



House of Representatives

General Assembly

File No. 178

January Session, 2015

Substitute House Bill No. 6801

House of Representatives, March 23, 2015

The Committee on Banking reported through REP. LESSER of the 100th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

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
11 banking 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 Section 36a-719h of the general statutes is repealed and the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 [~~:(A) That~~] and any packaging material related to such card,
185 code or device: (A) 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 such card; and [(B)] (C) a toll-free
193 telephone number and an Internet web site address, if one is
194 maintained, that a holder of a general-use prepaid card may use to
195 obtain a replacement card, code or device after such card, code or
196 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 [:(A) That] and any packaging
213 material related to such card, code or device: (A) A statement,
214 disclosed with equal prominence and in close proximity to the
215 expiration date, that such card, code or device expires, but that the
216 underlying funds do not expire, provided the purchaser of or
217 individual who increases or reloads funds onto such card, code or
218 device has not set an expiration date in accordance with said
219 subparagraph (B), and that the consumer may contact the issuer for a
220 replacement card, code or device; (B) a toll-free telephone number and
221 an Internet web site address, if one is maintained, that a holder of a
222 linked prepaid card may use to obtain a comprehensive list of all
223 charges, fees and expenses to be borne by the holder of such card; and
224 [(B)] (C) a toll-free telephone number and an Internet web site address,
225 if one is maintained, that a holder of a general-use prepaid card may
226 use to obtain a replacement card, code or device after such card, code
227 or device expires, provided the purchaser of or individual who
228 increases 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, as amended by this act, may not impose on
265 the property a dormancy charge or fee, abandoned property charge or
266 fee, unclaimed property charge or fee, escheat charge or fee, inactivity
267 charge or fee, or any similar charge, fee or penalty for inactivity with
268 respect to the property. Neither the property nor an agreement with
269 respect to the property may contain language suggesting that the
270 property may be subject to such a charge, fee or penalty for inactivity.

271 The provisions of this section shall not apply to property subject to
 272 subdivision (1), (2), (3) or (5) of subsection (a) of section 3-57a,
 273 provided a holder of any such property may not impose an escheat
 274 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

BA *Joint Favorable Subst.*

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

OFA Fiscal Note**State Impact:** None**Municipal Impact:** None**Explanation**

The bill, which requires the Banking Commissioner to conduct three studies and submit reports to the General Assembly, has no fiscal impact.

The bill also makes changes to certain transactions between private entities and individuals which result in no fiscal impact to the state or municipalities.

The Out Years**State Impact:** None**Municipal Impact:** None

OLR Bill Analysis**sHB 6801*****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.*****SUMMARY:**

This bill makes changes to sections of the banking statutes that relate to reverse annuity mortgage loans, general-use and linked prepaid cards, foreclosure mediation, and mortgage servicers.

It establishes counseling requirements that must be met before any entity may (1) accept a final and complete reverse annuity mortgage loan application or (2) assess any fees for such mortgage (see BACKGROUND). Under the bill, among other things, such entities must:

1. inform prospective applicants of the counseling requirement and provide them with a (a) list of three independent housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) and (b) worksheet of issues to consider;
2. receive certification from the prospective applicant that (a) he or she received the required counseling and (b) either the loan origination or the counseling was done in person; and
3. keep the certification for the term of the loan.

The bill creates an additional condition under which general-use and linked prepaid cards may include an expiration date (see BACKGROUND). It (1) adds this condition to the written disclosures

required on the cards and (2) makes the disclosure requirements also applicable to the cards' packaging material. The bill exempts linked prepaid cards from inactivity fees as is already the case for general-use prepaid cards.

It eliminates a requirement that a mortgagee (lender) provide a certificate of good standing to a mortgagor (borrower) who has completed the foreclosure mediation program.

The bill requires the Banking Department to conduct studies related to (1) crowdfunding, (2) small business lending, and (3) alternative banking identification. The department must report its findings to specified General Assembly committees by January 1, 2016.

The bill makes technical changes to the statutes that govern mortgage servicers' prohibited acts (see BACKGROUND). It also makes a conforming change.

EFFECTIVE DATE: October 1, 2015, except the (1) foreclosure mediation program provision is effective upon passage and (2) sections related to the Banking Department's studies on crowdfunding, small business lending, and alternative banking identification are effective July 1, 2015.

REVERSE ANNUITY MORTGAGES

A reverse annuity mortgage allows elderly homeowners to convert accumulated home equity into liquid assets. The loans are generally (1) paid to the borrower monthly and (2) repaid upon death or when the home is sold or vacated.

Counseling Requirement

The bill establishes counseling requirements that must be met before any entity, including a Connecticut bank or credit union, may (1) accept a final and complete reverse annuity mortgage loan application or (2) assess any fees for such mortgage. (Presumably "entity" refers to a federally- or state-chartered prospective mortgagee.)

Counseling Information for Prospective Applicant

Under the bill, the entity must inform a prospective applicant of the counseling requirement and provide the prospective applicant with a (1) list of at least three HUD-approved independent housing counseling agencies and (2) worksheet containing issues the prospective applicant is advised to consider and discuss with the counselor (see related federal law in BACKGROUND).

(Presumably each lender will develop its own worksheet; the bill does not specify whether it is a uniform worksheet.)

Counseling Certification

Certification. The prospective applicant or his or her authorized representative must provide the entity with a signed certification that the (1) applicant received the required counseling and (2) loan origination or counseling session occurred in person. Under the bill, if the counseling session is not held in person, it must be conducted by telephone.

The certification must include the meeting date and the name, address, telephone number, and signature of the (1) prospective applicant and (2) counselor or loan originator. (Presumably each prospective applicant will create his or her counseling certificate; the bill does not prescribe a uniform certification form.)

Record Retention. The lender must keep the certification in an accurate, reproducible, and accessible format for the term of the loan.

Counseling Agency's Compensation

Under the bill, a lender or any other person or entity involved in originating or servicing the loan may not compensate the counseling agency.

Penalty for Violation

The bill makes it an unfair or deceptive trade practice to violate any of the reverse annuity mortgage loan provisions.

GENERAL-USE AND LINKED PREPAID CARDS***Disclosure Requirements***

The bill creates an additional condition under which general-use and linked prepaid cards may include an expiration date and adds it to the disclosures required on the cards.

Under existing law, a general-use or linked prepaid card cannot have an expiration date unless, among other things, it discloses in writing on the card (1) that the card, but not the underlying funds, expires; (2) that the consumer may contact the issuer for a replacement card; and (3) a toll-free telephone number and an Internet website address, if one is maintained, that a card holder may use to obtain a replacement card after it expires. The bill also requires the disclosure of a toll-free telephone number and an Internet website address, if one is maintained, that a card holder may use to obtain a comprehensive list of all charges, fees, and expenses associated with the card.

The bill makes the required written disclosures on general-use and linked prepaid cards also applicable to the cards' packaging material. Unchanged by the bill, the card holders must make the disclosures with equal prominence and in close proximity to the expiration date on the card.

Inactivity Charges or Fees

Under existing law a general-use prepaid card may not be subject to inactivity charges or fees. The bill extends this exemption to linked prepaid cards.

FORECLOSURE MEDIATION PROGRAM***Certificate of Good Standing***

The state's foreclosure mediation program determines whether parties can reach an agreement to avoid foreclosure. The program uses the Judicial Branch's foreclosure mediators to conduct mediation sessions between the mortgagee and the mortgagor in a statutorily prescribed timeframe.

The bill eliminates a requirement for a mortgagee to provide a certificate of good standing to a mortgagor who has completed the foreclosure mediation program.

BANKING DEPARTMENT STUDIES

The bill requires the department to conduct studies related to (1) crowdfunding, (2) small business lending, and (3) alternative banking identification.

Crowdfunding

The bill requires the commissioner to study other states' legislation on crowdfunding restrictions and investment exemptions to provide small businesses and start-up companies with additional funding options. "Crowd funding" is the practice of funding a venture by raising small amounts of money from a large number of people.

The commissioner must report to the Banking and Commerce Committees, by January 1, 2016, with the overview of other states' laws and recommendations for legislation.

Small Business Lending

The bill requires the Department of Banking, in consultation with the Department of Economic and Community Development (DECD), to conduct a study of small business lending in the state. The department must conduct the study within available appropriations and include in it the feasibility of:

1. establishing a state-run business and industrial development corporation;
2. creating mechanisms to increase Small Business Administration lending to promote and finance small businesses; and
3. forming a partnership between DECD and Connecticut banks and credit unions to increase access to credit for small businesses in underserved communities.

The commissioner must report its findings to the Banking and

Finance Committees by January 1, 2016.

Alternative Banking Identification

The bill requires the Department of Banking, within available appropriations, to conduct a study of the feasibility of requiring Connecticut banks and Connecticut credit unions to accept alternative forms of identification to allow a person without a Social Security Number to open accounts at such banks or credit unions. The alternative forms of identification may include an IRS-issued Individual Taxpayer Identification Number, a state-issued identification, or foreign documents.

The banking commissioner must report its findings to the Banking Committee by January 1, 2016.

BACKGROUND

Reverse Annuity Mortgage Loan

A “reverse annuity mortgage loan” is a mortgage loan in which the mortgagee pays the mortgagor in installments. If they agree, and at the option of the mortgagee, the advances may terminate and the entire unpaid balance of the loan plus accrued interest may become due and payable when one of the following occurs:

1. the death of the last surviving borrower (see related federal case below);
2. the sale or other transfer of the real estate securing the loan to a person other than one of the original borrowers; or
3. any other occurrence, stated in the deed, that materially decreases the value of the property securing the loan or which will have the likely effect of causing the loan not to be repaid (CGS § 36a-265(4)).

Mortgage Servicer

A mortgage servicer is any person who services (1) residential mortgage loans, (2) home equity conversion mortgages, and (3) reverse

mortgages (CGS § 36a-715).

General-Use Prepaid Cards

A “general-use prepaid card” is a card, code, or other device (1) issued on a prepaid basis primarily for personal, family, or household purposes to a consumer in a specified amount, whether or not that amount may be increased or reloaded, in exchange for payment and (2) redeemable upon presentation at multiple, unaffiliated merchants for goods or services, or usable at automated teller machines (12 CFR 1005.20(a)(3)).

General-use prepaid cards do not include a card that is:

1. usable only for telephone services;
2. reloadable and not marketed or labeled as a gift card or gift certificate;
3. a loyalty, award, or promotional gift card;
4. not marketed to the general public;
5. issued in paper form only; or
6. redeemable solely for admission to events or venues at a particular location or group of affiliated locations, or to obtain goods or services in conjunction with admission to such events or venues (12 CFR 1005.20(b)).

Linked Prepaid Cards

A “linked prepaid card” is a type of general-use prepaid card that allows the card purchaser or person who increases or reloads funds onto the card (the customer) to:

1. recover the unused balance and the interest earned on the unused balance through a financial account linked to the card;
2. set an expiration date at least 90 days from the date of purchase or increasing or reloading funds; and

3. transfer the unused balance to a bank offering a higher yield and full insurance from the Federal Deposit Insurance Corporation until the funds are exhausted or until the card expires, if the customer has a financial account linked to the card (CGS § 42-460a(2)).

Related Federal Laws

Federal regulation requires HUD to establish and maintain a list of reverse mortgage counselors. The counselors must meet specified qualification standards and follow uniform counseling protocol (24 CFR § 206.300, et. seq.). Under federal regulation, at the time of the initial contact, the mortgagee must give the prospective mortgagor a list of the names, addresses, and telephone numbers of HUD-approved reverse mortgage counselors (24 CFR § 206.41). Qualified counselors must discuss certain information with prospective mortgagors, including:

1. other options available to the homeowner;
2. the financial implications of entering into a reverse mortgage;
3. disclosure that a reverse mortgage may have tax consequences, affect eligibility for assistance under federal and state programs, and have an impact on the estate and heirs of the homeowner (12 USC § 1715z-20(f)); and
4. the requirement that a non-borrowing spouse obtain ownership of the property or other legal right to remain in the house after the death of the last surviving mortgagor (HUD Mortgagee Letter 2014-07).

Related Federal Case. The U.S. District Court, District of Columbia, struck down federal reverse mortgage regulation that allowed HUD to insure reverse mortgages that became payable in full after a mortgagor's death regardless of whether there was a surviving non-borrowing spouse (*Bennett v. Donovan*, 4 F.Supp.3d 5, (2013)).

HUD amended its reverse mortgage regulations to provide protections against the displacement of a surviving spouse under specified conditions.

The federal requirements apply to all HUD-insured reverse mortgages.

Related Bills

sHB 6752, favorably reported by the Banking Committee, extends the state's foreclosure mediation program for three years, until July 1, 2019.

HB 6762, favorably reported by the Housing Committee, makes the state's foreclosure mediation program permanent.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/05/2015)