



General Assembly

February Session, 2016

Raised Bill No. 5572

LCO No. 2671



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING SMALL LOAN LICENSEES.

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

1 Section 1. Section 36a-555 of the 2016 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2016*):

4 [No person shall (1) engage in the business of making loans of
5 money or credit; (2) make, offer, broker or assist a borrower in
6 Connecticut to obtain such a loan; or (3) in whole or in part, arrange
7 such loans through a third party or act as an agent for a third party,
8 regardless of whether approval, acceptance or ratification by the third
9 party is necessary to create a legal obligation for the third party,
10 through any method, including, but not limited to, mail, telephone,
11 Internet or any electronic means, in the amount or to the value of
12 fifteen thousand dollars or less for loans made under section 36a-563 or
13 section 36a-565, and charge, contract for or receive a greater rate of
14 interest, charge or consideration than twelve per cent per annum
15 therefor, unless licensed to do so by the commissioner pursuant to
16 sections 36a-555 to 36a-573, inclusive. The provisions of this section

17 shall not apply to (A) a bank, (B) an out-of-state bank, (C) a
18 Connecticut credit union, (D) a federal credit union, (E) an out-of-state
19 credit union, (F) a savings and loan association wholly owned
20 subsidiary service corporation, (G) a person to the extent that such
21 person makes loans for agricultural, commercial, industrial or
22 governmental use or extends credit through an open-end credit plan,
23 as defined in 15 USC 1602, as amended from time to time, for the retail
24 purchase of consumer goods or services, (H) a mortgage lender or
25 mortgage correspondent lender licensed pursuant to section 36a-489
26 when making residential mortgage loans, as defined in section 36a-485,
27 or (I) a licensed pawnbroker.] As used in this section and sections 36a-
28 556 to 36a-573, as amended by this act:

29 (1) "Advertise" or "advertising" has the same meaning as provided
30 in section 36a-485;

31 (2) "APR" means the annual percentage rate for the loan calculated
32 according to the provisions of the federal Truth-in-Lending Act, 15
33 USC 1601 et seq., as amended from time to time, and the regulations
34 promulgated thereunder;

35 (3) "Branch office" means a location other than the main office where
36 the licensee, or any person on behalf of the licensee, will engage in
37 activities that require a small loan license;

38 (4) "Connecticut borrower" means any borrower who resides in or
39 maintains a domicile in this state and who (A) negotiates or agrees to
40 the terms of the small loan in person, by mail, by telephone or via the
41 Internet while physically present in this state, or (B) makes a payment
42 on the loan in this state. For purposes of this subdivision, "payment of
43 the loan" includes a debit on an account the borrower holds in a branch
44 of a financial institution or the use of a negotiable drawn on an account
45 at a financial institution, and "financial institution" means any bank or
46 credit union chartered or licensed under the laws of this state, any
47 other state or the United States and having its main office or a branch

48 office in this state;

49 (5) "Control person" has the same meaning as provided in section
50 36a-485;

51 (6) "Generating leads" means (1) initiating consumer interest or
52 inquiry into a small loan by online marketing, direct response
53 advertising, telemarketing or other similar consumer contact; (2)
54 engaging in the business of selling leads for small loans; (3) generating
55 or augmenting leads for other persons with the expectation of
56 compensation or gain, or (4) referring consumers to other persons for a
57 small loan with the expectation of compensation or gain;

58 (7) "Lead" means any information identifying a potential consumer
59 of a small loan;

60 (8) "Main office" has the same meaning as provided in section 36a-
61 485;

62 (9) "Open-end small loan" means a small loan where the loan
63 agreement provides that the lender may permit the borrower to obtain
64 advances of money from time to time or provides that the lender may
65 advance money on behalf of the borrower from time to time as
66 directed by the borrower;

67 (10) "Person" means a natural person, corporation, company, limited
68 liability company, partnership or association;

69 (11) "Small loan" means any loan of money or extension of credit, or
70 the purchase of, or an advance of money on, a borrower's future
71 income, where the following conditions are present: (A) The amount or
72 value is fifteen thousand dollars or less; and (B) the APR is greater
73 than twelve per cent. For purposes of this subdivision, "future income"
74 means any future potential source of money, including, but not limited
75 to, a future pay or salary, pension, tax refund or proceeds from
76 lawsuits. For purposes of sections 36a-555 to 36a-573, inclusive, as

77 amended by this act, "small loan" shall not include: (i) A retail
78 installment contract made in accordance with section 36a-772; or (ii) a
79 loan or extension of credit for agricultural, commercial, industrial or
80 governmental use;

81 (12) "Unique identifier" has the same meaning as provided in
82 section 36a-485.

83 Sec. 2. Section 36a-556 of the general statutes is repealed and the
84 following is substituted in lieu thereof (*Effective July 1, 2016*):

85 [Upon the filing of the required application and license fee, the
86 commissioner shall investigate the facts and, if the commissioner finds
87 that (1) the experience, character and general fitness of the applicant,
88 and of the members thereof if the applicant is a partnership, limited
89 liability company or association, and of the officers and directors
90 thereof if the applicant is a corporation, are satisfactory, (2) a license to
91 such applicant will be for the convenience and advantage of the
92 community in which the applicant's business is to be conducted, and
93 (3) the applicant has the capital investment required by this section, the
94 commissioner shall issue a license to the applicant to make loans in
95 accordance with sections 36a-555 to 36a-573, inclusive. If the
96 commissioner fails to make such findings or finds that the applicant
97 made a material misstatement in the application, the commissioner
98 shall not issue a license and shall notify the applicant of the denial and
99 the reasons for such denial. The commissioner may deny an
100 application if the commissioner finds that the applicant or any
101 member, officer, or director of the applicant has been convicted of any
102 misdemeanor involving any aspect of the small loan lender business,
103 or any felony. Any denial of an application by the commissioner shall,
104 when applicable, be subject to the provisions of section 46a-80.
105 Withdrawal of an application for a license shall become effective upon
106 receipt by the commissioner of a notice of intent to withdraw such
107 application. The commissioner may deny a license up to the date one
108 year after the date the withdrawal became effective. The capital

109 investment shall be not less than twenty-five thousand dollars for each
110 licensed location in a city or town with a population of ten thousand or
111 more inhabitants and ten thousand dollars for each licensed location in
112 a city or town with a smaller population. Population shall be
113 determined according to the last United States census at the time a
114 license is granted.]

115 (a) Without having first obtained a small loan license from the
116 commissioner pursuant to section 36a-565, no person shall, by any
117 method, including, but not limited to, mail, telephone, Internet or
118 other electronic means, unless exempt pursuant to section 36a-557, as
119 amended by this act:

120 (1) Make a small loan to a Connecticut borrower;

121 (2) Offer to solicit or broker, directly or indirectly arrange, place or
122 find a small loan for a prospective Connecticut borrower;

123 (3) Engage in any other activity to assist a prospective Connecticut
124 borrower in obtaining a small loan, including, but not limited to,
125 generating leads or making referrals for small loans;

126 (4) Receive payments of principal and interest in connection with a
127 small loan made to a Connecticut borrower;

128 (5) Purchase, acquire or receive assignment of a small loan made to
129 a Connecticut borrower; and

130 (6) Advertise or cause to be advertised in this state a small loan or
131 any of the services described in subdivisions (1) to (5), inclusive, of this
132 subsection.

133 (b) No person shall accept any lead, referral or application for a
134 small loan from a person who is not licensed pursuant to section 36a-
135 565, as amended by this act.

136 (c) No person shall sell, transfer, pledge, assign or otherwise dispose

137 of any small loan made to a Connecticut borrower to any person who
138 is not licensed pursuant to section 36a-557, as amended by this act.

139 Sec. 3. Section 36a-557 of the general statutes is repealed and the
140 following is substituted in lieu thereof (*Effective July 1, 2016*):

141 [(a) An application for such license shall be in writing, under oath
142 and in the form prescribed by the commissioner, and shall include (1)
143 the history of criminal convictions of the applicant; the members, if the
144 applicant is a partnership, limited liability company or association; or
145 the officers and directors, if the applicant is a corporation, and (2)
146 sufficient information pertaining to the history of criminal convictions,
147 in a form acceptable to the commissioner, on such applicant, members,
148 officers and directors as the commissioner deems necessary to make
149 the findings under section 36a-556. The commissioner, in accordance
150 with section 29-17a, may conduct a state and national criminal history
151 records check of the applicant and of each member, officer and director
152 of the applicant. The commissioner may deem an application for a
153 license as a small loan lender abandoned if the applicant fails to
154 respond to any request for information required under sections 36a-
155 555 to 36a-573, inclusive, or any regulations adopted pursuant to said
156 sections 36a-555 to 36a-573, inclusive. The commissioner shall notify
157 the applicant, in writing, that if such information is not submitted not
158 later than sixty days after such request, the application shall be
159 deemed abandoned. An application filing fee paid prior to the date an
160 application is deemed abandoned pursuant to this subsection shall not
161 be refunded. Abandonment of an application pursuant to this
162 subsection shall not preclude the applicant from submitting a new
163 application for a license under sections 36a-555 to 36a-573, inclusive.

164 (b) Withdrawal of an application for a license filed under subsection
165 (a) of this section shall become effective upon receipt by the
166 commissioner of a notice of intent to withdraw such application. The
167 commissioner may deny a license up to the date one year after the date
168 the withdrawal became effective.]

169 The following are exempt from the requirement for licensure set
170 forth in section 36a-556, as amended by this act: (1) A bank; (2) an out-
171 of-state bank; (3) a Connecticut credit union; (4) a federal credit union;
172 (5) an out-of-state credit union; (6) a savings and loan association
173 wholly owned subsidiary service corporation; (7) a licensed
174 pawnbroker; and (8) a person engaged as a third party in collecting or
175 receiving moneys due from a Connecticut borrower on a small loan for
176 payment to others, if such person is licensed as a consumer collection
177 agency in accordance with section 36a-801.

178 Sec. 4. Section 36a-558 of the general statutes is repealed and the
179 following is substituted in lieu thereof (*Effective July 1, 2016*):

180 [(a) Each applicant for a small loan lender license, at the time of
181 making such application, shall pay to the commissioner a license fee of
182 eight hundred dollars, provided if such application is filed not earlier
183 than one year before the date such license will expire, the applicant
184 shall pay to the commissioner a license fee of four hundred dollars.
185 Each such license shall expire at the close of business on September
186 thirtieth of the odd-numbered year following its issuance, unless such
187 license is renewed, provided any license that is renewed effective July
188 1, 2003, shall expire on September 30, 2005. Each licensee shall, on or
189 before September first of the year in which the license expires, or in the
190 case of a license that expires on June 30, 2003, on or before June 1, 2003,
191 file a renewal application and pay to the commissioner a license fee of
192 eight hundred dollars to renew the license, provided if such
193 application is for renewal of a license that expires on June 30, 2003, the
194 applicant shall pay the commissioner a license fee of nine hundred
195 dollars. Any renewal application filed with the commissioner after
196 September first, or in the case of a license that expires on June 30, 2003,
197 after June 1, 2003, shall be accompanied by a one-hundred-dollar late
198 fee and any such filing shall be deemed to be timely and sufficient for
199 purposes of subsection (b) of section 4-182. Whenever an application
200 for a license, other than a renewal application, is filed under this
201 section by any person who was a licensee and whose license expired

202 less than sixty days prior to the date such application was filed, such
203 application shall be accompanied by a one-hundred-dollar processing
204 fee in addition to the application fee. Each applicant shall pay the
205 expenses of any examination or investigation made under sections 36a-
206 555 to 36a-573, inclusive.

207 (b) If the commissioner determines that a check filed with the
208 commissioner to pay a fee under subsection (a) of this section has been
209 dishonored, the commissioner shall automatically suspend the license
210 or a renewal license that has been issued but is not yet effective. The
211 commissioner shall give the licensee notice of the automatic
212 suspension pending proceedings for revocation or refusal to renew
213 and an opportunity for a hearing on such actions in accordance with
214 section 36a-51.

215 (c) No abatement of the license fee shall be made if the license is
216 surrendered, revoked or suspended prior to the expiration of the
217 period for which it was issued. All fees required by this section shall be
218 nonrefundable.]

219 (a) No person licensed or required to be licensed by section 36a-556,
220 as amended by this act, shall engage in any of the activities described
221 in subdivision (1), (2), (3) or (6) of subsection (a) of section 36a-556, as
222 amended by this act, for any small loan that contains any condition or
223 provision inconsistent with the requirements in subsections (d) to (g),
224 inclusive, of this section.

225 (b) No person licensed or required to be licensed by section 36a-556,
226 as amended by this act, and no person exempt from licensure by
227 section 36a-557, as amended by this act, shall engage in any of the
228 activities described in subdivision (4), (5) or (6) of subsection (a) of
229 section 36a-556, as amended by this act, for any small loan made by a
230 person who was licensed or who was required to be licensed by
231 section 36a-556, as amended by this act, that contains any condition or
232 provision inconsistent with the requirements of subsections (d) to (g),

233 inclusive, of this section.

234 (c) (1) Except as the result of a bona fide error or as set forth in
235 subdivision (2) of this subsection, any small loan described in
236 subsections (a) and (b) of this section that contains any condition or
237 provision inconsistent with the requirements of subsections (d) to (g),
238 inclusive, of this section, shall not be enforced in this state. Such small
239 loan shall be void and no person shall have the right to collect or
240 receive any principal, interest, charge or other consideration, thereon.
241 Any person attempting to collect or receive principal, interest, charge
242 or other consideration on such small loan shall be subject to the
243 provisions of section 36a-570, as amended by this act.

244 (2) Subdivision (1) of this subsection shall not apply when: (A) The
245 inconsistent condition or provision is the result of a bona fide error; or
246 (B) the small loan was lawfully made in compliance with a validly
247 enacted lender licensing law of another state to a borrower who was
248 not, at the time of the making of such loan, a Connecticut borrower but
249 who has since become a Connecticut borrower.

250 (3) For the purposes of this subsection, the term "bona fide error"
251 includes, but is not limited to, clerical, calculation and computer
252 malfunction, programming and printing errors, but does not include
253 an error of legal judgment with respect to a person's obligations under
254 sections 36a-555 to 36a-573, inclusive, as amended by this act.

255 (d) Small loans that are the subject of the activities set forth in
256 subsections (a) and (b) of section 36a-556, as amended by this act, shall
257 not contain:

258 (1) An APR that exceeds the maximum annual percentage rate for
259 interest that is permitted with respect to the consumer credit extended
260 to a member of the armed forces who is on active duty under a call or
261 order that does not specify a period of thirty days or less or on active
262 guard and reserve duty, or a dependent of such individual under the
263 Military Lending Act, 10 USC 987 et seq., as amended from time to

264 time;

265 (2) A provision that increases the interest rate due to default;

266 (3) A payment schedule with regular periodic payments that when
267 aggregated do not fully amortize the outstanding principal balance;

268 (4) A payment schedule with regular periodic payments that cause
269 the principal balance to increase;

270 (5) A payment schedule that consolidates more than two periodic
271 payments and pays them in advance from the proceeds, unless such
272 payments are required to be escrowed by a governmental agency;

273 (6) A prepayment penalty;

274 (7) An adjustable rate provision;

275 (8) A waiver of participation in a class action or a provision
276 requiring a borrower, whether acting individually or on behalf of
277 others similarly situated, to assert any claim or defense in a nonjudicial
278 forum that: (A) Utilizes principles that are inconsistent with the law as
279 set forth in the general statutes or common law; (B) limits any claim or
280 defense the borrower may have; or (C) is less convenient, more time
281 consuming and more costly for the resolution of a dispute than a
282 judicial forum established in this state where the borrower may
283 otherwise properly bring a claim or defense;

284 (9) A call provision that permits the lender, in its sole discretion, to
285 accelerate the indebtedness, except when repayment of the loan is
286 accelerated by a bona fide default, pursuant to a due-on-sale clause
287 provision or another provision of the loan agreement unrelated to the
288 payment schedule, including, but not limited to, bankruptcy or
289 receivership;

290 (10) A security interest, except as provided in subsection (e) of this
291 section; or

292 (11) Fees or charges of any kind, except as expressly permitted by
293 subsection (e) of this section.

294 (e) Small loans as described in subsections (a) and (b) of this section
295 may contain provisions:

296 (1) For late fees, if: (A) Such fees are assessed after an installment
297 remains unpaid for ten or more consecutive days, including Sundays
298 and holidays; (B) such fees do not exceed the lesser of five per cent of
299 the outstanding installment payment, excluding any previously
300 assessed late fees, or a total of ten dollars per month, whichever is less;
301 and (C) no interest is charged on such fees;

302 (2) Allowing charges for a dishonored check or any other form of
303 returned payment, so long as the total fee for such returned payment
304 does not exceed twenty dollars;

305 (3) Allowing for collection of deferral charges, but only upon the
306 specific written authorization of the borrower and in a total amount
307 not to exceed the interest due during the applicable billing cycle;

308 (4) Allowing for the accrual of interest after the maturity date or the
309 deferred maturity date, provided such interest shall not exceed twelve
310 per cent per annum computed on a daily basis on the respective
311 unpaid balances;

312 (5) Providing for reasonable attorney's fees subject to the conditions
313 and restrictions set forth in section 42-150aa;

314 (6) Including credit life insurance or credit accident and health
315 insurance subject to the conditions and restrictions set forth in section
316 36a-559, as amended by this act;

317 (7) Taking a security interest in a motor vehicle in connection with a
318 closed-end small loan made solely for the purchase of such motor
319 vehicle, provided the APR of such loan shall not exceed the rates
320 indicated for the respective classifications of motor vehicles as follows:

321 (A) New motor vehicles, fifteen per cent; (B) used motor vehicles of a
322 model designated by the manufacturer by a year not more than two
323 years prior to the year in which the sale is made, seventeen per cent;
324 and (C) used motor vehicles of a model designated by the
325 manufacturer by a year more than two years prior to the year in which
326 the sale is made, nineteen per cent.

327 (f) Open-end small loans as described in subsections (a) and (b) of
328 this section shall, in addition to the requirements set forth in
329 subsections (d) and (e) of this section:

330 (1) Have an APR that shall not exceed nineteen and eight-tenths per
331 cent;

332 (2) Provide for an advance of money that shall not exceed at any one
333 time an unpaid principal of fifteen thousand dollars;

334 (3) Provide for payments and credits to be made to the same
335 borrower's account from which advances, interests, charges and costs
336 on such loan are debited;

337 (4) Provide for interest to be computed on any unpaid principal
338 balance of the account in each billing cycle by one of the following
339 methods: (A) By converting the APR to a daily rate and multiplying
340 such daily rate by the daily unpaid principal balance of the account, in
341 which case the daily rate is determined by dividing the APR by three
342 hundred sixty-five; or (B) by converting the APR to a monthly rate and
343 multiplying the monthly rate by the average daily unpaid principal
344 balance of the account in the billing cycle, in which case (i) the monthly
345 rate is determined by dividing the APR by twelve, and (ii) the average
346 daily unpaid principal balance is the sum of the amount unpaid each
347 day during the cycle divided by the number of days in the cycle. In
348 either of such computations, the billing cycle shall be monthly and the
349 unpaid principal balance on any day shall be determined by adding to
350 any balance unpaid as of the beginning of such day all advances and
351 other permissible amounts charged to the borrower and deducting all

352 payments and other credits made or received that day;

353 (5) Not compound interest or charges by adding any unpaid interest
354 or charges authorized by sections 36a-555 to 36a-573, inclusive, as
355 amended by this act, to the unpaid principal balance of the borrower's
356 account; or

357 (6) Not include any other fees or charges of any kind, except as
358 expressly permitted by subsection (g) of this section.

359 (g) Open-end small loans as described in subsections (a) and (b) of
360 this section, in addition to the requirements set forth in subsections (d)
361 to (f), inclusive, of this section, may:

362 (1) Provide for an annual fee for the privileges made available to the
363 borrower under the open-end loan agreement, provided such annual
364 fee does not exceed fifty dollars; and

365 (2) Include credit life insurance or credit accident and health
366 insurance, subject to the conditions and restrictions set forth in section
367 36a-559, as amended by this act.

368 (h) No person licensed or required to be licensed under sections 36a-
369 555 to 36a-573, inclusive, as amended by this act, who is engaged in
370 generating leads shall:

371 (1) Initiate any outbound telephone call using an automatic
372 telephone dialing system or an artificial or prerecorded voice without
373 the prior express written consent of the recipient;

374 (2) Fail to transmit or cause to transmit the lead generator's name
375 and telephone number to any caller identification service in use by a
376 consumer;

377 (3) Initiate an outbound telephone call to a consumer's residence
378 between nine o'clock p.m. and eight o'clock a.m. local time at the
379 consumer's location;

380 (4) Fail to clearly and conspicuously identify the lead generator and
381 the purpose of the contact in its written and oral communications with
382 a consumer;

383 (5) Fail to provide the ability to opt out of any unsolicited
384 advertisement communicated to a consumer via an electronic mail
385 address;

386 (6) Initiate an unsolicited advertisement via electronic mail to a
387 consumer more than ten business days after the receipt of a request
388 from such consumer to opt out of such unsolicited advertisements;

389 (7) Use a subject heading or electronic mail address in a commercial
390 electronic mail message that would likely mislead a recipient, acting
391 reasonably under the circumstances, about a material fact regarding
392 the sender, contents or subject matter of the message;

393 (8) Sell, lease, exchange or otherwise transfer or release the
394 electronic mail address or telephone number of a consumer who has
395 requested to be opted out of future solicitations;

396 (9) Collect, buy, lease, exchange or otherwise transfer or receive an
397 individual's Social Security number or bank account number;

398 (10) Use information from someone who has just had his or her
399 credit report pulled by a lender to solicit customers who have opted
400 out of firm offers of credit under the federal Fair Credit Reporting Act;

401 (11) Initiate a telephone call to a consumer who has placed his or her
402 contact information on a federal or state Do Not Call list, unless the
403 consumer has provided express written consent;

404 (12) Represent to the public, through advertising or other means of
405 communicating or providing information, including, but not limited
406 to, the use of business cards or stationery, brochures, signs or other
407 promotional items, that such lead generator can or will perform any
408 other activity requiring licensure under title 36a, unless such lead

409 generator is duly licensed to perform such other activity or exempt
410 from such licensure requirements;

411 (13) Refer applicants to, or receive a fee from, any person who is
412 required to be licensed under title 36a, but was not so licensed as of the
413 time of the performance of such lead generator's services;

414 (14) Assist or aid and abet any person in the conduct of business
415 requiring licensure under title 36a when such person does not hold the
416 license required;

417 (15) Directly or indirectly employ any scheme, device or artifice to
418 defraud or mislead any person;

419 (16) Make, in any manner, any false, misleading or deceptive
420 statement or representation in connection with a small loan or engage
421 in bait and switch advertising; or

422 (17) Negligently make any false statement or knowingly and
423 wilfully make any omission of material fact in connection with any
424 information or report filed with a governmental agency or the system
425 or in connection with any investigation conducted by the
426 commissioner or another governmental agency.

427 Sec. 5. Section 36a-559 of the general statutes is repealed and the
428 following is substituted in lieu thereof (*Effective July 1, 2016*):

429 [No license shall be assignable nor shall any license be transferable
430 to cover a place of business not located in either the same or an
431 adjacent city or town. Any change in a licensee's place of business
432 either within the same or to an adjacent city or town shall be in
433 accordance with section 36a-562. The license shall be kept
434 conspicuously posted in the place of business of the licensee. Every
435 license shall remain in force and effect until the same has been
436 surrendered, revoked or suspended, or has expired in accordance with
437 the provisions of sections 36a-555 to 36a-573, inclusive. Any license

438 which is revoked or suspended shall be immediately surrendered to
439 the commissioner. If any change occurs in the personnel of the
440 partners, principals, directors, officers or managers of any licensee, the
441 licensee shall forthwith notify the commissioner, and the commissioner
442 may require a statement under oath giving such information as the
443 commissioner may reasonably require with respect to such change.]

444 (a) Subject to the conditions provided in this section, insurance may
445 be sold to a Connecticut borrower at the request of the borrower (1) for
446 insuring the life of persons obligated on a small loan pursuant to
447 sections 38a-645 to 38a-658, inclusive, and (2) providing accident and
448 health insurance covering one person on a small loan pursuant to
449 sections 38a-645 to 38a-658, inclusive. In the case of credit life
450 insurance sold under subdivision (1) of this subsection, the amount of
451 the insurance shall be sufficient to pay the total balance of the loan due
452 on the date of the insured's death. Credit accident and health insurance
453 sold under subdivision (2) of this subsection shall not provide
454 indemnity against the risk of a borrower becoming disabled for a
455 period of less than fourteen days, except that it may provide for
456 retroactive coverage if the disability continues for the period stated in
457 the policy. Irrespective of the number of obligors, only one obligor
458 may be insured, except that life insurance may cover both a borrower
459 and such borrower's spouse where both are obligors on a small loan. A
460 licensee shall not require the purchase of insurance as a condition
461 precedent to the making of a small loan. A licensee shall, both verbally
462 and in writing, inform the borrower prior to entering into any small
463 loan contract of his or her right not to purchase credit insurance. In
464 order to be excluded from the APR calculation, the charge for
465 insurance shall be reasonable, the licensee may not receive any direct
466 or indirect compensation relating to the sale of the insurance and the
467 charge for the insurance may not be paid to an affiliate of the licensee.

468 (b) If a borrower obtains credit accident and health insurance, the
469 borrower shall have the right to cancel such credit accident and health
470 insurance at any time by giving written notice of cancellation to the

471 licensee. Notification of this right shall be made in the borrower's
472 insurance election. All persons obligated on the loan shall agree in
473 writing to the cancellation and return all certificates of insurance.
474 Upon cancellation, the licensee shall, at the licensee's option, either
475 refund the insurance charges to the borrower or apply them to the
476 unpaid balance of the loan.

477 (c) For the purposes of this section, in the case of an open-end small
478 loan, the additional charge for credit life insurance or credit accident
479 and health insurance shall be calculated in each billing cycle by
480 applying the current monthly premium rate for such insurance, as
481 such rate may be determined by the Insurance Commissioner, to the
482 unpaid balances in the account, using any of the methods for the
483 calculation of loan charges specified in subdivision (4) of subsection (f)
484 of section 36a-558, as amended by this act. No credit life insurance or
485 credit health insurance written in connection with an open-end small
486 loan shall be cancelled by the licensee because of delinquency of the
487 borrower in the making of the required minimum payments on the
488 loan unless (1) one or more of such payments is past due for a period
489 of ninety days or more, and (2) the licensee advances to the insurer the
490 amounts required to keep the insurance in force during such period,
491 which amounts may be debited from the borrower's account. Any
492 cancellation shall be effective at the end of the billing cycle in which
493 the notice is received and the licensee shall discontinue any further
494 charges for credit accident and health insurance.

495 Sec. 6. Section 36a-560 of the general statutes is repealed and the
496 following is substituted in lieu thereof (*Effective July 1, 2016*):

497 [No licensee shall make any loan provided for by sections 36a-555 to
498 36a-573, inclusive, under any other name or at any other place of
499 business than that named in the license. Not more than one place of
500 business shall be maintained under the same license, but the
501 commissioner may issue more than one license to the same licensee
502 upon compliance with the provisions of sections 36a-555 to 36a-573,

503 inclusive, as to each new license. Not later than fifteen days after a
504 licensee ceases to engage in this state in the business of a small loan
505 lender for any reason, including a business decision to terminate
506 operations in this state, license revocation, bankruptcy or voluntary
507 dissolution, such licensee shall surrender to the commissioner in
508 person or by registered or certified mail its license for each location in
509 which such licensee has ceased to engage in such business.]

510 No licensee shall:

511 (1) Cause a borrower, including, but not limited to, a comaker or
512 guarantor, to owe at any time more than fifteen thousand dollars for
513 principal;

514 (2) Induce or permit a borrower to split or divide any small loan or
515 loans, or induce or permit a borrower to become obligated, directly or
516 indirectly, under more than one contract of loan at the same time,
517 primarily for the purpose of obtaining rates or charges that would
518 otherwise be prohibited by any applicable provision of sections 36a-
519 555 to 36a-573, inclusive, as amended by this act;

520 (3) Take any (A) confession of judgment, (B) power of attorney, (C)
521 note or promise to pay that does not state the actual amount of the
522 loan, the time period for which the loan is made of the charges for such
523 loan, or (D) instrument related to the loan in which blanks are left to be
524 filled after the loan is made;

525 (4) Offer the borrower any other product or service in connection
526 with a small loan unless (A) permitted by sections 36a-555 to 36a-573,
527 inclusive, as amended by this act, (B) authorized under another license,
528 or by applicable exemption from any requirement for such licensure,
529 to offer such product or services, or (C) if no separate license or
530 exemption therefrom is required to offer such product or services,
531 authorized in advance in writing by the commissioner upon being
532 satisfied that such other product or service is of such a character that
533 the granting of such authority would not permit or easily facilitate

534 evasion of the provisions of sections 36a-555 to 36a-573, inclusive, as
535 amended by this act, or of any regulations promulgated thereunder; or

536 (5) Renew or refinance a small loan unless the renewal or
537 refinancing of the loan will result in a distinct advantage to the
538 borrower, provided restoration to a contractually up-to-date condition
539 shall not, in itself, constitute a distinct advantage to the buyer.

540 Sec. 7. Section 36a-561 of the general statutes is repealed and the
541 following is substituted in lieu thereof (*Effective July 1, 2016*):

542 [No licensee shall conduct the business of making loans under the
543 provisions of sections 36a-555 to 36a-573, inclusive, in association or
544 conjunction with any other type of business or within any office or
545 room where any other type of business is solicited or engaged in,
546 except as may be authorized in writing by the commissioner upon
547 being satisfied that such other business is of such a character that the
548 granting of such authority would not permit or easily facilitate
549 evasions of the provisions of sections 36a-555 to 36a-573, inclusive, or
550 of any regulations adopted under section 36a-570.]

551 No person shall, directly or indirectly, assist or aid and abet any
552 person in conduct prohibited by sections 36a-555 to 36a-573, inclusive,
553 as amended by this act.

554 Sec. 8. Section 36a-562 of the general statutes is repealed and the
555 following is substituted in lieu thereof (*Effective July 1, 2016*):

556 [Prior to changing a licensee's place of business either within the
557 same city or town or to an adjacent city or town, the licensee shall
558 apply to the commissioner, who shall investigate the facts and, if the
559 commissioner finds (1) that allowing the licensee to engage in business
560 in the proposed location is not detrimental to the convenience and
561 advantage of the community, and (2) that the proposed location is
562 reasonably accessible to borrowers under existing loan contracts, the
563 commissioner shall approve the change. If the commissioner does not

564 so find, the commissioner shall deny the application.]

565 In each case where a license is required by section 36a-556, as
566 amended by this act, the licensee shall have a main office license and
567 may have a branch office license. All offices shall be located in the
568 United States. Each main office shall have a qualified individual, who
569 shall be responsible for supervising all aspects of the licensee's small
570 loan business. Each branch shall have a branch manager, who shall be
571 responsible for supervising all aspects of the branch's small loan
572 business.

573 Sec. 9. Section 36a-563 of the 2016 supplement to the general statutes
574 is repealed and the following is substituted in lieu thereof (*Effective July*
575 *1, 2016*):

576 [(a) Every licensee under sections 36a-555 to 36a-573, inclusive, may
577 loan any sum of money not exceeding fifteen thousand dollars,
578 excluding charges, and may charge, contract for and receive thereon
579 charges at a rate not to exceed the following: (1) On any loan which
580 does not exceed one thousand eight hundred dollars, excluding
581 charges, or on any unsecured loan or on any loan secured only by
582 credit life insurance, seventeen dollars per one hundred dollars on that
583 part of the cash advance, not exceeding six hundred dollars, and
584 eleven dollars per one hundred dollars on any remainder when the
585 loan is made payable over a period of one year, and proportionately at
586 those rates over a longer or shorter term of loan; (2) on a loan which
587 exceeds one thousand eight hundred dollars, excluding charges, and
588 which is secured by property other than credit life insurance, eleven
589 dollars per one hundred dollars on the entire cash advance when the
590 loan is made payable over a period of one year, and proportionately at
591 that rate over a longer or shorter term of loan. Such charges shall be
592 computed at the time the loan is made on the full amount of the cash
593 advance for the full term of the loan contract, notwithstanding any
594 agreement to repay the loan in installments. Such charges shall be
595 added to the cash advance and the resulting sum may become the face

596 amount of the note. All payments made on account of any loan, except
597 those applied to default and deferment charges, shall be deemed to be
598 applied to the unpaid installments in the order in which they are due.

599 (b) For the purpose of computations, whether at the maximum rate
600 or less, a month shall be that period of time from any date in one
601 month to the corresponding date in the next month, but if there is no
602 such corresponding date, then to the last day of the next month, and a
603 day shall be considered one-thirtieth of a month when such
604 computation is made for a fraction of a month. For loans originally
605 scheduled to be repaid over a period of forty-eight months and fifteen
606 days or less, the portion of the charges applicable to any particular
607 monthly installment period, as originally scheduled or following a
608 deferment, shall bear the same ratio to the total charges, excluding any
609 adjustment made under subsection (c) of this section, as the balance
610 scheduled to be outstanding during that monthly period bears to the
611 sum of all the monthly balances scheduled originally by the contract of
612 loan. For loans originally scheduled to be repaid over a period in
613 excess of forty-eight months and fifteen days, the portion of the
614 charges applicable to any particular monthly installment period, as
615 originally scheduled or following a deferment, shall be the charges
616 which would be incurred for that monthly installment period if the
617 annual percentage rate disclosed to the borrower pursuant to sections
618 36a-675 to 36a-686, inclusive, were charged, by the actuarial method,
619 on the disclosed amount financed and all payments were made
620 according to schedule.

621 (c) Notwithstanding the requirement in subsection (a) of this
622 section, a borrower and licensee may agree that the first installment
623 due date may be not more than fifteen days more than one month, and
624 the charge for each day in excess of one month shall be one-thirtieth of
625 the portion of the charges applicable to a first installment period of one
626 month. The charges for the extra days shall be added to the first
627 installment, but shall be excluded in computing deferment charges and
628 refunds. When a loan contract provides for extra days in a first

629 installment period, for the purposes of sections 36a-555 to 36a-573,
630 inclusive, such extra days shall be treated as the first days in the first
631 installment period and the due dates of the remaining installments
632 shall be calculated from the due date of such first installment.

633 (d) If any installment remains unpaid for ten or more consecutive
634 days, including Sundays and holidays, after it is due, the licensee may
635 charge and collect a default charge not exceeding the lesser of seven
636 dollars and fifty cents or five cents per dollar, or fraction thereof, of
637 such scheduled installment, except a minimum default charge of three
638 dollars may be charged and collected. Default charges may be
639 collected when due or at any time thereafter, but may not be
640 accumulated until the last payment date.

641 (e) If, as of an installment due date, the payment date of all wholly
642 unpaid installments is deferred one or more full months and the
643 maturity of the contract is extended for a corresponding period, the
644 licensee may charge and collect a deferment charge not exceeding the
645 charge applicable to the first of the installments deferred, multiplied
646 by the number of months in the deferment period. The deferment
647 period is that period during which no payment is made or required by
648 reason of such deferment, except that no deferment made pursuant to
649 this subsection shall extend the maturity of any contract made under
650 sections 36a-555 to 36a-573, inclusive, for more than (1) three months,
651 for loans originally repayable in twenty-four months or less, (2) five
652 months, for loans originally repayable in more than twenty-four
653 months but not more than forty-eight months, and (3) eight months,
654 for loans originally repayable in more than forty-eight months. The
655 deferment charge may be collected at the time of deferment or at any
656 time thereafter. The portion of the charges contracted for under
657 subsection (a) of this section applicable to each deferred balance and
658 installment period following the deferment period shall remain the
659 same as that applicable to such balance and period under the original
660 contract of loan. No installment on which a default charge has been
661 collected, or on account of which any partial payment has been made,

662 shall be deferred or included in the computation of the deferment
663 charge unless such default charge or partial payment is refunded to the
664 borrower or credited to the deferment charge. Any payment received
665 at the time of deferment may be applied first to the deferment charge
666 and the remainder, if any, applied to the unpaid balance of the
667 contract, but if such payment is sufficient to pay, in addition to the
668 appropriate deferment charge, any installment which is in default and
669 the applicable default charge, it shall be first so applied and any such
670 installment shall not be deferred or subject to the deferment charge. If
671 a loan is prepaid in full during the deferment period, the borrower
672 shall receive, in addition to the refund required under subsection (f) of
673 this section, a refund of that portion of the deferment charge applicable
674 to any unexpired full month or months of such deferment period.

675 (f) If the contract of loan is prepaid in full by cash, a new loan or
676 otherwise, before the final installment date, the portion of the charges
677 applicable to the full installment periods, as scheduled originally in the
678 loan contract or as rescheduled by reason of any deferment made
679 pursuant to sections 36a-555 to 36a-573, inclusive, following the date of
680 prepayment shall be refunded or credited to the borrower. Where
681 prepayment occurs on other than a monthly installment due date, it
682 shall be deemed to have occurred on the preceding or succeeding
683 installment due date nearest to the date of prepayment. Where
684 prepayment occurs on a date midpoint between the preceding and
685 succeeding monthly installment due dates, it shall be deemed to have
686 occurred on the preceding monthly due date. In all cases where
687 prepayment occurs before the first monthly installment due date, it
688 shall be deemed to have occurred on the first monthly installment due
689 date. If judgment is obtained before the final installment date, the
690 judgment shall reflect the refund which would be required for
691 prepayment in full as of the date judgment is obtained. No refund of
692 less than one dollar or for partial prepayments need be made.

693 (g) If part or all of the consideration for a loan contract is the unpaid
694 balance, excluding default charges, of a prior loan with the same

695 licensee, the cash advance under such new loan contract may include
696 the balance of the prior contract which remains after giving the
697 required refund.

698 (h) In addition to the charges provided for by sections 36a-555 to
699 36a-573, inclusive, and service charges that are imposed for a check
700 that is dishonored as provided in subsection (i) of section 52-565a, no
701 further or other charge or amount for any examination, service,
702 brokerage, commission or other thing, or otherwise, shall be directly or
703 indirectly charged, contracted for or received. If interest or any other
704 charges in excess of those permitted by said sections are charged,
705 contracted for or received, except as the result of a bona fide error, the
706 contract of loan shall be void and the licensee shall have no right to
707 collect or receive any principal, interest or charges. No person shall
708 owe any licensee, as such, at any time more than fifteen thousand
709 dollars for principal as a borrower, comaker or guarantor for loans
710 made under said sections. No licensee shall induce or permit any
711 borrower or borrowers to split or divide any loan or loans made under
712 said sections, or permit any borrower to become obligated, directly or
713 indirectly, under more than one contract of loan under said sections at
714 the same time primarily for the purpose of obtaining a higher rate of
715 charge than would otherwise be permitted by said sections. No
716 contract made under said sections, except as deferred in accordance
717 with subsection (e) of this section, shall provide for a greater rate of
718 interest than twelve per cent per annum on the balance remaining
719 unpaid twenty-four months and fifteen days after the date of making
720 such contract if the original cash advance was one thousand dollars or
721 less or thirty-six months and fifteen days if the original cash advance
722 was in excess of one thousand dollars but not in excess of one
723 thousand eight hundred dollars. No contract made under said sections
724 with an original cash advance in excess of one thousand eight hundred
725 dollars, except as deferred in accordance with subsection (e) of this
726 section, shall provide for a greater rate of interest than twelve per cent
727 per annum on the balance remaining unpaid on the scheduled

728 maturity date of said contract. No part of the principal balance
729 remaining unpaid by a borrower twenty-four months and fifteen days
730 after making such contract where the original cash advance was one
731 thousand dollars or less or thirty-six months and fifteen days where
732 the original cash advance was in excess of one thousand dollars but
733 not in excess of one thousand eight hundred dollars, shall directly or
734 indirectly be renewed or refinanced by the lender who made such
735 loan. If the maturity date of a loan made under said sections has been
736 extended by deferred payments, the maximum renewal period that
737 such loan may be extended shall be the number of months such loan is
738 deferred. When a contract is renewed or refinanced prior to twenty-
739 four months and fifteen days where the original cash advance was one
740 thousand dollars or less or thirty-six months and fifteen days where
741 the original cash advance exceeded one thousand dollars but did not
742 exceed one thousand eight hundred dollars, from the date of making
743 such contract, such renewal or refinancing shall, for the purposes of
744 this section, be deemed a separate loan transaction.

745 (i) Notwithstanding the provisions of subsection (a) of this section,
746 on any loan secured by real property a licensee may include in the
747 amount of the loan the following closing costs, provided such costs are
748 bona fide, reasonable in amount and not assessed for the purpose of
749 circumventing or otherwise limiting any applicable provision of
750 sections 36a-555 to 36a-573, inclusive: (1) Fees or premiums for title
751 examination, abstract of title, title insurance, surveys, or similar
752 purposes; (2) appraisals, if made by a person who is not an employee
753 or affiliated with the licensee, and (3) fees and taxes paid to public
754 officials for the recording and release of any document related to the
755 real estate security. A licensee may collect costs incurred in the event
756 of foreclosure which shall not include any attorney's fee.

757 (j) No agreement with respect to a loan under sections 36a-555 to
758 36a-573, inclusive, may provide for charges resulting from default by
759 the borrower, other than those authorized by said sections.]

760 (a) An application for a small loan license shall be made and
761 processed on the system pursuant to section 36a-24b, in the form
762 prescribed by the commissioner on the system. Each such form shall
763 contain content as set forth by instruction or procedure of the
764 commissioner and may be changed or updated as necessary by the
765 commissioner in order to carry out the purpose of sections 36a-555 to
766 36a-573, inclusive, as amended by this act. The applicant shall, at a
767 minimum, furnish to the system, in a form prescribed by the system,
768 information concerning the identity of the applicant and any control
769 person of the applicant, the qualified individual and any branch
770 manager, including personal history and experience in a form
771 prescribed by the system and information related to any
772 administrative, civil or criminal findings by any governmental
773 jurisdiction. The commissioner, in accordance with section 29-17a, may
774 conduct a state and national criminal history records check of the
775 applicant and its control persons, qualified individual and branch
776 manager, and, in accordance with section 36a-24b, may require the
777 submission of fingerprints to the Federal Bureau of Investigation or
778 other state, national or international criminal databases and may
779 require control persons, qualified individuals and branch managers to
780 furnish authorization for the system and the commissioner to obtain an
781 independent credit report from a consumer reporting agency described
782 in Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a, as
783 amended by this act. Applicants may also be required to upload on the
784 system an audited financial statement prepared by a certified public
785 accountant in accordance with generally accepted accounting
786 principles dated not later than ninety days after the end of the
787 applicant's fiscal year. Such financial statement shall include a balance
788 sheet, income statement, statement of cash flows and all relevant notes
789 thereto. If the applicant is a start-up company, only an initial statement
790 of condition shall be required.

791 (b) The commissioner may deem an application for a small loan
792 license abandoned if the applicant fails to respond to any request for

793 information required under sections 36a-555 to 36a-573, inclusive, as
794 amended by this act, or any regulation adopted pursuant to section
795 36a-573, as amended by this act. The commissioner shall notify the
796 applicant on the system that if such information is not submitted
797 within sixty days after the date of such request, the application shall be
798 deemed abandoned. An application filing fee paid prior to the date an
799 application is deemed abandoned pursuant to this subsection shall not
800 be refunded. Abandonment of an application pursuant to this
801 subsection shall not preclude the applicant from submitting a new
802 application for a license under sections 36a-555 to 36a-573, inclusive, as
803 amended by this act.

804 Sec. 10. Section 36a-564 of the general statutes is repealed and the
805 following is substituted in lieu thereof (*Effective July 1, 2016*):

806 [As used in section 36a-563 and section 36a-568, "cash advance"
807 means the cash or its equivalent received by the borrower or paid out
808 on the borrower's behalf or at the borrower's direction or request.]

809 (a) Each applicant for a small loan license shall pay to the system
810 any required fees or charges and a license fee of four hundred dollars.
811 Each such license shall expire at the close of business on December
812 thirty-first of the year in which the license was approved, unless such
813 license is renewed, and provided any such license that is approved on
814 or after November first shall expire at the close of business on
815 December thirty-first of the year following the year in which it is
816 approved. An application for renewal of a license shall be filed
817 between November first and December thirty-first of the year in which
818 the license expires. Each applicant for renewal of a small loan license
819 shall pay to the system any required fees or charges and a renewal fee
820 of four hundred dollars.

821 (b) In accordance with section 36a-27b, the commissioner shall
822 automatically suspend any license if such person receives a deficiency
823 on the system indicating that a required payment was Returned-ACH

824 or returned pursuant to any other term as may be utilized by the
825 system to indicate that payment was not accepted. After the license has
826 been automatically suspended pursuant to this subsection, the
827 commissioner shall give such licensee notice of the automatic
828 suspension pending proceedings for revocation or refusal to renew
829 pursuant to section 36a-570, as amended by this act, and an
830 opportunity for a hearing on such action in accordance with section
831 36a-51, and require such licensee to take or refrain from taking such
832 action that, in the opinion of the commissioner, will effectuate the
833 purposes of this section.

834 (c) No abatement of the license fee shall be made if the license is
835 surrendered, revoked or suspended prior to the expiration of the
836 period for which the license was issued. All fees required by this
837 section shall be nonrefundable.

838 Sec. 11. Section 36a-565 of the general statutes is repealed and the
839 following is substituted in lieu thereof (*Effective July 1, 2016*):

840 [(a) "Open-end loan" means a loan made by a licensee under
841 sections 36a-555 to 36a-573, inclusive, pursuant to an agreement
842 between the licensee and the borrower whereby: (1) The licensee may
843 permit the borrower to obtain advances of money from the licensee
844 from time to time or the licensee may advance money on behalf of the
845 borrower from time to time as directed by the borrower, not exceeding
846 at any one time an unpaid principal balance of fifteen thousand
847 dollars; (2) the amount of each advance and permitted interest, charges
848 and costs are debited to the borrower's account and payments and
849 other credits are credited to the same account; (3) the interest is
850 computed on the unpaid principal balance or balances of the account
851 from time to time; (4) the borrower has the privilege of paying the
852 account in full at any time or, if the account is not in default, in
853 monthly installments of fixed or determinable amounts as provided in
854 the agreement; and (5) the agreement expressly states that it covers
855 open-end loans pursuant to said sections.

856 (b) "Billing cycle" means the time interval between periodic billing
857 dates. A billing cycle shall be considered monthly if the closing date of
858 the cycle is the same date each month or does not vary by more than
859 four days from such date.

860 (c) A licensee may make open-end loans and may charge, contract
861 for and receive thereon interest at an annual percentage rate not to
862 exceed nineteen and eight-tenths per cent for any open-end loan
863 agreement entered into on and after July 1, 1991. A licensee may also
864 receive, pursuant to any such agreement entered into on and after July
865 1, 1991, one or more of the following charges if the agreement so
866 provides: (1) An annual fee not to exceed fifty dollars for the privileges
867 made available to the borrower under the open-end loan agreement;
868 (2) a default charge subject to the conditions and restrictions set forth
869 in subsection (d) of section 36a-563; (3) service charges that are
870 imposed for a check that is dishonored as provided in subsection (i) of
871 section 52-565a; and (4) reasonable attorneys' fees subject to the
872 conditions and restrictions set forth in section 42-150aa. In addition to
873 the charges provided for by this section, no further or other charge or
874 amount for any examination, service, brokerage, commission or other
875 thing, or otherwise, shall be directly or indirectly charged, contracted
876 for or received. If interest or any charges in excess of those permitted
877 by this section are charged, contracted for or received, except as the
878 result of a bona fide error, the contract of loan shall be void and the
879 licensee shall have no right to collect or receive any principal, interest
880 or charges. No person shall owe any licensee, as such, at any time
881 more than fifteen thousand dollars for principal as a borrower,
882 comaker or guarantor for loans made under this section. As used in
883 this section, the term "bona fide error" includes, but shall not be limited
884 to, clerical, calculation, computer malfunction and programming and
885 printing errors, but does not include an error of legal judgment with
886 respect to a person's obligations under sections 36a-555 to 36a-573,
887 inclusive.

888 (d) A licensee shall not compound interest or charges by adding any

889 unpaid interest or charges authorized by this section to the unpaid
890 principal balance of the borrower's account.

891 (e) Interest authorized by this section shall be computed in each
892 billing cycle by any of the following methods: (1) By converting the
893 annual percentage rate to a daily rate and multiplying such daily rate
894 by the daily unpaid principal balance of the account, in which case the
895 daily rate is determined by dividing the annual percentage rate by
896 three hundred and sixty-five; or (2) by converting the annual
897 percentage rate to a monthly rate and multiplying the monthly rate by
898 the average daily unpaid principal balance of the account in the billing
899 cycle, in which case the monthly rate is determined by dividing the
900 annual percentage rate by twelve and the average daily unpaid
901 principal balance is the sum of the amount unpaid each day during the
902 cycle divided by the number of days in the cycle.

903 (f) For all of the methods of computation specified in subsection (e)
904 of this section, the billing cycle shall be monthly and the unpaid
905 principal balance on any day shall be determined by adding to any
906 balance unpaid as of the beginning of that day all advances and other
907 permissible amounts charged to the borrower and deducting all
908 payments and other credits made or received that day.

909 (g) Credit life insurance and credit accident and health insurance
910 may be sold to the borrower on open-end loans subject to the
911 conditions and restrictions set forth in section 36a-566. In the case of
912 credit life insurance, the amount of the insurance shall be sufficient to
913 pay the total balance of the loan due on the date of the insured's death.
914 The additional charge for credit life insurance and credit accident and
915 health insurance shall be calculated in each billing cycle by applying
916 the current monthly premium rate for such insurance, as such rate may
917 be determined by the Insurance Commissioner, to the unpaid balances
918 in the account, using any of the methods specified in subsection (e) of
919 this section for the calculation of loan charges. No credit life insurance
920 or credit accident and health insurance written in connection with an

921 open-end loan shall be cancelled by the licensee because of
922 delinquency of the borrower in the making of the required minimum
923 payments on the loan unless one or more of such payments is past due
924 for a period of ninety days or more; and the licensee shall advance to
925 the insurer the amounts required to keep the insurance in force during
926 such period, which amounts may be debited to the borrower's account.
927 The borrower shall have the right to cancel credit accident and health
928 insurance at any time by giving written notice of cancellation to the
929 licensee. Such cancellation shall be effective at the end of the billing
930 cycle in which the notice is received and the licensee shall discontinue
931 any further charges for credit accident and health insurance.

932 (h) No licensee shall take any confession of judgment or any power
933 of attorney. No licensee shall take a mortgage, lien, security interest in
934 or assignment or pledge of household goods or assignment of wages
935 as security for any open-end loan made pursuant to this section. No
936 licensee shall take a security interest in chattels, tangible or intangible
937 personal property, motor vehicles or real property to secure an open-
938 end loan made pursuant to this section.

939 (i) A copy of the open-end loan agreement shall be delivered by the
940 licensee to the borrower at the time the open-end account is opened.

941 (j) Sections 36a-563, 36a-567 and 36a-568 shall not apply to open-end
942 loans made in accordance with the provisions of this section.]

943 (a) Upon the filing of the required application and license fee under
944 sections 36a-563 and 36a-564, as amended by this act, the
945 commissioner shall investigate the facts and no license shall be granted
946 unless the commissioner finds that: (1) The experience, character and
947 general fitness of the applicant and its control persons, qualified
948 individual and any branch manager are satisfactory; (2) the activities to
949 be conducted by the applicant will be for the convenience and
950 advantage of the consumers it seeks to serve; (3) the applicant has
951 available the funds required by subsection (d) of this section; and (4)

952 the applicant and its control persons and any qualified individual and
953 branch manager have not made a material misstatement in the
954 application. If the commissioner fails to make such findings, the
955 commissioner shall not issue a license and shall notify the applicant of
956 the denial and the reasons for such denial.

957 (b) Notwithstanding the provisions of subsection (a) of this section,
958 the commissioner may deny an application if the applicant or its
959 control persons or qualified individual or branch manager have
960 demonstrated a lack of financial responsibility by showing a disregard
961 for the management of such person's own financial condition or
962 having any of the following: (A) Current outstanding judgments,
963 except judgments solely as a result of medical expenses; (B) current
964 outstanding tax liens or other government liens and filings; (C)
965 foreclosures during the three years preceding the date of application
966 for an initial license or renewal of a license; or (D) a pattern of
967 seriously delinquent accounts within the past three years.

968 (c) Notwithstanding the provision of subsection (a) of this section,
969 and subject to the provisions of section 46a-80, the commissioner may
970 deny an application based on the history of criminal convictions of the
971 applicant or of its control persons or qualified individual or branch
972 manager.

973 (d) Applicants shall have a minimum of fifty thousand dollars
974 continuously available for each licensed location. The requirement of
975 this subsection may be met by cash on hand, cash on deposit or lines of
976 credit.

977 (e) The minimum standards for renewal of a small loan license shall
978 include the following: (1) The applicant continues to meet the
979 minimum standards under subsection (a) of this section; (2) the
980 applicant has paid all required fees for renewal of the license; and (3)
981 the applicant has paid any outstanding examination fees or other
982 monies due to the commissioner.

983 (f) (1) Withdrawal of an application for a license shall become
984 effective upon the commissioner's acceptance on the system of a
985 withdrawal request. The commissioner may deny a license up to the
986 date one year after the date the withdrawal became effective.
987 Surrender of a license shall be governed by subsection (c) of section
988 36a-51. Not later than fifteen days after a licensee ceases to engage in
989 this state in the business of a small loan lender for any reason,
990 including a business decision to terminate operations in this state,
991 license revocation, bankruptcy or voluntary dissolution, such licensee
992 shall request surrender of the license on the system for each location in
993 which such licensee has ceased to engage in such business.

994 (2) If the license expires due to the licensee's failure to renew, the
995 commissioner may institute a revocation or suspension proceeding or
996 issue an order suspending or revoking such license pursuant to section
997 36a-570, as amended by this act, not later than one year after the date
998 of such expiration.

999 (g) Every license shall remain in force and effect until the license has
1000 been surrendered, revoked or suspended, or has expired in accordance
1001 with the provisions of sections 36a-555 to 36a-573, inclusive, as
1002 amended by this act.

1003 Sec. 12. Section 36a-566 of the general statutes is repealed and the
1004 following is substituted in lieu thereof (*Effective July 1, 2016*):

1005 [(a) Subject to the conditions provided in this section, insurance may
1006 be sold to the borrower at his request (1) for insuring the life of persons
1007 obligated on a loan pursuant to sections 38a-645 to 38a-658, inclusive,
1008 and (2) providing accident and health insurance covering one person
1009 on a loan pursuant to sections 38a-645 to 38a-658, inclusive. Credit
1010 accident and health insurance shall not provide indemnity against the
1011 risk of a borrower becoming disabled for a period of less than fourteen
1012 days, except that it may provide for retroactive coverage if the
1013 disability continues for the period stated in the policy. Irrespective of

1014 the number of obligors only one obligor may be insured, except that
1015 life insurance may cover both a borrower and such borrower's spouse
1016 where both are obligors on a loan. A licensee shall not require the
1017 purchasing of insurance as a condition precedent to the making of a
1018 loan. A licensee shall, both verbally and in writing, inform the
1019 borrower prior to his entering into any loan contract of his right not to
1020 purchase credit insurance. Any gain or benefit to the licensee directly
1021 or indirectly from such insurance or the sale or provision thereof shall
1022 not be deemed to be additional or further charges, interest or
1023 consideration in connection with a loan made under sections 36a-555
1024 to 36a-573, inclusive, nor a charge in excess of that permitted by said
1025 sections.

1026 (b) If a borrower obtains credit accident and health insurance, the
1027 borrower shall have the right for a period of fifteen days after the loan
1028 is made to cancel the entire insurance coverage. Notification of this
1029 right shall be made in the borrower's insurance election. All persons
1030 obligated on the loan must agree in writing to the cancellation and
1031 return all certificates. Upon cancellation, the licensee shall, at his
1032 option, either refund the insurance charges to the borrower or apply
1033 them to the unpaid balance of the loan.]

1034 (a) No license issued under section 36a-556, as amended by this act,
1035 shall be assignable or transferable. Any proposed change in the control
1036 persons, shall be the subject of an advance change notice filed on the
1037 system at least sixty days prior to the effective date of such change and
1038 any change to the control persons shall not occur without the
1039 commissioner's approval.

1040 (b) No licensee may use any name other than its legal name or a
1041 fictitious name approved by the commissioner, provided such licensee
1042 may not use its legal name if the commissioner disapproves of such
1043 name. No licensee shall engage in any activity requiring a small loan
1044 license under any other name or at any other place of business than
1045 that named in the license. Any proposed change in a licensee's name or

1046 to the licensee's place of business shall be the subject of an advance
1047 change notice filed on the system at least thirty days prior to the
1048 effective date of such change and any change to the licensee's name or
1049 place of business shall not be made without the commissioner's
1050 approval of such change.

1051 Sec. 13. Section 36a-567 of the general statutes is repealed and the
1052 following is substituted in lieu thereof (*Effective July 1, 2016*):

1053 [Every licensee shall (1) permit payment of the loan in whole or in
1054 part prior to its maturity, and (2) upon repayment of the loan in full,
1055 mark indelibly each paper signed by the borrower with the word
1056 "paid" or "cancelled", and cancel and return any note or, in lieu thereof,
1057 transmit or deliver to the borrower a duplicate of the original
1058 document clearly identifying the loan, showing such loan has been
1059 paid in full and the note cancelled.]

1060 (a) A small loan licensee shall file any change in the information
1061 most recently submitted in connection with the license with the system
1062 or if the information cannot be filed on the system, directly notify the
1063 commissioner, in writing, of such change in the information not later
1064 than fifteen days after the licensee has reason to know of such change.

1065 (b) A licensee shall file with the system or, if the information cannot
1066 be filed on the system, directly notify the commissioner, in writing, of
1067 the occurrence of any of the following developments not later than
1068 fifteen days after the licensee had reason to know of the occurrence: (1)
1069 Filing for bankruptcy or the consummation of a corporate
1070 restructuring of the licensee; (2) filing of a criminal indictment against
1071 the licensee in any way related to the activities of the licensee or
1072 receiving notification of the filing of any criminal felony indictment or
1073 felony conviction of any of the licensee's control persons or qualified
1074 individual or branch manager; (3) receiving notification of the
1075 institution of a license denial, cease and desist, suspension or
1076 revocation procedures, or other formal or informal action by any

1077 governmental agency against the licensee and the reasons therefor; (4)
1078 receiving notification of the initiation of any action by the Attorney
1079 General or the attorney general of any other state and the reasons
1080 therefor; (5) receiving notification of a material adverse action with
1081 respect to any existing line of credit or warehouse credit agreement; (6)
1082 receiving notification of any of the licensee's control persons or
1083 qualified individual or branch manager filing or having filed for
1084 bankruptcy; or (7) a decrease in the available funds required by section
1085 36a-565, as amended by this act.

1086 Sec. 14. Section 36a-568 of the general statutes is repealed and the
1087 following is substituted in lieu thereof (*Effective July 1, 2016*):

1088 [No licensee shall take any confession of judgment or any power of
1089 attorney, nor shall he take any note or promise to pay that does not
1090 state the actual amount of the loan, the time for which it is made and
1091 the charges, or any instrument in which blanks are left to be filled after
1092 the loan is made. No licensee shall take a mortgage, lien, security
1093 interest in or assignment or pledge of household goods or an
1094 assignment of wages as security for any loan made under sections 36a-
1095 555 to 36a-573, inclusive. A licensee may take a security interest in
1096 chattels or personal property other than household goods, except a
1097 security interest in an automobile may not be taken as security for any
1098 loan where the cash advance is one thousand eight hundred dollars or
1099 less. A licensee may take a security interest in real estate on loans
1100 made under said sections where the cash advance is in excess of one
1101 thousand eight hundred dollars, but may not take such a security
1102 interest in real estate where the cash advance is one thousand eight
1103 hundred dollars or less. A contract for a loan under said sections shall
1104 not originally schedule any repayment of the cash advance over a
1105 period in excess of twenty-four months and fifteen days if the amount
1106 of the original cash advance was one thousand dollars or less or thirty-
1107 six months and fifteen days if the amount of the original cash advance
1108 was more than one thousand dollars but not in excess of one thousand
1109 eight hundred dollars or seventy-two months and fifteen days if the

1110 amount of the original cash advance was in excess of one thousand
1111 eight hundred dollars, and shall be repayable in installments of cash
1112 advance and charges combined which are substantially equal in
1113 amount or so arranged that no installment is substantially greater in
1114 amount than any preceding installment and which are payable at
1115 approximately equal intervals not exceeding one month, except that
1116 the first installment may be payable not more than one month and
1117 fifteen days after the date of such contract. The requirements of section
1118 36a-785 shall apply to any repossession under sections 36a-555 to 36a-
1119 573, inclusive, of property other than real estate.]

1120 (a) The unique identifier of any small loan licensee shall be clearly
1121 shown on the licensee's application forms for a small loan and all of
1122 the licensee's solicitations or advertisements, including business cards
1123 or Internet web sites, and any other documents as established by rule,
1124 regulation or order of the commissioner.

1125 (b) The advertising of a licensee: (1) Shall not include any statement
1126 that it is endorsed in any way by the State of Connecticut, except it
1127 may include a statement that it is licensed in Connecticut; (2) shall not
1128 include any statement or claim which is deceptive, false or misleading;
1129 (3) shall be retained for one year from the date of its use; and (4) shall
1130 otherwise conform to the requirements of sections 36a-555 to 36a-573,
1131 inclusive, as amended by this act, and any regulations issued
1132 thereunder.

1133 Sec. 15. Section 36a-569 of the general statutes is repealed and the
1134 following is substituted in lieu thereof (*Effective July 1, 2016*):

1135 [Each licensee shall keep books and records at the place of business
1136 specified in the license in such form and in such manner as the
1137 commissioner prescribes and shall preserve all books, accounts and
1138 records, including cards used in the card system, if any, for at least two
1139 years after making the final entry recorded therein. Each such licensee
1140 shall, annually, on or before January thirtieth, furnish a sworn

1141 statement of the condition of the business of such licensee as of
1142 December thirty-first, together with such other information and
1143 statements as the commissioner may, from time to time, require. Each
1144 licensee which fails to furnish any such sworn statement or required
1145 information in connection with this section, shall pay to the state ten
1146 dollars for each day that such failure continues, unless excused by the
1147 commissioner for cause. The commissioner may, upon the failure of
1148 any such licensee to furnish such sworn statement or other
1149 information, after a hearing thereon, cancel the license of such
1150 licensee.]

1151 (a) Each small loan licensee shall keep adequate books and records
1152 at the place of business specified in the license in such form and in
1153 such manner as the commissioner prescribes and shall preserve all
1154 books, accounts and records for the following time periods: (1) If the
1155 licensee brokered the small loan, at least two years after the date it was
1156 brokered; (2) if the licensee made the small loan, at least two years
1157 after the date the licensee (A) no longer owns the small loan, or (B) has
1158 made the final entry on such small loan; or (3) if the licensee did not
1159 make the small loan but is servicing the small loan, at least two years
1160 after the date the licensee (A) no longer owns the rights to service the
1161 small loan, or (B) has made the final entry on such small loan.

1162 (b) Each licensee shall make such records available at such office or
1163 send such records to the commissioner by registered or certified mail,
1164 return receipt requested, or by any express delivery carrier that
1165 provides a dated delivery receipt, not later than five business days
1166 after requested to do so by the commissioner. Upon request, the
1167 commissioner may grant a licensee additional time to make such
1168 records available or send them to the commissioner.

1169 (c) Licensees shall be required to complete any reports of condition
1170 required by the system. Any such reports of condition shall be
1171 accurately and timely filed on the system in accordance with the due
1172 dates and formats required by the system.

1173 (d) Until such time as information is able to be captured by a
1174 system-based report, each licensee shall furnish annually, on or before
1175 January thirtieth, a sworn statement of the condition of the business of
1176 such licensee as of the preceding December thirty-first, together with
1177 such other information and statements as the commissioner may, from
1178 time to time, require. Any licensee that fails to furnish any such report
1179 of condition pursuant to subsection (c) of this section or such sworn
1180 statement or any other information required by this subsection shall be
1181 in violation of this section.

1182 Sec. 16. Section 36a-570 of the general statutes is repealed and the
1183 following is substituted in lieu thereof (*Effective July 1, 2016*):

1184 [The commissioner may adopt such regulations, in accordance with
1185 chapter 54, and make such findings as may be necessary for the
1186 conduct of the small loan business and its association with other
1187 businesses, the conduct of the associated businesses and the
1188 enforcement of the provisions of sections 36a-555 to 36a-573, inclusive.]

1189 (a) (1) The commissioner may suspend, revoke or refuse to renew
1190 any license issued under sections 36a-555 to 36a-573, inclusive, as
1191 amended by this act, or take any other action, in accordance with the
1192 provisions of section 36a-51, for any reason that would be sufficient
1193 grounds for the commissioner to deny an application for such license
1194 under sections 36a-555 to 36a-573, inclusive, as amended by this act, or
1195 if the commissioner finds that the licensee or any control person of the
1196 licensee, qualified individual or branch manager with supervisory
1197 authority, trustee, employee or agent of such licensee has done any of
1198 the following: (A) Made any material misstatement in the application;
1199 (B) committed any fraud, misappropriated funds or misrepresented,
1200 concealed, suppressed, intentionally omitted or otherwise intentionally
1201 failed to disclose any of the material particulars of any small loan
1202 transaction to anyone entitled to such information, including, but not
1203 limited to, any disclosures required by part III of chapter 669 or
1204 regulations adopted pursuant thereto; (C) violated any of the

1205 provisions of this title, any regulations adopted pursuant thereto or
1206 any other law or regulation applicable to the conduct of its business; or
1207 (D) failed to perform any agreement with a licensee or a borrower.

1208 (b) Whenever it appears to the commissioner that (1) any person has
1209 violated, is violating or is about to violate any of the provisions of
1210 sections 36a-555 to 36a-573, inclusive, as amended by this act, or any
1211 regulation adopted pursuant thereto, (2) any person is, was or would
1212 be a cause of the violation of any such provisions or regulation due to
1213 an act or omission such person knew or should have known would
1214 contribute to such violation, or (3) any licensee has failed to perform
1215 any agreement with a borrower, committed any fraud,
1216 misappropriated funds or misrepresented, concealed, suppressed,
1217 intentionally omitted or otherwise intentionally failed to disclose any
1218 of the material particulars of any small loan transaction to anyone
1219 entitled to such information, including disclosures required by part III
1220 of chapter 669 or regulations adopted pursuant thereto, the
1221 commissioner may take action against such person or licensee in
1222 accordance with sections 36a-50 and 36a-52.

1223 (c) (1) The commissioner may order a licensee to remove any
1224 individual conducting business under sections 36a-555 to 36a-573,
1225 inclusive, as amended by this act, from office and from employment or
1226 retention as an independent contractor in the small loan business in
1227 this state (A) whenever the commissioner finds as the result of an
1228 investigation that such individual has violated any of said sections or
1229 any regulations adopted pursuant thereto or any order issued
1230 thereunder, or (B) for any reason that would be sufficient grounds for
1231 the commissioner to deny a license under section 36a-565, as amended
1232 by this act, by sending a notice to such individual by registered or
1233 certified mail, return receipt requested or by any express delivery
1234 carrier that provides a dated delivery receipt. The notice shall be
1235 deemed received by such individual on the earlier of the date of actual
1236 receipt or seven days after mailing or sending. Any such notice shall
1237 include: (i) A statement of the time, place and nature of the hearing; (ii)

1238 a statement of the legal authority and jurisdiction under which the
1239 hearing is to be held; (iii) a reference to the particular sections of the
1240 general statutes, regulations or orders alleged to have been violated;
1241 (iv) a short and plain statement of the matters asserted; and (v) a
1242 statement indicating that such individual may file a written request for
1243 a hearing on the matters asserted not later than fourteen days after
1244 receipt of the notice. If the commissioner finds that the protection of
1245 borrowers requires immediate action, the commissioner may suspend
1246 any such individual from office and require such individual to take or
1247 refrain from taking such action as in the opinion of the commissioner
1248 will effectuate the purposes of this subsection, by incorporating a
1249 finding to that effect in such notice. The suspension or prohibition
1250 shall become effective upon receipt of such notice and, unless stayed
1251 by a court, shall remain in effect until the entry of a permanent order
1252 or the dismissal of the matters asserted.

1253 (2) If a hearing is requested within the time specified in the notice,
1254 the commissioner shall hold a hearing upon the matters asserted in the
1255 notice unless such individual fails to appear at the hearing. After the
1256 hearing, if the commissioner finds that any of the grounds set forth in
1257 subparagraph (A) or (B) of subdivision (1) of this subsection exist with
1258 respect to such individual, the commissioner may order a licensee to
1259 remove such individual from office and from any employment in the
1260 small loan business in this state. If such individual fails to appear at the
1261 hearing, the commissioner may order the removal of such individual
1262 from office and from employment in the small loan business in this
1263 state.

1264 (d) The commissioner may issue a temporary order to cease
1265 business under a license if the commissioner determines that such
1266 license was issued erroneously. The commissioner shall give the
1267 licensee an opportunity for a hearing on such action in accordance
1268 with section 36a-52. Such temporary order shall become effective upon
1269 receipt by the licensee and, unless set aside or modified by a court,
1270 shall remain in effect until the effective date of a permanent order or

1271 dismissal of the matters asserted in the notice.

1272 Sec. 17. Section 36a-572 of the general statutes is repealed and the
1273 following is substituted in lieu thereof (*Effective July 1, 2016*):

1274 [The commissioner may suspend, revoke or refuse to renew any
1275 license issued under the provisions of section 36a-556 or take any other
1276 action, in accordance with section 36a-51, if the commissioner finds
1277 that the licensee has violated any provision of sections 36a-555 to 36a-
1278 573, inclusive, or any regulation or order lawfully made pursuant to
1279 and within the authority of said sections, or if the commissioner finds
1280 that any fact or condition exists which, if it had existed at the time of
1281 the original application for the license, clearly would have warranted a
1282 denial of such license.]

1283 (a) In addition to any authority provided under this title, the
1284 commissioner shall have the authority to conduct investigations and
1285 examinations as follows:

1286 (1) For purposes of initial small loan licensing, license renewal,
1287 license suspension, license conditioning, license revocation or
1288 termination, or general or specific inquiry or investigation to
1289 determine compliance with sections 36a-555 to 36a-573, inclusive, as
1290 amended by this act, the commissioner may access, receive and use
1291 any books, accounts, records, files, documents, information or
1292 evidence, including, but not limited to: (A) Criminal, civil and
1293 administrative history information; (B) personal history and
1294 experience information, including independent credit reports obtained
1295 from a consumer reporting agency described in Section 603(p) of the
1296 federal Fair Credit Reporting Act, 15 USC 1681a; and (C) any other
1297 documents, information or evidence the commissioner deems relevant
1298 to the inquiry or investigation regardless of the location, possession,
1299 control or custody of such documents, information or evidence.

1300 (2) For the purposes of investigating violations or complaints arising
1301 under sections 36a-555 to 36a-573, inclusive, as amended by this act, or

1302 for the purposes of examination, the commissioner may review,
1303 investigate or examine any licensee, individual or person subject to
1304 said sections as often as necessary in order to carry out the purposes of
1305 said sections. The commissioner may direct, subpoena or order the
1306 attendance of and examine under oath all persons whose testimony
1307 may be required about the loans or the business or subject matter of
1308 any such examination or investigation, and may direct, subpoena or
1309 order such person to produce books, accounts, records, files and any
1310 other documents the commissioner deems relevant to the inquiry.

1311 (b) Each licensee or person subject to sections 36a-555 to 36a-573,
1312 inclusive, as amended by this act, shall make or compile reports or
1313 prepare other information as directed by the commissioner in order to
1314 carry out the purposes of this section, including accounting
1315 compilations, information lists and data concerning loan transactions
1316 in a format prescribed by the commissioner or such other information
1317 the commissioner deems necessary to carry out the purposes of this
1318 section.

1319 (c) In making any examination or investigation authorized by this
1320 section, the commissioner may control access to any documents and
1321 records of the licensee or person under examination or investigation.
1322 The commissioner may take possession of the documents and records
1323 or place a person in exclusive charge of the documents and records in
1324 the location where they are usually kept. During the period of control,
1325 no individual or person shall remove or attempt to remove any of the
1326 documents and records except pursuant to a court order or with the
1327 consent of the commissioner. Unless the commissioner has reasonable
1328 grounds to believe the documents or records of the licensee have been,
1329 or are at risk of being, altered or destroyed for purposes of concealing
1330 a violation of sections 36a-555 to 36a-573, inclusive, as amended by this
1331 act, the licensee or owner of the documents and records shall have
1332 access to the documents or records as necessary to conduct its ordinary
1333 business affairs.

1334 (d) In order to carry out the purposes of this section, the
1335 commissioner may:

1336 (1) Retain attorneys, accountants or other professionals and
1337 specialists as examiners, auditors or investigators to conduct or assist
1338 in the conduct of examinations or investigations;

1339 (2) Enter into agreements or relationships with other government
1340 officials or regulatory associations in order to improve efficiencies and
1341 reduce regulatory burden by sharing (A) resources, (B) standardized
1342 or uniform methods or procedures, and (C) documents, records,
1343 information or evidence obtained under this section;

1344 (3) Use, hire, contract or employ public or privately available
1345 analytical systems, methods or software to examine or investigate the
1346 licensee, individual or person subject to sections 36a-555 to 36a-573,
1347 inclusive, as amended by this act;

1348 (4) Accept and rely on examination or investigation reports made by
1349 other government officials, within or without this state; and

1350 (5) Accept audit reports made by an independent certified public
1351 accountant for the licensee, individual or person subject to sections
1352 36a-555 to 36a-573, inclusive, as amended by this act, in the course of
1353 the part of the examination covering the same general subject matter as
1354 the audit and may incorporate the audit report in the report of the
1355 examination, report of investigation or other writing of the
1356 commissioner.

1357 (e) The authority of this section shall remain in effect, whether such
1358 licensee, individual or person subject to sections 36a-555 to 36a-573,
1359 inclusive, as amended by this act, acts or claims to act under any
1360 licensing or registration law of this state or claims to act without such
1361 authority.

1362 (f) No licensee or person subject to investigation or examination

1363 under this section may knowingly withhold, abstract, remove,
1364 mutilate, destroy or secrete any books, records, computer records or
1365 other information.

1366 Sec. 18. Section 36a-573 of the 2016 supplement to the general
1367 statutes is repealed and the following is substituted in lieu thereof
1368 (*Effective July 1, 2016*):

1369 [(a) No person, except as authorized by the provisions of sections
1370 36a-555 to 36a-573, inclusive, shall, directly or indirectly, charge,
1371 contract for or receive any interest, charge or consideration greater
1372 than twelve per cent per annum upon the loan, use or forbearance of
1373 money or credit of the amount or value of (1) five thousand dollars or
1374 less for any such transaction entered into before October 1, 1997, and
1375 (2) fifteen thousand dollars or less for any such transaction entered
1376 into on and after October 1, 1997. The provisions of this section shall
1377 apply to any person who, as security for any such loan, use or
1378 forbearance of money or credit, makes a pretended purchase of
1379 property from any person and permits the owner or pledgor to retain
1380 the possession thereof, or who, by any device or pretense of charging
1381 for the person's services or otherwise, seeks to obtain a greater
1382 compensation than twelve per cent per annum. No loan for which a
1383 greater rate of interest or charge than is allowed by the provisions of
1384 sections 36a-555 to 36a-573, inclusive, has been contracted for or
1385 received, wherever made, shall be enforced in this state, and any
1386 person in any way participating therein in this state shall be subject to
1387 the provisions of said sections, provided, a loan lawfully made after
1388 June 5, 1986, in compliance with a validly enacted licensed loan law of
1389 another state to a borrower who was not, at the time of the making of
1390 such loan, a resident of Connecticut but who has become a resident of
1391 Connecticut, may be acquired by a licensee and its interest provision
1392 shall be enforced in accordance with its terms.

1393 (b) The provisions of subsection (a) of this section shall apply to any
1394 loan made or renewed in this state if the loan is made to a borrower

1395 who resides in or maintains a domicile in this state and such borrower
1396 (1) negotiates or agrees to the terms of the loan in person, by mail, by
1397 telephone or via the Internet while physically present in this state; (2)
1398 enters into or executes a loan agreement with the lender in person, by
1399 mail, by telephone or via the Internet while physically present in this
1400 state; or (3) makes a payment of the loan in this state. As used in this
1401 subsection, "payment of the loan" includes a debit on an account the
1402 borrower holds in a branch of a financial institution or the use of a
1403 negotiable instrument drawn on an account at a financial institution,
1404 and "financial institution" means any bank or credit union chartered or
1405 licensed under the laws of this state, any other state or the United
1406 States and having its main office or a branch office in this state.

1407 (c) For transactions subject to the provisions of subsection (a) of this
1408 section, if any interest, consideration or charges in excess of those
1409 permitted are charged, contracted for or received, the contract of loan,
1410 use or forbearance of money or credit shall be void and no person shall
1411 have the right to collect or receive any principal, interest, charge or
1412 other consideration.

1413 (d) No person shall, directly or indirectly, assist or aid and abet any
1414 person in conduct prohibited by sections 36a-555 to 36a-573, inclusive.

1415 (e) Whenever it appears to the commissioner that any person has
1416 violated the provisions of this section or offered a loan that violates the
1417 provisions of this section, the commissioner may investigate, take
1418 administrative action or assess civil penalties and restitution in
1419 accordance with the provisions of sections 36a-50 and 36a-52.]

1420 The commissioner may adopt such regulations, in accordance with
1421 chapter 54, as the commissioner deems necessary to administer and
1422 enforce the provisions of this section and sections 36a-555 to 36a-572,
1423 inclusive, as amended by this act.

1424 Sec. 19. (*Effective July 1, 2016*) Sections 36a-570-1 to 36a-570-17,
1425 inclusive, of the regulations of Connecticut state agencies are repealed.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016</i>	36a-555
Sec. 2	<i>July 1, 2016</i>	36a-556
Sec. 3	<i>July 1, 2016</i>	36a-557
Sec. 4	<i>July 1, 2016</i>	36a-558
Sec. 5	<i>July 1, 2016</i>	36a-559
Sec. 6	<i>July 1, 2016</i>	36a-560
Sec. 7	<i>July 1, 2016</i>	36a-561
Sec. 8	<i>July 1, 2016</i>	36a-562
Sec. 9	<i>July 1, 2016:</i>	36a-563
Sec. 10	<i>July 1, 2016</i>	36a-564
Sec. 11	<i>July 1, 2016</i>	36a-565
Sec. 12	<i>July 1, 2016</i>	36a-566
Sec. 13	<i>July 1, 2016</i>	36a-567
Sec. 14	<i>July 1, 2016</i>	36a-568
Sec. 15	<i>July 1, 2016</i>	36a-569
Sec. 16	<i>July 1, 2016</i>	36a-570
Sec. 17	<i>July 1, 2016</i>	36a-572
Sec. 18	<i>July 1, 2016</i>	36a-573
Sec. 19	<i>July 1, 2016</i>	Repealer section

Statement of Purpose:

To clarify and modernize existing small loan laws in light of expanded small loan activity and practices to ensure adequate consumer protection.

[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.]