AN ACT CONCERNING SMALL LOAN LICENSEES.

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

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 Section 36a-555 of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2016):

No person shall (1) engage in the business of making loans of money or credit; (2) make, offer, broker or assist a borrower in Connecticut to obtain such a loan; or (3) in whole or in part, arrange such loans through a third party or act as an agent for a third party, regardless of whether approval, acceptance or ratification by the third party is necessary to create a legal obligation for the third party, through any method, including, but not limited to, mail, telephone, Internet or any electronic means, in the amount or to the value of fifteen thousand dollars or less for loans made under section 36a-563 or section 36a-565, and charge, contract for or receive a greater rate of interest, charge or consideration than twelve per cent per annum therefor, unless licensed to do so by the commissioner pursuant to sections 36a-555 to 36a-573, inclusive. The provisions of this section shall not apply to (A) a bank, (B) an out-of-state bank, (C) a Connecticut credit union, (D) a federal credit union, (E) an out-of-state credit union, (F) a savings and loan association wholly owned subsidiary service corporation, (G) a person to the extent that such
person makes loans for agricultural, commercial, industrial or governmental use or extends credit through an open-end credit plan, as defined in 15 USC 1602, as amended from time to time, for the retail purchase of consumer goods or services, (H) a mortgage lender or mortgage correspondent lender licensed pursuant to section 36a-489 when making residential mortgage loans, as defined in section 36a-485, or (I) a licensed pawnbroker.]

As used in this section and sections 36a-556 to 36a-573, inclusive, as amended by this act:

(1) "Advertise" or "advertising" means any announcement, statement, assertion or representation that is placed before the public in a newspaper, magazine or other publication, in the form of a notice, circular, pamphlet, letter or poster, over any radio or television station, by means of the Internet, by other electronic means of distributing information, by personal contact, or in any other way or medium;

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

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

(4) "Connecticut borrower" means any borrower who resides in or maintains a domicile in this state and who (A) negotiates or agrees to the terms of the small loan in person, by mail, by telephone or via the Internet while physically present in this state, (B) enters into or executes a small loan agreement with the lender in person, by mail, by telephone or via the Internet while physically present in this state, or (C) makes a payment on the loan in this state. For purposes of this subdivision, "payment on the loan" includes a debit on an account the borrower holds in a branch of a financial institution or the use of a

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negotiable instrument drawn on an account at a financial institution. For purposes of this subdivision, "financial institution" means any bank or credit union chartered or licensed under the laws of this state, any other state or the United States and having its main office or a branch office in this state;

(5) "Control person" means an individual that directly or indirectly exercises control over another person, and includes any person that (A) is a director, general partner or executive officer; (B) in the case of a corporation, directly or indirectly has the right to vote ten per cent or more of a class of any voting security or has the power to sell or direct the sale of ten per cent or more of any class of voting securities; (C) in the case of a limited liability company, is a managing member; or (D) in the case of a partnership, has the right to receive upon dissolution, or has contributed, ten per cent or more of the capital. For purposes of this subdivision, "control" means the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract or otherwise;

(6) "Generating leads" means (A) initiating consumer interest or inquiry into a small loan by online marketing, direct response advertising, telemarketing or other similar consumer contact; (B) engaging in the business of selling leads for small loans; (C) generating or augmenting leads for other persons for or with the expectation of compensation or gain; or (D) referring consumers to other persons for a small loan for or with the expectation of compensation or gain;

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

(8) "Main office" means the main address designated on the system where the licensee, or any person on behalf of the licensee, will engage in activities that require a small loan license;

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

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

(11) "Small loan" means any loan of money or extension of credit, or
the purchase of, or an advance of money on, a borrower's future
income where the following conditions are present: (A) The amount or
value is fifteen thousand dollars or less; and (B) the APR is greater
than twelve per cent. For purposes of this subdivision, "future income"
means any future potential source of money, and expressly includes,
but is not limited to, a future pay or salary, pension or tax refund. For
purposes of this section and sections 36a-556 to 36a-573, inclusive, as
amended by this act, "small loan" shall not include: (i) A retail
installment contract made in accordance with section 36a-772; or (ii) a
loan or extension of credit for agricultural, commercial, industrial or
governmental use;

(12) "Trigger lead" means a consumer report obtained pursuant to
Section 604(C)(1)(B) of the Fair Credit Reporting Act, 15 USC 1681b,
where the issuance of the report is triggered by an inquiry made with a
consumer reporting agency in response to an application for credit.
"Trigger lead" does not include a consumer report obtained by a small
loan lender that holds or services existing indebtedness of the
applicant who is the subject of the report; and

(13) "Unique identifier" means a number or other identifier assigned
by protocols established by the system.

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

[Upon the filing of the required application and license fee, the
commissioner shall investigate the facts and, if the commissioner finds
that (1) the experience, character and general fitness of the applicant,
and of the members thereof if the applicant is a partnership, limited
liability company or association, and of the officers and directors
thereof if the applicant is a corporation, are satisfactory, (2) a license to
such applicant will be for the convenience and advantage of the
community in which the applicant's business is to be conducted, and
(3) the applicant has the capital investment required by this section, the
commissioner shall issue a license to the applicant to make loans in
accordance with sections 36a-555 to 36a-573, inclusive. If the
commissioner fails to make such findings or finds that the applicant
made a material misstatement in the application, the commissioner
shall not issue a license and shall notify the applicant of the denial and
the reasons for such denial. The commissioner may deny an
application if the commissioner finds that the applicant or any
member, officer, or director of the applicant has been convicted of any
misdemeanor involving any aspect of the small loan lender business,
or any felony. Any denial of an application by the commissioner shall,
when applicable, be subject to the provisions of section 46a-80.
Withdrawal of an application for a license shall become effective upon
receipt by the commissioner of a notice of intent to withdraw such
application. The commissioner may deny a license up to the date one
year after the date the withdrawal became effective. The capital
investment shall be not less than twenty-five thousand dollars for each
licensed location in a city or town with a population of ten thousand or
more inhabitants and ten thousand dollars for each licensed location in
a city or town with a smaller population. Population shall be
determined according to the last United States census at the time a
license is granted.]

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

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

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

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

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

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

(b) No person shall accept any lead, referral or application for a small loan to a prospective Connecticut borrower from a person who is not (1) licensed pursuant to section 36a-565, as amended by this act, or (2) exempt from licensure pursuant to section 36a-557, as amended by this act.

(c) No person shall sell, transfer, pledge, assign or otherwise dispose of any small loan made to a Connecticut borrower to any person who is not licensed pursuant to section 36a-565, as amended by this act, or exempt from licensure pursuant to section 36a-557, as amended by this act.

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

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

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

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

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

[(a) Each applicant for a small loan lender license, at the time of making such application, shall pay to the commissioner a license fee of eight hundred dollars, provided if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay to the commissioner a license fee of four hundred dollars. Each such license shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance, unless such license is renewed, provided any license that is renewed effective July 1, 2003, shall expire on September 30, 2005. Each licensee shall, on or before September first of the year in which the license expires, or in the case of a license that expires on June 30, 2003, on or before June 1, 2003, file a renewal application and pay to the commissioner a license fee of eight hundred dollars to renew the license, provided if such application is for renewal of a license that expires on June 30, 2003, the applicant shall pay the commissioner a license fee of nine hundred dollars. Any renewal application filed with the commissioner after September first, or in the case of a license that expires on June 30, 2003, after June 1, 2003, shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182. Whenever an application for a license, other than a renewal application, is filed under this section by any person who was a licensee and whose license expired less than sixty days prior to the date such application was filed, such application shall be accompanied by a one-hundred-dollar processing fee in addition to the application fee. Each applicant shall pay the expenses of any examination or investigation made under sections 36a-555 to 36a-573, inclusive.]

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

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

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

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

(c) (1) Except as the result of a bona fide error or as set forth in
subdivision (2) of this subsection, any small loan described in
subsection (a) or (b) of this section that contains any condition or
provision inconsistent with the requirements in subsections (d) to (g),
inclusive, of this section shall not be enforced in this state. Such small
loan shall be void and no person shall have the right to collect or
receive any principal, interest, charge or other consideration thereon.
Any person attempting to collect or receive principal, interest, charge
or other consideration on such small loan shall be subject to the
provisions of section 36a-570, as amended by this act.
(2) Subdivision (1) of this subsection shall not apply when: (A) The inconsistent condition or provision is the result of a bona fide error; or (B) the small loan was lawfully made in compliance with a validly enacted licensed loan law of another state to a borrower who was not, at the time of the making of such loan, a Connecticut borrower but who has since become a Connecticut borrower.

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

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

(1) For a small loan that is under five thousand dollars, an annual percentage rate that exceeds the maximum annual percentage rate for interest that is permitted with respect to the consumer credit extended under the Military Lending Act, 10 USC 987 et seq., as amended from time to time, or for a small loan that is between five thousand and fifteen thousand dollars, an annual percentage rate that exceeds twenty-five per cent;

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

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

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

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

(6) A prepayment penalty;

(7) An adjustable rate provision;

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

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

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

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

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

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

(2) Allowing charges for a dishonored check or any other form of returned payment, provided the total fee for such returned payment shall not exceed twenty dollars;

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

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

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

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

(7) Taking a security interest in a motor vehicle in connection with a closed-end small loan made solely for the purchase of such motor vehicle, provided the APR of such loan shall not exceed the rates indicated for the respective classifications of motor vehicles as follows: (A) New motor vehicles, fifteen per cent; (B) used motor vehicles of a model designated by the manufacturer by a year not more than two years prior to the year in which the sale is made, seventeen per cent; and (C) used motor vehicles of a model designated by the manufacturer by a year more than two years prior to the year in which the sale is made, nineteen per cent.

(f) Open-end small loans as described in subsections (a) and (b) of this section shall, in addition to the requirements set forth in subsections (d) and (e) of this section:
(1) Not have an APR that exceeds nineteen and eight-tenths per cent;

(2) Not provide for an advance of money exceeding at any one time an unpaid principal of fifteen thousand dollars;

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

(4) Provide for interest to be computed on any unpaid principal balance of the account in each billing cycle by one of the following methods: (A) By converting the APR to a daily rate and multiplying such daily rate by the daily unpaid principal balance of the account, in which case the daily rate is determined by dividing the APR by three hundred sixty-five; or (B) by converting the APR to a monthly rate and multiplying the monthly rate by the average daily unpaid principal balance of the account in the billing cycle, in which case (i) the monthly rate is determined by dividing the APR by twelve, and (ii) the average daily unpaid principal balance is the sum of the amount unpaid each day during the cycle divided by the number of days in the cycle. In either of such computations, the billing cycle shall be monthly and the unpaid principal balance on any day shall be determined by adding to any balance unpaid as of the beginning of such day all advances and other permissible amounts charged to the borrower and deducting all payments and other credits made or received that day;

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

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

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

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

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

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

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

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

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

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

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

(6) Initiate an unsolicited advertisement via electronic mail to a consumer more than ten business days after the receipt of a request from such consumer to opt out of such unsolicited advertisements;
(7) Use a subject heading or electronic mail address in a commercial electronic mail message that would likely mislead a recipient, acting reasonably under the circumstances, about a material fact regarding the sender, contents or subject matter of the message;

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

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

(10) Use information from a trigger lead to solicit consumers who have opted out of firm offers of credit under the federal Fair Credit Reporting Act;

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

(12) Represent to the public, through advertising or other means of communicating or providing information, including, but not limited to, the use of business cards or stationery, brochures, signs or other promotional items, that such lead generator can or will perform any other activity requiring licensure under title 36a, unless such lead generator is duly licensed to perform such other activity or exempt from such licensure requirements;

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

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

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

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

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

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

[No license shall be assignable nor shall any license be transferable to cover a place of business not located in either the same or an adjacent city or town. Any change in a licensee's place of business either within the same or to an adjacent city or town shall be in accordance with section 36a-562. The license shall be kept conspicuously posted in the place of business of the licensee. Every license shall remain in force and effect until the same has been surrendered, revoked or suspended, or has expired in accordance with the provisions of sections 36a-555 to 36a-573, inclusive. Any license which is revoked or suspended shall be immediately surrendered to the commissioner. If any change occurs in the personnel of the partners, principals, directors, officers or managers of any licensee, the licensee shall forthwith notify the commissioner, and the commissioner may require a statement under oath giving such information as the commissioner may reasonably require with respect to such change.]

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

(b) If a borrower obtains credit accident and health insurance, the borrower shall have the right to cancel such credit accident and health insurance at any time by giving written notice of cancellation to the licensee. Notification of this right shall be made in the borrower's insurance election. All persons obligated on the loan shall agree, in writing, to the cancellation and return all certificates of insurance. Upon cancellation, the licensee shall, at the licensee's option, either refund the insurance charges to the borrower or apply them to the unpaid balance of the loan.

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

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

[No licensee shall make any loan provided for by sections 36a-555 to
36a-573, inclusive, under any other name or at any other place of
business than that named in the license. Not more than one place of
business shall be maintained under the same license, but the
commissioner may issue more than one license to the same licensee
upon compliance with the provisions of sections 36a-555 to 36a-573,
inclusive, as to each new license. Not later than fifteen days after a
licensee ceases to engage in this state in the business of a small loan
lender for any reason, including a business decision to terminate
operations in this state, license revocation, bankruptcy or voluntary
dissolution, such licensee shall surrender to the commissioner in
person or by registered or certified mail its license for each location in
which such licensee has ceased to engage in such business.]

No licensee shall:

(1) Cause a borrower, including, but not limited to, a comaker or
guarantor, to owe at any time more than fifteen thousand dollars for
(2) Induce or permit a borrower to split or divide any small loan or loans, or induce or permit a borrower to become obligated, directly or indirectly, under more than one contract of loan at the same time, primarily for the purpose of obtaining rates or charges that would otherwise be prohibited by any applicable provision of sections 36a-555 to 36a-573, inclusive, as amended by this act;

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

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

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

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

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

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

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

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

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

Sec. 9. Section 36a-563 of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective July
[(a) Every licensee under sections 36a-555 to 36a-573, inclusive, may loan any sum of money not exceeding fifteen thousand dollars, excluding charges, and may charge, contract for and receive thereon charges at a rate not to exceed the following: (1) On any loan which does not exceed one thousand eight hundred dollars, excluding charges, or on any unsecured loan or on any loan secured only by credit life insurance, seventeen dollars per one hundred dollars on that part of the cash advance, not exceeding six hundred dollars, and eleven dollars per one hundred dollars on any remainder when the loan is made payable over a period of one year, and proportionately at those rates over a longer or shorter term of loan; (2) on a loan which exceeds one thousand eight hundred dollars, excluding charges, and which is secured by property other than credit life insurance, eleven dollars per one hundred dollars on the entire cash advance when the loan is made payable over a period of one year, and proportionately at that rate over a longer or shorter term of loan. Such charges shall be computed at the time the loan is made on the full amount of the cash advance for the full term of the loan contract, notwithstanding any agreement to repay the loan in installments. Such charges shall be added to the cash advance and the resulting sum may become the face amount of the note. All payments made on account of any loan, except those applied to default and deferment charges, shall be deemed to be applied to the unpaid installments in the order in which they are due.

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

(c) Notwithstanding the requirement in subsection (a) of this
section, a borrower and licensee may agree that the first installment
due date may be not more than fifteen days more than one month, and
the charge for each day in excess of one month shall be one-thirtieth of
the portion of the charges applicable to a first installment period of one
month. The charges for the extra days shall be added to the first
installment, but shall be excluded in computing deferment charges and
refunds. When a loan contract provides for extra days in a first
installment period, for the purposes of sections 36a-555 to 36a-573,
inclusive, such extra days shall be treated as the first days in the first
installment period and the due dates of the remaining installments
shall be calculated from the due date of such first installment.

(d) If any installment remains unpaid for ten or more consecutive
days, including Sundays and holidays, after it is due, the licensee may
charge and collect a default charge not exceeding the lesser of seven
dollars and fifty cents or five cents per dollar, or fraction thereof, of
such scheduled installment, except a minimum default charge of three
dollars may be charged and collected. Default charges may be
collected when due or at any time thereafter, but may not be
accumulated until the last payment date.
(e) If, as of an installment due date, the payment date of all wholly unpaid installments is deferred one or more full months and the maturity of the contract is extended for a corresponding period, the licensee may charge and collect a deferment charge not exceeding the charge applicable to the first of the installments deferred, multiplied by the number of months in the deferment period. The deferment period is that period during which no payment is made or required by reason of such deferment, except that no deferment made pursuant to this subsection shall extend the maturity of any contract made under sections 36a-555 to 36a-573, inclusive, for more than (1) three months, for loans originally repayable in twenty-four months or less, (2) five months, for loans originally repayable in more than twenty-four months but not more than forty-eight months, and (3) eight months, for loans originally repayable in more than forty-eight months. The deferment charge may be collected at the time of deferment or at any time thereafter. The portion of the charges contracted for under subsection (a) of this section applicable to each deferred balance and installment period following the deferment period shall remain the same as that applicable to such balance and period under the original contract of loan. No installment on which a default charge has been collected, or on account of which any partial payment has been made, shall be deferred or included in the computation of the deferment charge unless such default charge or partial payment is refunded to the borrower or credited to the deferment charge. Any payment received at the time of deferment may be applied first to the deferment charge and the remainder, if any, applied to the unpaid balance of the contract, but if such payment is sufficient to pay, in addition to the appropriate deferment charge, any installment which is in default and the applicable default charge, it shall be first so applied and any such installment shall not be deferred or subject to the deferment charge. If a loan is prepaid in full during the deferment period, the borrower shall receive, in addition to the refund required under subsection (f) of this section, a refund of that portion of the deferment charge applicable to any unexpired full month or months of such deferment period.
(f) If the contract of loan is prepaid in full by cash, a new loan or otherwise, before the final installment date, the portion of the charges applicable to the full installment periods, as scheduled originally in the loan contract or as rescheduled by reason of any deferment made pursuant to sections 36a-555 to 36a-573, inclusive, following the date of prepayment shall be refunded or credited to the borrower. Where prepayment occurs on other than a monthly installment due date, it shall be deemed to have occurred on the preceding or succeeding installment due date nearest to the date of prepayment. Where prepayment occurs on a date midpoint between the preceding and succeeding monthly installment due dates, it shall be deemed to have occurred on the preceding monthly due date. In all cases where prepayment occurs before the first monthly installment due date, it shall be deemed to have occurred on the first monthly installment due date. If judgment is obtained before the final installment date, the judgment shall reflect the refund which would be required for prepayment in full as of the date judgment is obtained. No refund of less than one dollar or for partial prepayments need be made.

(g) If part or all of the consideration for a loan contract is the unpaid balance, excluding default charges, of a prior loan with the same licensee, the cash advance under such new loan contract may include the balance of the prior contract which remains after giving the required refund.

(h) In addition to the charges provided for by sections 36a-555 to 36a-573, inclusive, and service charges that are imposed for a check that is dishonored as provided in subsection (i) of section 52-565a, no further or other charge or amount for any examination, service, brokerage, commission or other thing, or otherwise, shall be directly or indirectly charged, contracted for or received. If interest or any other charges in excess of those permitted by said sections are charged, contracted for or received, except as the result of a bona fide error, the contract of loan shall be void and the licensee shall have no right to collect or receive any principal, interest or charges. No person shall
owe any licensee, as such, at any time more than fifteen thousand
dollars for principal as a borrower, comaker or guarantor for loans
made under said sections. No licensee shall induce or permit any
borrower or borrowers to split or divide any loan or loans made under
said sections, or permit any borrower to become obligated, directly or
indirectly, under more than one contract of loan under said sections at
the same time primarily for the purpose of obtaining a higher rate of
charge than would otherwise be permitted by said sections. No
contract made under said sections, except as deferred in accordance
with subsection (e) of this section, shall provide for a greater rate of
interest than twelve per cent per annum on the balance remaining
unpaid twenty-four months and fifteen days after the date of making
such contract if the original cash advance was one thousand dollars or
less or thirty-six months and fifteen days if the original cash advance
was in excess of one thousand dollars but not in excess of one
thousand eight hundred dollars. No contract made under said sections
with an original cash advance in excess of one thousand eight hundred
dollars, except as deferred in accordance with subsection (e) of this
section, shall provide for a greater rate of interest than twelve per cent
per annum on the balance remaining unpaid on the scheduled
maturity date of said contract. No part of the principal balance
remaining unpaid by a borrower twenty-four months and fifteen days
after making such contract where the original cash advance was one
thousand dollars or less or thirty-six months and fifteen days where
the original cash advance was in excess of one thousand dollars but
not in excess of one thousand eight hundred dollars, shall directly or
indirectly be renewed or refinanced by the lender who made such
loan. If the maturity date of a loan made under said sections has been
extended by deferred payments, the maximum renewal period that
such loan may be extended shall be the number of months such loan is
deferred. When a contract is renewed or refinanced prior to twenty-
four months and fifteen days where the original cash advance was one
thousand dollars or less or thirty-six months and fifteen days where
the original cash advance exceeded one thousand dollars but did not
exceed one thousand eight hundred dollars, from the date of making
such contract, such renewal or refinancing shall, for the purposes of this section, be deemed a separate loan transaction.

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

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

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

(b) The commissioner may deem an application for a small loan license abandoned if the applicant fails to respond to any request for information required under sections 36a-555 to 36a-573, inclusive, as amended by this act, or any regulation adopted pursuant to section 36a-573, as amended by this act. The commissioner shall notify the applicant on the system that if such information is not submitted on or before sixty days after the date of such request, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections 36a-555 to 36a-573, inclusive, as amended by this act.

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

[As used in section 36a-563 and section 36a-568, "cash advance" means the cash or its equivalent received by the borrower or paid out on the borrower's behalf or at the borrower's direction or request.]
(a) Each applicant for a small loan license shall pay to the system any required fees or charges and a license fee of four hundred dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a small loan license shall pay to the system any required fees or charges and a renewal fee of four hundred dollars.

(b) In accordance with section 36a-27b, the commissioner shall automatically suspend any license if such person receives a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-570, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

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

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

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

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

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

(d) A licensee shall not compound interest or charges by adding any
unpaid interest or charges authorized by this section to the unpaid
principal balance of the borrower's account.

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

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

(g) Credit life insurance and credit accident and health insurance
may be sold to the borrower on open-end loans subject to the
conditions and restrictions set forth in section 36a-566. In the case of
credit life insurance, the amount of the insurance shall be sufficient to
pay the total balance of the loan due on the date of the insured's death.
The additional charge for credit life insurance and credit accident and
health insurance shall be calculated in each billing cycle by applying
the current monthly premium rate for such insurance, as such rate may
be determined by the Insurance Commissioner, to the unpaid balances
in the account, using any of the methods specified in subsection (e) of
this section for the calculation of loan charges. No credit life insurance
or credit accident and health insurance written in connection with an
open-end loan shall be cancelled by the licensee because of
delinquency of the borrower in the making of the required minimum
payments on the loan unless one or more of such payments is past due
for a period of ninety days or more; and the licensee shall advance to
the insurer the amounts required to keep the insurance in force during
such period, which amounts may be debited to the borrower's account.
The borrower shall have the right to cancel credit accident and health
insurance at any time by giving written notice of cancellation to the
licensee. Such cancellation shall be effective at the end of the billing
cycle in which the notice is received and the licensee shall discontinue
any further charges for credit accident and health insurance.

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

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

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

(a) Upon the filing of the required application and license fee under sections 36a-563 and 36a-564, as amended by this act, the commissioner shall investigate the facts and no license shall be granted unless the commissioner finds that: (1) The experience, character and general fitness of the applicant and its control persons, qualified individual and any branch manager are satisfactory; (2) the activities to be conducted by the applicant will be for the convenience and advantage of the consumers it seeks to serve; (3) the applicant has available the funds required by subsection (d) of this section; and (4) the applicant and its control persons and any qualified individual and branch manager have not made a material misstatement in the application. If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the denial and the reasons for such denial.

(b) Notwithstanding the provisions of subsection (a) of this section, the commissioner may deny an application if the applicant or its control persons or qualified individual or branch manager have demonstrated a lack of financial responsibility. For purposes of this subsection, a person has shown that he or she is not financially responsible when such person has shown a disregard in the management of such person's own financial condition. A determination that a person has not shown financial responsibility may include, but is not limited to: (1) Current outstanding judgments, except judgments solely as a result of medical expenses; (2) current outstanding tax liens or other government liens and filings; (3) foreclosures during the three years preceding the date of application for an initial license or renewal of a license; or (4) a pattern of seriously delinquent accounts within the past three years.

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

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

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

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

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

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

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

[(a) Subject to the conditions provided in this section, insurance may be sold to the borrower at his request (1) for insuring the life of persons obligated on a loan pursuant to sections 38a-645 to 38a-658, inclusive, and (2) providing accident and health insurance covering one person on a loan pursuant to sections 38a-645 to 38a-658, inclusive. Credit accident and health insurance shall not provide indemnity against the risk of a borrower becoming disabled for a period of less than fourteen days, except that it may provide for retroactive coverage if the disability continues for the period stated in the policy. Irrespective of the number of obligors only one obligor may be insured, except that life insurance may cover both a borrower and such borrower's spouse where both are obligors on a loan. A licensee shall not require the purchasing of insurance as a condition precedent to the making of a loan. A licensee shall, both verbally and in writing, inform the borrower prior to his entering into any loan contract of his right not to purchase credit insurance. Any gain or benefit to the licensee directly or indirectly from such insurance or the sale or provision thereof shall not be deemed to be additional or further charges, interest or consideration in connection with a loan made under sections 36a-555 to 36a-573, inclusive, nor a charge in excess of that permitted by said sections.

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

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

(b) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves of such name. No licensee shall engage in any activity requiring a small loan license under any other name or at any other place of business than that named in the license. Any proposed change in a licensee's name or to the licensee's place of business shall be the subject of an advance change notice filed on the system at least thirty days prior to the effective date of such change and any change to the licensee's name or place of business shall not be made without the commissioner's approval of such change.

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

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

(a) A licensee shall file any change in the information most recently submitted in connection with the license with the system or, if the information cannot be filed on the system, directly notify the commissioner, in writing, of such change in the information not later
(b) A licensee shall file with the system or, if the information cannot be filed on the system, directly notify the commissioner, in writing, of the occurrence of any of the following developments not later than fifteen days after the licensee had reason to know of the occurrence: (1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee; (2) filing of a criminal indictment against the licensee in any way related to the activities of the licensee or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons or qualified individual or branch manager; (3) receiving notification of the institution of a license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee and the reasons therefor; (4) receiving notification of the initiation of any action by the Attorney General or the attorney general of any other state and the reasons therefor; (5) receiving notification of a material adverse action with respect to any existing line of credit or warehouse credit agreement; (6) receiving notification of any of the licensee's control persons or qualified individual or branch manager filing or having filed for bankruptcy; or (7) a decrease in the available funds required by section 36a-565, as amended by this act.

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

[No licensee shall take any confession of judgment or any power of attorney, nor shall he take any note or promise to pay that does not state the actual amount of the loan, the time for which it is made and the charges, or any instrument in which blanks are left to be filled after the loan is made. No licensee shall take a mortgage, lien, security interest in or assignment or pledge of household goods or an assignment of wages as security for any loan made under sections 36a-555 to 36a-573, inclusive. A licensee may take a security interest in chattels or personal property other than household goods, except a
security interest in an automobile may not be taken as security for any loan where the cash advance is one thousand eight hundred dollars or less. A licensee may take a security interest in real estate on loans made under said sections where the cash advance is in excess of one thousand eight hundred dollars, but may not take such a security interest in real estate where the cash advance is one thousand eight hundred dollars or less. A contract for a loan under said sections shall not originally schedule any repayment of the cash advance over a period in excess of twenty-four months and fifteen days if the amount of the original cash advance was one thousand dollars or less or thirty-six months and fifteen days if the amount of the original cash advance was more than one thousand dollars but not in excess of one thousand eight hundred dollars or seventy-two months and fifteen days if the amount of the original cash advance was in excess of one thousand eight hundred dollars, and shall be repayable in installments of cash advance and charges combined which are substantially equal in amount or so arranged that no installment is substantially greater in amount than any preceding installment and which are payable at approximately equal intervals not exceeding one month, except that the first installment may be payable not more than one month and fifteen days after the date of such contract. The requirements of section 36a-785 shall apply to any repossession under sections 36a-555 to 36a-573, inclusive, of property other than real estate.]

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

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

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

[Each licensee shall keep books and records at the place of business specified in the license in such form and in such manner as the commissioner prescribes and shall preserve all books, accounts and records, including cards used in the card system, if any, for at least two years after making the final entry recorded therein. Each such licensee shall, annually, on or before January thirtieth, furnish a sworn statement of the condition of the business of such licensee as of December thirty-first, together with such other information and statements as the commissioner may, from time to time, require. Each licensee which fails to furnish any such sworn statement or required information in connection with this section, shall pay to the state ten dollars for each day that such failure continues, unless excused by the commissioner for cause. The commissioner may, upon the failure of any such licensee to furnish such sworn statement or other information, after a hearing thereon, cancel the license of such licensee.]

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

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

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

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

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

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

(a) The commissioner may suspend, revoke or refuse to renew any license issued under sections 36a-555 to 36a-573, inclusive, as amended by this act, or take any other action, in accordance with the provisions of section 36a-51, for any reason that would be sufficient grounds for
the commissioner to deny an application for such license under sections 36a-555 to 36a-573, inclusive, as amended by this act, or if the commissioner finds that the licensee or any control person of the licensee, qualified individual or branch manager with supervisory authority, trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any small loan transaction to anyone entitled to such information, including, but not limited to, any disclosures required by part III of chapter 669 or regulations adopted pursuant thereto; (3) violated any of the provisions of this title, any regulations adopted pursuant thereto or any other law or regulation applicable to the conduct of its business; or (4) failed to perform any agreement with a licensee or a borrower.

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

(c) (1) The commissioner may order a licensee to remove any individual conducting business under sections 36a-555 to 36a-573, inclusive, as amended by this act, from office and from employment or
retention as an independent contractor in the small loan business in
this state whenever the commissioner finds as the result of an
investigation that such individual: (A) Has violated any of said
sections or any regulations adopted pursuant thereto or any order
issued thereunder, or (B) for any reason that would be sufficient
grounds for the commissioner to deny a license under section 36a-565,
as amended by this act, by sending a notice to such individual by
registered or certified mail, return receipt requested or by any express
delivery carrier that provides a dated delivery receipt. The notice shall
be deemed received by such individual on the earlier of the date of
actual receipt or seven days after mailing or sending. Any such notice
shall include: (i) A statement of the time, place and nature of the
hearing; (ii) a statement of the legal authority and jurisdiction under
which the hearing is to be held; (iii) a reference to the particular
sections of the general statutes, regulations or orders alleged to have
been violated; (iv) a short and plain statement of the matters asserted;
and (v) a statement indicating that such individual may file a written
request for a hearing on the matters asserted not later than fourteen
days after receipt of the notice. If the commissioner finds that the
protection of borrowers requires immediate action, the commissioner
may suspend any such individual from office and require such
individual to take or refrain from taking such action as, in the opinion
of the commissioner, will effectuate the purposes of this subsection, by
incorporating a finding to that effect in such notice. The suspension or
prohibition shall become effective upon receipt of such notice and,
unless stayed by a court, shall remain in effect until the entry of a
permanent order or the dismissal of the matters asserted.

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

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

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

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

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

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

(2) For the purposes of investigating violations or complaints arising under sections 36a-555 to 36a-573, inclusive, as amended by this act, or for the purposes of examination, the commissioner may review, investigate or examine any licensee, individual or person subject to said sections as often as necessary in order to carry out the purposes of said sections. The commissioner may direct, subpoena or order the attendance of and examine under oath all persons whose testimony may be required about the loans or the business or subject matter of any such examination or investigation, and may direct, subpoena or order such person to produce books, accounts, records, files and any other documents the commissioner deems relevant to the inquiry.

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

(c) In making any examination or investigation authorized by this section, the commissioner may control access to any documents and records of the licensee or person under examination or investigation. The commissioner may take possession of the documents and records or place a person in exclusive charge of the documents and records in

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the location where they are usually kept. During the period of control, no individual or person shall remove or attempt to remove any of the documents and records except pursuant to a court order or with the consent of the commissioner. Unless the commissioner has reasonable grounds to believe the documents or records of the licensee have been, or are at risk of being, altered or destroyed for purposes of concealing a violation of sections 36a-555 to 36a-573, inclusive, as amended by this act, the licensee or owner of the documents and records shall have access to the documents or records as necessary to conduct its ordinary business affairs.

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

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

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

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

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

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

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

(f) No licensee or person subject to investigation or examination
under this section may knowingly withhold, abstract, remove,
mutilate, destroy or secrete any books, records, computer records or
other information.

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

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

(b) The provisions of subsection (a) of this section shall apply to any
loan made or renewed in this state if the loan is made to a borrower
who resides in or maintains a domicile in this state and such borrower
(1) negotiates or agrees to the terms of the loan in person, by mail, by
telephone or via the Internet while physically present in this state; (2)
enters into or executes a loan agreement with the lender in person, by
mail, by telephone or via the Internet while physically present in this
state; or (3) makes a payment of the loan in this state. As used in this
subsection, "payment of the loan" includes a debit on an account the
borrower holds in a branch of a financial institution or the use of a
negotiable instrument drawn on an account at a financial institution,
and "financial institution" means any bank or credit union chartered or
licensed under the laws of this state, any other state or the United
States and having its main office or a branch office in this state.

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

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

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

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

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Statement of Legislative Commissioners:
In Section 1(8), "where the licensee, or any person on behalf of the licensee, will engage in activities that require a small loan license" was added to the definition of "Main office" for accuracy; in Section 4(a) and (b), "by" was changed to "under" for consistency with standard drafting conventions; in Section 4(e)(2), "so long as" was changed to "provided" and "does" was changed to "shall" for consistency with standard drafting conventions and other provisions of the section; in Section 4(g)(1), "does not" was changed to "shall not" for consistency with standard drafting conventions and other provisions of the section; in Section 9(b), "within" was changed to "on or before" for consistency with standard drafting conventions.
conventions; in Section 14(b)(1), "the state of Connecticut" was replaced with "this state" and "Connecticut" was replaced with "this state" for consistency with standard drafting conventions; in Section 15(a)(2)(3), "such" was replaced with "the" for consistency with other provisions of the Subsec.; and in Section 15(b), "books and" was added before "records" for consistency with other provisions of the section.

BA Joint Favorable Subst.