financial account.

250 (d) For purposes of complying with the disclosure requirements of  
251 subdivision (1) of subsections (b) and (c) of this section, [(1)] the issuer  
252 of a general-use prepaid card or a linked prepaid card may provide  
253 disclosures that are consistent with the applicable provisions of 12 CFR  
254 1005.20(e), as from time to time amended, [, and (2) such issuer shall  
255 make the disclosure required under subparagraph (A) of subdivision  
256 (1) of subsections (b) and (c) of this section with equal prominence and  
257 in close proximity to the expiration date on the applicable card, code or  
258 device.]

259 Sec. 7. Section 3-65c of the general statutes is repealed and the  
260 following is substituted in lieu thereof (*Effective October 1, 2015*):

261 A holder of property subject to this part, or of a gift certificate, as  
262 defined in section 3-56a, or a general-use prepaid card, as defined in  
263 section 42-460a, as amended by this act, or a linked prepaid card, as  
264 defined in section 42-460a of the general statutes, as amended by this  
265 act, may not impose on the property a dormancy charge or fee,  
266 abandoned property charge or fee, unclaimed property charge or fee,  
267 escheat charge or fee, inactivity charge or fee, or any similar charge, fee  
268 or penalty for inactivity with respect to the property. Neither the  
269 property nor an agreement with respect to the property may contain  
270 language suggesting that the property may be subject to such a charge,  
271 fee or penalty for inactivity. The provisions of this section shall not  
272 apply to property subject to subdivision (1), (2), (3) or (5) of subsection  
273 (a) of section 3-57a, provided a holder of any such property may not

274 impose an escheat charge or fee with respect to such property.

275 Sec. 8. Section 49-31u of the general statutes is repealed. (*Effective*  
276 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015</i>	New section
Sec. 2	<i>October 1, 2015</i>	36a-719h
Sec. 3	<i>July 1, 2015</i>	New section
Sec. 4	<i>July 1, 2015</i>	New section
Sec. 5	<i>October 1, 2015</i>	New section
Sec. 6	<i>October 1, 2015</i>	42-460a
Sec. 7	<i>October 1, 2015</i>	3-65c
Sec. 8	<i>from passage</i>	Repealer section