



General Assembly

Substitute Bill No. 173

February Session, 2016

* SB00173BA 031716 *

AN ACT CONCERNING CONNECTICUT FINANCIAL INSTITUTIONS, MARTIN LUTHER KING, JR. CORRIDORS, MONEY TRANSMISSION IN THE STATE AND FIDUCIARY DUTIES OF MORTGAGE SERVICERS, LEAD GENERATORS, TECHNICAL REVISIONS TO THE CONNECTICUT UNIFORM SECURITIES ACT, RETAIL INSTALLMENT SALES FINANCING, ADVANCE RENTAL PAYMENTS, PROTECTING TENANTS IN FORECLOSURE, ASSESSMENTS AND TECHNICAL CHANGES TO THE MORTGAGE SERVICING STATUTES.

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

1 Section 1. Subsection (b) of section 36a-448a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (b) The governing board of a Connecticut credit union shall consist
5 of an odd number of directors, at least five in number. The initial
6 governing board shall be elected at the organization meeting of the
7 Connecticut credit union as provided in subsection (e) of section 36a-
8 437a, and thereafter by the members of the Connecticut credit union at
9 the annual meeting as provided in section 36a-440a. [Any director
10 elected or appointed to serve on the governing board of a troubled
11 Connecticut credit union shall be approved by the commissioner prior
12 to any such service.] The commissioner shall approve the election,
13 appointment or employment of any director or potential member of
14 the senior management of a troubled Connecticut credit union prior to

15 such director or member taking such position. For the purposes of this
16 subsection, "troubled Connecticut credit union" means any
17 Connecticut credit union that, in the written opinion of the
18 commissioner is (1) in danger of becoming insolvent, (2) not likely to
19 be able to meet the demands of its members, or pay its obligations in
20 the normal course of business or is likely to incur losses that may
21 deplete all or substantially all of its capital, or (3) being operated in an
22 unsafe and unsound manner.

23 Sec. 2. Subdivision (1) of subsection (a) of section 36a-34 of the
24 general statutes is repealed and the following is substituted in lieu
25 thereof (*Effective from passage*):

26 (1) "Eligible entity" means any entity that (A) received a composite
27 rating of one or two under the Uniform Financial Institutions Rating
28 System as a result of its most recent safety and soundness examination;
29 (B) received a compliance rating of one or two on its most recent
30 compliance examination; (C) received a satisfactory or better rating on
31 its most recent community reinvestment performance evaluation; (D)
32 is well capitalized, [in that it (i) has a total risk-based capital ratio of
33 ten per cent or greater; (ii) has a tier one risk-based capital ratio of six
34 per cent or greater; (iii) has a tier one leverage capital ratio of five per
35 cent or greater; and (iv) is not subject to any written agreement, order,
36 capital directive or prompt corrective action directive issued pursuant
37 to Section 8 or 38 of the Federal Deposit Insurance Act, 12 USC 1818
38 and 12 USC 1831o, respectively, as amended from time to time, the
39 International Lending Supervision Act, 12 USC 3907, as amended from
40 time to time, the Home Owners' Loan Act, 12 USC 1461, as amended
41 from time to time, or any regulation thereunder, to meet and maintain
42 a specific capital level for any capital measure] as defined in 12 CFR
43 324.403(b)(1), as amended from time to time; (E) is not subject to a
44 cease and desist order, consent order, prompt correction action
45 directive, written agreement, memorandum of understanding or other
46 administrative agreement with its primary state or federal banking
47 regulator; and (F) is not subject to any formal or informal

48 administrative action by its primary state or federal banking regulator.

49 Sec. 3. Subdivision (1) of subsection (b) of section 36a-333 of the
50 general statutes is repealed and the following is substituted in lieu
51 thereof (*Effective from passage*):

52 (b) (1) Each qualified public depository that is a bank or out-of-state
53 bank having a tier one leverage ratio of five per cent or greater or a
54 risk-based capital ratio of ten per cent or greater shall transfer eligible
55 collateral maintained under subsection (a) of this section to its own
56 trust department, provided such trust department is located in this
57 state unless the commissioner approves otherwise, to the trust
58 department of another financial institution, provided such eligible
59 collateral shall be maintained in such other financial institution's trust
60 department located in this state unless the commissioner approves
61 otherwise, or to a federal reserve bank or federal home loan bank. Each
62 qualified public depository that is a bank or out-of-state bank having a
63 tier one leverage ratio of less than five per cent or a risk-based capital
64 ratio of less than ten per cent and each qualified public depository that
65 is a credit union or federal credit union shall transfer eligible collateral
66 maintained under subsection (a) of this section to the trust department
67 of a financial institution that is not owned or controlled by the
68 depository or by a holding company owning or controlling the
69 depository, provided such eligible collateral shall be maintained in
70 such other financial institution's trust department located in this state
71 unless the commissioner approves otherwise, or to a federal reserve
72 bank or federal home loan bank. Such transfers of eligible collateral
73 shall be made in a manner prescribed by the commissioner. The
74 qualified public depository shall determine and adjust the market
75 value of such eligible collateral on a monthly basis. Without the
76 requirement of any further action, the commissioner shall have, for the
77 benefit of public depositors, a perfected security interest in all such
78 eligible collateral held in such segregated trust accounts, [granted
79 pursuant to and in accordance with the terms of the agreement
80 between the public depositor and the qualified public depository.]

81 Such security interest shall have priority over all other perfected
82 security interests and liens. The commissioner may, at any time,
83 require the depository to value the collateral more frequently than
84 monthly if the commissioner reasonably determines that such
85 valuation is necessary for the protection of public deposits. Each
86 holder of eligible collateral shall file with the commissioner, at the end
87 of each calendar quarter, a report with the CUSIP number, description
88 and par value of each investment it holds as eligible collateral.

89 Sec. 4. Subsection (q) of section 36a-70 of the general statutes is
90 repealed and the following is substituted in lieu thereof (*Effective from*
91 *passage*):

92 (q) (1) As used in this subsection, "bankers' bank" means a
93 Connecticut bank that is (A) owned exclusively by (i) any combination
94 of banks, out-of-state banks, Connecticut credit unions, federal credit
95 unions, or out-of-state credit unions, [having their principal office in
96 Connecticut, Maine, Massachusetts, New Hampshire, New Jersey,
97 New York, Pennsylvania, Rhode Island or Vermont] or (ii) a bank
98 holding company that is owned exclusively by any such combination,
99 and (B) [organized to engage] engaged exclusively in providing
100 services for, or that indirectly benefit, other banks, out-of-state banks,
101 Connecticut credit unions, federal credit unions, or out-of-state credit
102 unions and their directors, officers and employees.

103 (2) One or more persons may organize a bankers' bank in
104 accordance with the provisions of this section, except that subsections
105 (g) and (h) of this section shall not apply. The approving authority for
106 a bankers' bank shall be the commissioner acting alone. Before
107 granting a temporary certificate of authority in the case of an
108 application to organize a bankers' bank, the approving authority shall
109 consider (A) whether the proposed bankers' bank will facilitate the
110 provision of services that such banks, out-of-state banks, Connecticut
111 credit unions, federal credit unions, or out-of-state credit unions would
112 not otherwise be able to readily obtain, and (B) the character and
113 experience of the proposed directors and officers. The application to

114 organize a bankers' bank shall be approved if the approving authority
115 determines that the interest of the public will be directly or indirectly
116 served to advantage by the establishment of the proposed bankers'
117 bank, and the proposed directors possess capacity and fitness for the
118 duties and responsibilities with which they will be charged.

119 (3) A bankers' bank shall have all of the powers of and be subject to
120 all of the requirements applicable to a Connecticut bank under this title
121 which are not inconsistent with this subsection, except [:(A) A
122 bankers' bank may only provide services for, or that indirectly benefit,
123 other banks, out-of-state banks, Connecticut credit unions, federal
124 credit unions, or out-of-state credit unions and for the directors,
125 officers and employees of such banks, out-of-state banks, Connecticut
126 credit unions, federal credit unions, or out-of-state credit unions; (B)
127 only banks, out-of-state banks, Connecticut credit unions, federal
128 credit unions, or out-of-state credit unions having their principal office
129 in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey,
130 New York, Pennsylvania, Rhode Island or Vermont may own the
131 capital stock of or otherwise invest in a bankers' bank; (C) upon] to the
132 extent the commissioner limits such powers by regulation. Upon the
133 written request of a bankers' bank, the commissioner may waive
134 specific requirements of this title and the regulations adopted
135 thereunder if the commissioner finds that [(i)] (A) the requirement
136 pertains primarily to banks that provide retail or consumer banking
137 services and is inconsistent with this subsection, and [(ii)] (B) the
138 requirement may impede the ability of the bankers' bank to compete or
139 to provide desired services to its market provided, any such waiver
140 and the commissioner's findings shall be in writing and shall be made
141 available for public inspection. [; and (D) the commissioner may, by
142 regulation, limit the powers that may be exercised by a bankers' bank.]

143 (4) The commissioner may adopt regulations, in accordance with
144 chapter 54, to administer the provisions of this subsection.

145 Sec. 5. Subsection (a) of section 36a-21 of the general statutes is
146 repealed and the following is substituted in lieu thereof (*Effective from*

147 *passage*):

148 (a) Notwithstanding any provision of state law and except as
149 provided in subsections (b) and (d) of this section and subdivision (2)
150 of subsection (a) of section 36a-534b, as amended by this act, the
151 following records of the Department of Banking shall not be disclosed
152 by the commissioner or any employee of the Department of Banking,
153 or be subject to public inspection or discovery:

154 (1) Examination and investigation reports and information
155 contained in or derived from such reports, including examination
156 reports prepared by the commissioner or prepared on behalf of or for
157 the use of the commissioner;

158 (2) Confidential supervisory or investigative information and
159 records obtained [from] or collected by a state, federal or foreign
160 regulatory or law enforcement agency;

161 (3) Information obtained, collected or prepared in connection with
162 examinations, inspections or investigations, and complaints from the
163 public received by the Department of Banking, if such records are
164 protected from disclosure under federal or state law or, in the opinion
165 of the commissioner, such records would disclose, or would
166 reasonably lead to the disclosure of: (A) Investigative information the
167 disclosure of which would be prejudicial to such investigation, until
168 such time as the investigation and all related administrative and legal
169 actions are concluded; (B) personal or financial information, including
170 account or loan information, without the written consent of the person
171 or persons to whom the information pertains; or (C) information that
172 would harm the reputation of any person or affect the safety and
173 soundness of any person whose activities in this state are subject to the
174 supervision of the commissioner, and the disclosure of such
175 information under this subparagraph would not be in the public
176 interest; and

177 (4) Information obtained, collected or prepared in connection with

178 the organization of an expedited Connecticut bank prior to the
179 issuance of a final certificate of authority to commence the business of
180 a Connecticut bank pursuant to section 36a-70, as amended by this act.

181 Sec. 6. (NEW) (*Effective October 1, 2016*) The Banking Commissioner
182 shall designate three Martin Luther King, Jr. Corridors to promote
183 secured and unsecured lending in the state.

184 Sec. 7. Subsection (a) of section 36a-597 of the general statutes is
185 repealed and the following is substituted in lieu thereof (*Effective July*
186 *1, 2016*):

187 (a) No person shall engage in the business of money transmission in
188 this state, or advertise or solicit such services, without a license issued
189 by the commissioner as provided in sections 36a-595 to 36a-612,
190 inclusive, except as an authorized delegate of a person that has been
191 issued a license by the commissioner and in accordance with section
192 36a-607. A person [shall be deemed to be engaged in the business of
193 money transmission] is acting as a money transmitter in this state if
194 such person: (1) Has a place of business located in this state, (2)
195 receives money or monetary value in this state or from a person
196 located in this state, (3) transmits money or monetary value from a
197 location in this state or to a person located in this state, (4) issues
198 stored value or payment instruments that are sold in this state, or (5)
199 sells stored value or payment instruments in this state. The licensee
200 shall promptly notify the commissioner, in writing, of the termination
201 of the contract between such licensee and authorized delegate.

202 Sec. 8. Section 36a-716 of the general statutes is repealed and the
203 following is substituted in lieu thereof (*Effective July 1, 2016*):

204 (a) Any mortgage servicer who receives funds from a mortgagor to
205 be held in escrow for payment of taxes and insurance premiums shall;
206 [pay]

207 (1) Deposit such funds in one or more segregated escrow accounts
208 under dual control or trust accounts maintained at a federally insured

209 bank, Connecticut credit union, federal credit union or out-of-state
210 bank, which accounts shall be reconciled monthly, provided (A) such
211 funds shall not be commingled with funds of the mortgage servicer or
212 used in the conduct of the mortgage servicer's business, (B) such
213 accounts shall not be used for any purpose other than (i) the deposit of
214 such funds received from mortgagors, (ii) the payment of such funds
215 to the appropriate taxing authority or insurance company, as
216 applicable, and (iii) the reimbursement of moneys paid on behalf of a
217 mortgagor for taxes and insurance premiums from the mortgage
218 servicer's own funds, and (C) any service charge or other fee imposed
219 against such accounts by a depository institution shall be reimbursed
220 by the mortgage servicer to such accounts not more than thirty days
221 after the withdrawal;

222 (2) Maintain records, in accordance with generally accepted
223 accounting principles, that (A) clearly identify the amounts and dates
224 of all escrow payments received from mortgagors and all remittances
225 made for such purposes on behalf of such mortgagor, and (B) shall be
226 kept readily available to the commissioner and retained for a period of
227 not less than two years after the date of final entry thereon; and

228 (3) Pay the taxes and insurance premiums of the mortgagor to the
229 appropriate taxing authority and insurance company in the amount
230 required and at the time such taxes and insurance premiums are due,
231 provided [(1)] (A) the mortgage servicer has been provided with the
232 tax or insurance bills at least fifteen days prior to the date such taxes
233 and insurance premiums are due, and [(2)] (B) the mortgagor has paid
234 to the mortgage servicer the amounts required to be paid into the
235 escrow account, as determined by the mortgage servicer, for all
236 amounts scheduled to be paid to the mortgage servicer prior to the
237 date such taxes and insurance premiums are due.

238 (b) Each mortgage servicer shall, through its own effort and
239 expense, determine and notify the mortgagor of the amounts necessary
240 to be paid into the escrow account to assure that sufficient funds will
241 be available for the payment of such taxes and insurance premiums as

242 of the date such payment is due.

243 (c) If the amount held in the escrow account as of the date such
244 taxes and insurance premiums are due is insufficient to pay the taxes
245 and insurance premiums despite compliance by the mortgagor with
246 [subdivision (2)] subparagraph (B) of subdivision (3) of subsection (a)
247 of this section, the mortgage servicer shall pay such taxes and
248 insurance premiums from its own funds. The mortgage servicer shall
249 then give the mortgagor the option of paying the shortage over a
250 period of not less than one year. The mortgage servicer shall not
251 charge or collect interest on such shortage during the one-year period.

252 Sec. 9. Section 36a-485 of the general statutes is repealed and the
253 following is substituted in lieu thereof (*Effective October 1, 2016*):

254 As used in this section and sections 36a-486 to 36a-498f, inclusive, as
255 amended by this act, [and] 36a-534a, [to 36a-534c, inclusive,] 36a-534b,
256 as amended by this act, and sections 22 to 31, inclusive, of this act,
257 unless the context otherwise requires:

258 (1) "Advance fee" means any consideration paid or given, directly or
259 indirectly, [to a mortgage lender, mortgage correspondent lender or
260 mortgage broker required to be licensed pursuant to sections 36a-485
261 to 36a-498f, inclusive, and sections 36a-534a and 36a-534b,] by a
262 consumer to a person for a residential mortgage loan prior to the
263 closing of [a] such residential mortgage loan, [to any person,]
264 including, but not limited to, loan fees, points, broker's fees or
265 commissions, transaction fees or similar prepaid finance charges;

266 (2) "Advertise", "advertisement" or "advertising" means the use of
267 any announcement, statement, assertion or representation that is
268 placed before the public in a newspaper, magazine or other
269 publication, or in the form of a notice, circular, pamphlet, letter or
270 poster or over any radio or television station, by means of the Internet,
271 or by other electronic means of distributing information, by personal
272 contact, or in any other way;

273 (3) "Branch office" means a location other than the main office at
274 which a licensee or any person on behalf of a licensee acts as a
275 mortgage lender, mortgage correspondent lender, mortgage broker or
276 mortgage loan originator;

277 (4) "Control person" means an individual that directly or indirectly
278 exercises control over another person. Any person that (A) is a
279 director, general partner or executive officer; (B) directly or indirectly
280 has the right to vote ten per cent or more of a class of any voting
281 security or has the power to sell or direct the sale of ten per cent or
282 more of any class of voting securities; (C) in the case of a limited
283 liability company, is a managing member; or (D) in the case of a
284 partnership, has the right to receive upon dissolution, or has
285 contributed, ten per cent or more of the capital, is presumed to be a
286 control person. For purposes of this subdivision, "control" means the
287 power, directly or indirectly, to direct the management or policies of a
288 company, whether through ownership of securities, by contract or
289 otherwise;

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

294 (6) "Dwelling" [has the same meaning] means any "dwelling" as
295 provided in Section 103 of the Consumer Credit Protection Act, 15 USC
296 1602, located in this state;

297 (7) "Employee" means an individual (A) whose manner and means
298 of work performance are subject to the right of control of, or are
299 controlled by, a person, and (B) whose compensation is reported or
300 required to be reported on a W-2 form issued by the controlling
301 person. For purposes of the definition of "registered mortgage loan
302 originator", "employee" has the foregoing meaning or such other
303 meaning as the federal banking agencies may issue in connection with
304 such agencies' implementation of such agencies' responsibilities under

305 the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC 5101 et seq.;

306 (8) "Federal banking agency" means the Board of Governors of the
307 Federal Reserve System, the Comptroller of the Currency, the Director
308 of the Office of Thrift Supervision, the National Credit Union
309 Administration and the Federal Deposit Insurance Corporation;

310 (9) "First mortgage loan" means a residential mortgage loan that is
311 secured by a first mortgage;

312 (10) "Immediate family member" means a spouse, child, sibling,
313 parent, grandparent or grandchild and includes stepparents,
314 stepchildren, stepsiblings and adoptive relationships;

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

320 (12) "Individual" means a natural person;

321 (13) "Lead" means any information identifying a potential consumer
322 of a residential mortgage loan;

323 (14) "Lead generator" means a person who: (A) Initiates consumer
324 interest or inquiry in a residential mortgage loan by online marketing,
325 direct response advertising, telemarketing or other similar consumer
326 contact; (B) engages in the business of selling leads for residential
327 mortgage loans; (C) generates or augments leads for other persons for
328 or with the expectation of compensation or gain; or (D) refers
329 consumers to other persons for a residential mortgage loan for or with
330 the expectation of compensation or gain;

331 [(13)] (15) "Loan processor or underwriter" means an individual
332 who performs clerical or support duties. The term "clerical or support
333 duties" includes, subsequent to the receipt of an application, (A) the

334 receipt, collection, distribution and analysis of information common
335 for the processing or underwriting of a residential mortgage loan, and
336 (B) communication with a consumer to obtain the information
337 necessary for the processing or underwriting of a loan to the extent
338 that such communication does not include offering or negotiating loan
339 rates or terms or counseling consumers about residential mortgage
340 loan rates or terms;

341 [(14)] (16) "Main office" means the main address designated on the
342 system;

343 [(15)] (17) "Mortgage broker" (A) means a person who (i) for
344 compensation or gain or with the expectation of compensation or gain
345 (I) takes a residential mortgage loan application, or (II) offers or
346 negotiates terms of a residential mortgage loan, and (ii) is not the
347 prospective source of the funds for the residential mortgage loan, and
348 (B) does not include (i) an individual who is licensed as a mortgage
349 loan originator acting as a mortgage loan originator on behalf of such
350 mortgage loan originator's sponsoring mortgage lender, mortgage
351 correspondent lender, mortgage broker or exempt registrant, or (ii) an
352 individual exempt from mortgage loan originator licensure under
353 subdivision (2) of subsection (b) of section 36a-486, as amended by this
354 act, when acting within the scope of such exemption;

355 [(16)] (18) "Mortgage correspondent lender" means a person
356 engaged in the business of making residential mortgage loans in such
357 person's own name where the loans are not held by such person for
358 more than ninety days and are funded by another person through a
359 warehouse agreement, table funding agreement or similar agreement;

360 [(17)] (19) "Mortgage lender" means a person engaged in the
361 business of making residential mortgage loans in such person's own
362 name utilizing such person's own funds or by funding loans through a
363 warehouse agreement, table funding agreement or similar agreement;

364 [(18)] (20) "Mortgage loan originator" means an individual who for

365 compensation or gain or with the expectation of compensation or gain,
366 either for such individual or for the person employing or retaining
367 such individual, (A) takes a residential mortgage loan application, or
368 (B) offers or negotiates terms of a residential mortgage loan. "Mortgage
369 loan originator" does not include (i) an individual engaged solely as a
370 loan processor or underwriter; (ii) a person who only performs real
371 estate brokerage activities and is licensed in accordance with chapter
372 392, unless the person is compensated by a mortgage lender, mortgage
373 correspondent lender, mortgage broker or other mortgage loan
374 originator or by any agent of such mortgage lender, mortgage
375 correspondent lender, mortgage broker or other mortgage loan
376 originator; (iii) a person solely involved in extensions of credit relating
377 to timeshare plans, as that term is defined in Paragraph 53D of 11 USC
378 101; or (iv) any individual who solely renegotiates terms for existing
379 mortgage loans on behalf of a mortgagee and who does not otherwise
380 act as a mortgage loan originator, unless the United States Department
381 of Housing and Urban Development, the Bureau of Consumer
382 Financial Protection or a court of competent jurisdiction determines
383 that the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC Section 5101
384 et seq., requires such individual to be licensed as a mortgage loan
385 originator under state laws implementing said S.A.F.E. Mortgage
386 Licensing Act;

387 [(19)] (21) "Office" means a branch office or a main office;

388 [(20)] (22) "Person" means a natural person, corporation, company,
389 limited liability company, partnership or association;

390 [(21)] (23) "Principal amount of the loan" means the gross amount
391 the borrower is obligated to repay including any prepaid finance
392 charge that is financed, and any other charge that is financed;

393 [(22)] (24) "Real estate brokerage activity" means any activity that
394 involves offering or providing real estate brokerage services to the
395 public, including (A) acting as a real estate agent or real estate broker
396 for a buyer, seller, lessor or lessee of real property; (B) bringing

397 together parties interested in the sale, purchase, lease, rental or
398 exchange of real property; (C) negotiating, on behalf of any party, any
399 portion of a contract relating to the sale, purchase, lease, rental or
400 exchange of real property, other than in connection with providing
401 financing with respect to any such transaction; (D) engaging in any
402 activity for which a person engaged in the activity is required to be
403 registered or licensed as a real estate agent or real estate broker under
404 any applicable law; and (E) offering to engage in any activity, or act in
405 any capacity, described in this subdivision;

406 [(23)] (25) "Registered mortgage loan originator" means any
407 individual who (A) meets the definition of mortgage loan originator
408 and is an employee of a depository institution, a subsidiary that is
409 owned and controlled by a depository institution and regulated by a
410 federal banking agency, or an institution regulated by the Farm Credit
411 Administration; and (B) is registered with and maintains a unique
412 identifier through the system;

413 [(24)] (26) "Residential mortgage loan" means any loan primarily for
414 personal, family or household use that is secured by a mortgage, deed
415 of trust or other equivalent consensual security interest on a dwelling
416 or residential real estate upon which is constructed or intended to be
417 constructed a dwelling;

418 [(25)] (27) "Residential real estate" means any real property located
419 in this state, upon which is constructed or intended to be constructed a
420 dwelling;

421 [(26)] (28) "Secondary mortgage loan" means a residential mortgage
422 loan that is secured, in whole or in part, by a mortgage, provided such
423 property is subject to one or more prior mortgages;

424 [(27)] (29) "Simulated check" means a document that imitates or
425 resembles a check but is not a negotiable instrument;

426 [(28)] (30) "Sponsored" means employed or retained as an
427 independent contractor;

428 [(29)] (31) "Table funding agreement" means an agreement wherein
429 a person agrees to fund mortgage loans to be made in another person's
430 name and to purchase such loans after they are made;

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

438 [(30)] (33) "Unique identifier" means a number or other identifier
439 assigned by protocols established by the system; and

440 [(31)] (34) "Warehouse agreement" means an agreement to provide
441 credit to a person to enable the person to have funds to make
442 residential mortgage loans and hold such loans pending sale to other
443 persons.

444 Sec. 10. Section 36a-486 of the 2016 supplement to the general
445 statutes is repealed and the following is substituted in lieu thereof
446 (*Effective October 1, 2016*):

447 (a) No person shall engage in the business of making residential
448 mortgage loans or act as a mortgage broker in this state unless such
449 person has first obtained the required license for its main office and
450 each branch office where such business is conducted in accordance
451 with the provisions of sections 36a-485 to 36a-498f, inclusive, as
452 amended by this act, 36a-534a and 36a-534b, as amended by this act.
453 [Effective April 1, 2010, any] Any such person who is an individual
454 shall also obtain a mortgage loan originator license prior to conducting
455 such business unless such individual does not engage directly in the
456 activities of a mortgage loan originator. A person, other than a licensed
457 mortgage loan originator acting on behalf of a mortgage lender or
458 mortgage correspondent lender, shall be deemed to be engaged in the

459 business of making residential mortgage loans if such person
460 advertises, causes to be advertised, solicits or offers to make residential
461 mortgage loans, either directly or indirectly. A person, other than a
462 licensed mortgage loan originator acting on behalf of a mortgage
463 broker, shall be deemed to be acting as a mortgage broker if such
464 person advertises or causes to be advertised that such person will
465 negotiate, solicit, place or find a residential mortgage loan, either
466 directly or indirectly. A licensed lead generator shall not be deemed to
467 be acting as a mortgage lender, mortgage correspondent lender,
468 mortgage broker or mortgage loan originator when engaged in
469 activities contemplated by the definition of lead generator set forth in
470 section 36a-485, as amended by this act. A mortgage correspondent
471 lender shall not be deemed to be acting as a mortgage lender if such
472 mortgage correspondent lender makes a loan utilizing its own funds in
473 a situation where another person does not honor such person's
474 commitment to fund the loan.

475 (b) (1) No person licensed as a mortgage lender, mortgage
476 correspondent lender or mortgage broker shall engage the services of a
477 mortgage loan originator or of a loan processor or underwriter
478 required to be licensed under this section unless such mortgage loan
479 originator or loan processor or underwriter is licensed under section
480 36a-489, as amended by this act. No person licensed as a mortgage
481 lender, mortgage correspondent lender, mortgage broker or mortgage
482 loan originator shall engage the services of a lead generator unless
483 such lead generator is licensed under section 23 of this act. An
484 individual, unless specifically exempted under subdivision (2) of this
485 subsection, shall not engage in the business of a mortgage loan
486 originator on behalf of a licensee or a person exempt under section 36a-
487 487 with respect to any residential mortgage loan without first
488 obtaining and maintaining annually a license as a mortgage loan
489 originator under section 36a-489, as amended by this act. An
490 individual, unless specifically exempted under subdivision (2) of this
491 subsection, shall be deemed to be engaged in the business of a
492 mortgage loan originator if such individual: (A) Acts as a mortgage

493 loan originator in connection with any residential mortgage loan on
494 behalf of a licensee or person exempt under section 36a-487; or (B)
495 makes any representation to the public through advertising or other
496 means of communication that such individual can or will act as a
497 mortgage loan originator on behalf of a licensee or person exempt
498 under section 36a-487. Each licensed mortgage loan originator and
499 each licensed loan processor or underwriter shall register with and
500 maintain a valid unique identifier issued by the system. No individual
501 may act as a mortgage loan originator for more than one person at the
502 same time. No loan processor or underwriter licensee may be
503 sponsored by more than one person at a time. The license of a
504 mortgage loan originator or a loan processor or underwriter is not
505 effective during any period when such mortgage loan originator or a
506 loan processor or underwriter is not sponsored by a licensed mortgage
507 lender, mortgage correspondent lender or mortgage broker, or by a
508 person registered as an exempt registrant under subsection (d) of
509 section 36a-487, or during any period in which the license of the
510 mortgage lender, mortgage correspondent lender or mortgage broker
511 with whom such originator or loan processor or underwriter is
512 associated has been suspended. Either the mortgage loan originator,
513 the loan processor or underwriter or the sponsor may file a notification
514 of the termination of sponsorship with the system.

515 (2) The following are exempt from subdivision (1) of subsection (b)
516 of this section: (A) A registered mortgage loan originator or an
517 employee of an institution or subsidiary described in subdivision [(23)]
518 (25) of section 36a-485, as amended by this act, who is not required to
519 be registered under Section 1507 of the S.A.F.E. Mortgage Licensing
520 Act of 2008, 12 USC Section 5101 et seq., when acting for such
521 institution or subsidiary; (B) an individual who offers or negotiates the
522 terms of a residential mortgage loan with or on behalf of an immediate
523 family member of such individual; (C) an individual who offers or
524 negotiates the terms of a residential mortgage loan secured by a
525 dwelling that served as the individual's residence, unless the context
526 demonstrates that such individual engaged in such activities with a

527 degree of habitualness or repetition; (D) a Connecticut licensed
528 attorney who negotiates the terms of a residential mortgage loan on
529 behalf of a client as an ancillary matter to the attorney's representation
530 of the client, unless the attorney is compensated by a mortgage lender,
531 mortgage correspondent lender, mortgage broker or other mortgage
532 loan originator or by any agent of such mortgage lender, mortgage
533 correspondent lender, mortgage broker or other mortgage loan
534 originator; (E) an individual who takes a residential mortgage loan
535 application or offers or negotiates terms of a residential mortgage loan
536 as an employee of a federal, state or local government agency or
537 housing finance agency exempt from licensure pursuant to section 36a-
538 487, and who does so only pursuant to such individual's official duties
539 as an employee of such agency; (F) an individual who takes a
540 residential mortgage loan application or offers or negotiates terms of a
541 residential mortgage loan as an employee of an organization that has
542 obtained bona fide nonprofit status from the commissioner and is
543 exempt from licensure pursuant to section 36a-487, and who does so
544 only pursuant to such individual's official duties as an employee of
545 such organization; and (G) an individual who offers or negotiates the
546 terms of a residential mortgage loan secured by a dwelling that is not
547 the individual's residence but is owned by such individual, unless the
548 context demonstrates that such individual engaged in such activities
549 with a degree of habitualness or repetition.

550 (3) No individual shall engage in the activities of a loan processor or
551 underwriter unless such individual obtains and maintains a license as
552 a loan processor or underwriter under section 36a-489, as amended by
553 this act. The following individuals are exempt from the foregoing
554 license requirement:

555 (A) An employee of a licensed mortgage lender, mortgage
556 correspondent lender or mortgage broker who engages in loan
557 processor or underwriter activities (i) in connection with residential
558 mortgage loans either originated or made by such licensee, and (ii) at
559 the direction of and subject to the supervision of a licensed mortgage

560 loan originator of such licensee;

561 (B) An employee of a person exempt from licensure under
562 subdivision (1), (2) or (3) of subsection (a) of section 36a-487 who
563 engages in loan processor or underwriter activities at the direction of
564 and subject to the supervision of either a licensed mortgage loan
565 originator or a registered mortgage loan originator of such exempt
566 person; or

567 (C) Any individual engaged, in any capacity, in loan processor or
568 underwriter activities in connection with a residential mortgage loan
569 originated by an individual not required to be licensed or registered as
570 a mortgage loan originator under this part.

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

577 (c) If the United States Department of Housing and Urban
578 Development, the Bureau of Consumer Financial Protection or a court
579 of competent jurisdiction determines that the S.A.F.E. Mortgage
580 Licensing Act of 2008, 12 USC Section 5101 et seq., requires an
581 individual described in subparagraph (B) (iv) of subdivision [(18)] (20)
582 of section 36a-485, as amended by this act, to be licensed as a mortgage
583 loan originator under state laws implementing said S.A.F.E. Mortgage
584 Licensing Act, such individual may continue to act in such individual's
585 current capacity, provided such individual files an application for a
586 mortgage loan originator license not later than the date sixty days from
587 the date of such determination by the United States Department of
588 Housing and Urban Development, the Bureau of Consumer Financial
589 Protection or a court of competent jurisdiction.

590 (d) Each residential mortgage loan taken, offered, negotiated,

591 solicited, arranged, placed, found, made, processed or underwritten
592 without a license shall constitute a separate violation for purposes of
593 section 36a-50.

594 Sec. 11. Section 36a-488 of the general statutes is repealed and the
595 following is substituted in lieu thereof (*Effective October 1, 2016*):

596 (a) (1) The commissioner shall not issue a mortgage lender license, a
597 mortgage correspondent lender license or a mortgage broker license to
598 any person unless such person meets the following tangible net worth
599 and experience requirements, as applicable: (A) The minimum tangible
600 net worth requirement for a mortgage lender shall be two hundred
601 fifty thousand dollars and the minimum tangible net worth
602 requirement for a mortgage correspondent lender and a mortgage
603 broker shall be [(i) prior to March 2, 2009, twenty-five thousand
604 dollars, and (ii) on and after March 2, 2009,] fifty thousand dollars, and
605 (B) a mortgage lender, mortgage correspondent lender or mortgage
606 broker shall have, at the main office for which the license is sought, a
607 qualified individual and, at each branch office, a branch manager (i)
608 who have supervisory authority over the lending or brokerage
609 activities, (ii) who have at least three years' experience in the mortgage
610 business within the five years immediately preceding the date of the
611 application for the license, (iii) who [, effective April 1, 2010, have
612 completed the preclicensing education requirement described in section
613 36a-489a and passed a written test that meets the test requirement
614 described in section 36a-489a, and (iv) who, effective November 1,
615 2012,] are licensed as a mortgage loan originator under section 36a-489,
616 as amended by this act. As used in this subdivision, "experience in the
617 mortgage business" means paid experience in the origination,
618 processing or underwriting of residential mortgage loans, the
619 marketing of such loans in the secondary market or in the supervision
620 of such activities, or any other relevant experience as determined by
621 the commissioner.

622 (2) Each licensee shall maintain the net worth required by this
623 subsection.

624 [(3) Not later than April 1, 2010, each qualified individual and
625 branch manager shall have completed the prelicensing education
626 requirement described in section 36a-489a and passed a written test
627 that meets the test requirement described in section 36a-489a.]

628 (b) The commissioner may issue a mortgage lender license, a
629 mortgage correspondent lender license, or a mortgage broker license.
630 Each mortgage lender licensee may also act as a mortgage
631 correspondent lender and a mortgage broker, and each mortgage
632 correspondent lender licensee may also act as a mortgage broker. [On
633 and after July 1, 2008, an] An application for a license as a mortgage
634 lender, mortgage correspondent lender or mortgage broker office or
635 renewal of such license shall be filed, in a form prescribed by the
636 commissioner, with the system. Each such form shall contain content
637 as set forth by instruction or procedure of the commissioner and may
638 be changed or updated as necessary by the commissioner in order to
639 carry out the purpose of sections 36a-21, as amended by this act, 36a-
640 485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-
641 534b, as amended by this act. The applicant shall, at a minimum,
642 furnish to the system information concerning the identity of the
643 applicant, any control person of the applicant, the qualified individual
644 and any branch manager, including personal history and experience in
645 a form prescribed by the system and information related to any
646 administrative, civil or criminal findings by any governmental
647 jurisdiction. The following supplementary information shall be filed
648 directly with the commissioner: (1) In the case of an initial application
649 for a license for the main office, (A) a financial statement as of a date
650 not more than twelve months prior to the filing of the application
651 which reflects tangible net worth, and if such financial statement is
652 unaudited, the proprietor, general partner, or duly authorized officer,
653 trustee or member shall swear to its accuracy under oath before a
654 notary public, and (B) a bond as required by section 36a-492, as
655 amended by this act; (2) evidence that the qualified individual or
656 branch manager meets the experience required by subsection (a) of this
657 section; and (3) such other information pertaining to the applicant, the

658 applicant's background, the background of its principals, employees,
659 mortgage loan originators, and loan processors or underwriters, and
660 the applicant's activities as the commissioner may require. For the
661 purpose of this subsection, evidence of experience of the qualified
662 individual or branch manager shall include: (A) A statement
663 specifying the duties and responsibilities of such person's
664 employment, the term of employment, including month and year, and
665 the name, address and telephone number of a supervisor, employer or,
666 if self-employed, a business reference; and (B) if required by the
667 commissioner, copies of W-2 forms, 1099 tax forms or, if self-
668 employed, 1120 corporate tax returns, signed letters from the employer
669 on the employer's letterhead verifying such person's duties and
670 responsibilities and term of employment including month and year,
671 and if such person is unable to provide such letters, other proof
672 satisfactory to the commissioner that such person meets the experience
673 requirement. The commissioner may conduct a criminal history
674 records check of the applicant, any control person of the applicant and
675 the qualified individual or branch manager with supervisory authority
676 at the office for which the license is sought and require the applicant to
677 submit the fingerprints of such persons and authorization of such
678 persons for the system and the commissioner to obtain an independent
679 credit report from a consumer reporting agency, as described in
680 Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a, as part
681 of the application.

682 (c) [(1)] The commissioner may issue a mortgage loan originator
683 license or a loan processor or underwriter license. Each mortgage loan
684 originator licensee may also act as a loan processor or underwriter. An
685 application to license an individual as a mortgage loan originator or a
686 loan processor or underwriter for a specified office or renewal of such
687 license shall be filed, in a form prescribed by the commissioner, with
688 the system. Each such form shall contain content as set forth by
689 instruction or procedure of the commissioner and may be changed or
690 updated as necessary by the commissioner in order to carry out the
691 purpose of sections 36a-485 to 36a-498f, inclusive, as amended by this

692 act, 36a-534a and 36a-534b, as amended by this act. The applicant shall,
693 at a minimum, furnish to the system, in a form prescribed by the
694 system, information concerning the applicant's identity, including
695 personal history and experience and information related to any
696 administrative, civil or criminal findings by any governmental
697 jurisdiction. [Effective April 1, 2010, each] Each applicant for a
698 mortgage loan originator [license and, effective October 1, 2011, each
699 applicant for a] or loan processor or underwriter license [.] shall
700 furnish to the system fingerprints for submission to the Federal Bureau
701 of Investigation and any governmental agency or entity authorized to
702 receive such information for a state, national and international criminal
703 history background check. [Effective the later of July 31, 2010, or thirty
704 days after the date the system commences accepting such
705 authorizations for processing, each] Each applicant shall furnish
706 authorization for the system and the commissioner to obtain an
707 independent credit report from a consumer reporting agency, as
708 described in Section 603(p) of the Fair Credit Reporting Act, 15 USC
709 1681a.

710 [(2) Not later than April 1, 2010, each mortgage loan originator
711 licensee shall furnish to the system fingerprints for submission to the
712 Federal Bureau of Investigation and any governmental agency or
713 entity authorized to receive such information for a state, national and
714 international criminal history background check. By July 31, 2010, or
715 thirty days after the system commences accepting such authorizations
716 for processing, whichever is later, each such licensee shall furnish
717 authorization for the system and the commissioner to obtain an
718 independent credit report obtained from a consumer reporting agency
719 described in Section 603(p) of the Fair Credit Reporting Act, 15 USC
720 1681a.]

721 Sec. 12. Section 36a-489 of the general statutes is repealed and the
722 following is substituted in lieu thereof (*Effective October 1, 2016*):

723 (a) (1) The commissioner shall not issue an initial license for a
724 mortgage lender, mortgage correspondent lender or mortgage broker

725 unless the commissioner, at a minimum, finds that: (A) The applicant
726 meets the requirements of subsection (a) of section 36a-488, as
727 amended by this act; (B) notwithstanding the provisions of section 46a-
728 80, the applicant, the control persons of the applicant and the qualified
729 individual or branch manager with supervisory authority at the office
730 for which the license is sought have not been convicted of, or pled
731 guilty or nolo contendere to, a felony in a domestic, foreign or military
732 court during the seven-year period preceding the date of the
733 application for licensing or at any time preceding the date of
734 application if such felony involved an act of fraud, dishonesty, a
735 breach of trust or money laundering, provided any pardon or
736 expungement of a conviction shall not be a conviction for purposes of
737 this subdivision; (C) the applicant demonstrates that the financial
738 responsibility, character and general fitness of the applicant, the
739 control persons of the applicant and the qualified individual or branch
740 manager having supervisory authority over the office for which the
741 license is sought are such as to command the confidence of the
742 community and to warrant a determination that the applicant will
743 operate honestly, fairly and efficiently within the purposes of sections
744 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and
745 36a-534b, as amended by this act; (D) the applicant has met the surety
746 bond requirement under section 36a-492, as amended by this act; and
747 (E) the applicant has not made a material misstatement in the
748 application. If the commissioner fails to make such findings, the
749 commissioner shall not issue a license, and shall notify the applicant of
750 the denial and the reasons for such denial. For purposes of this
751 subsection, the level of offense of the crime and the status of any
752 conviction, pardon or expungement shall be determined by reference
753 to the law of the jurisdiction where the case was prosecuted. In the
754 event that such jurisdiction does not use the term "felony", "pardon" or
755 "expungement", such terms shall include legally equivalent events.

756 (2) (A) The minimum standards for license renewal for a mortgage
757 lender, mortgage correspondent lender or mortgage broker shall
758 include the following: (i) The applicant continues to meet the

759 minimum standards under subdivision (1) of this subsection; and (ii)
760 [effective April 1, 2010, each qualified individual and branch manager
761 has completed the prelicensing education requirement described in
762 section 36a-489a and passed a written test that meets the test
763 requirement described in section 36a-489a, or has satisfied the annual
764 continuing education requirements described in subsection (c) of
765 section 36a-489a, as applicable, and effective November 1, 2012, each
766 qualified individual and branch manager is licensed as a mortgage
767 loan originator and has completed any applicable continuing
768 education requirements described in subsection (c) of section 36a-489a;
769 and (iii)] the mortgage lender, mortgage correspondent lender or
770 mortgage broker has paid all required fees for renewal of the license.

771 (B) The license of a mortgage lender, mortgage correspondent
772 lender or mortgage broker failing to satisfy the minimum standards for
773 license renewal shall expire. The commissioner may adopt procedures
774 for the reinstatement of expired licenses consistent with the standards
775 established by the system. The commissioner may automatically
776 suspend a mortgage lender, mortgage correspondent lender or
777 mortgage broker license if the licensee receives a deficiency on the
778 system indicating that the payment required by subparagraph (A) of
779 this subdivision was Returned-ACH or returned pursuant to such
780 other term as may be utilized by the system to indicate that the
781 payment was not accepted. After a license has been automatically
782 suspended pursuant to this section, the commissioner shall give such
783 licensee notice of the automatic suspension, pending proceedings for
784 revocation or refusal to renew pursuant to section 36a-494, as amended
785 by this act, and an opportunity for a hearing on such action in
786 accordance with section 36a-51, and require such licensee to take or
787 refrain from taking such action that, in the opinion of the
788 commissioner, will effectuate the purposes of this section.

789 (b) (1) The commissioner shall not issue an initial license for a
790 mortgage loan originator or a loan processor or underwriter unless the
791 commissioner, at a minimum, finds that the applicant has: (A) Never

792 had a mortgage loan originator or equivalent loan processor or
793 underwriter license revoked in any governmental jurisdiction, except
794 that a subsequent formal vacating of such revocation shall not be
795 deemed a revocation; (B) notwithstanding the provisions of section
796 46a-80, not been convicted of, or pled guilty or nolo contendere to, a
797 felony in a domestic, foreign or military court during the seven-year
798 period preceding the date of the application for licensing or at any
799 time preceding such date of application if such felony involved an act
800 of fraud, dishonesty, a breach of trust, or money laundering, provided
801 any pardon or expungement of a conviction shall not be a conviction
802 for purposes of this subdivision; (C) demonstrated financial
803 responsibility, character and general fitness so as to command the
804 confidence of the community and to warrant a determination that the
805 mortgage loan originator or loan processor or underwriter will operate
806 honestly, fairly and efficiently within the purposes of sections 36a-485
807 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b,
808 as amended by this act; (D) [for mortgage loan originator applicants,
809 effective April 1, 2010, and for loan processor or underwriter
810 applicants, effective October 1, 2011,] completed the prelicensing
811 education requirement described in section 36a-489a, amended by this
812 act, and passed a written test that meets the test requirement described
813 in section 36a-489a, as amended by this act; [and, effective November
814 1, 2012, for qualified individuals or branch managers seeking initial
815 licensure as a mortgage loan originator, completed any continuing
816 education required of them in their position as qualified individuals
817 and branch managers pursuant to section 36a-489a; (E) effective July
818 31, 2010,] (E) met the surety bond requirement under section 36a-492,
819 as amended by this act, and [, effective October 1, 2011,] in the case of a
820 mortgage loan originator required to be licensed under section 36a-
821 671e, met the surety bond requirements under sections 36a-492, as
822 amended by this act, and 36a-671d; and (F) not made a material
823 misstatement in the application. If the commissioner denies an
824 application for a mortgage loan originator or a loan processor or
825 underwriter license, the commissioner shall notify the applicant and
826 may notify the sponsor or any other person the commissioner deems

827 appropriate of the denial and the reasons for such denial. For purposes
828 of this subsection, the level of offense of the crime and the status of any
829 conviction, pardon or expungement shall be determined by reference
830 to the law of the jurisdiction where the case was prosecuted. In the
831 event that such jurisdiction does not use the term "felony", "pardon" or
832 "expungement", those terms shall include legally equivalent events.

833 (2) (A) The minimum standards for license renewal for a mortgage
834 loan originator or a loan processor or underwriter shall include the
835 following: (i) The licensee continues to meet the minimum standards
836 for license issuance under subdivision (1) of this subsection; (ii) the
837 licensee has satisfied the annual continuing education requirements
838 described in subsection (c) of section 36a-489a, as amended by this act;
839 and (iii) the licensee has paid all required fees for renewal of the
840 license.

841 (B) The license of a mortgage loan originator or a loan processor or
842 underwriter that fails to satisfy the minimum standards for license
843 renewal shall expire. The commissioner may adopt procedures for the
844 reinstatement of expired licenses consistent with the standards
845 established by the system. The commissioner may automatically
846 suspend a mortgage loan originator or a loan processor or underwriter
847 license if the licensee receives a deficiency on the system indicating
848 that the payment required by subparagraph (A) of subdivision (2) of
849 this subsection was Returned-ACH or returned pursuant to such other
850 term as may be utilized by the system to indicate that the payment was
851 not accepted. After a license has been automatically suspended
852 pursuant to this section, the commissioner shall give such licensee
853 notice of the automatic suspension, pending proceedings for
854 revocation or refusal to renew pursuant to section 36a-494, as amended
855 by this act, and an opportunity for a hearing on such action in
856 accordance with section 36a-51 and require such licensee to take or
857 refrain from taking such action that, in the opinion of the
858 commissioner, will effectuate the purposes of this section.

859 [(3) Not later than April 1, 2010, each mortgage loan originator

860 licensee shall have completed the prelicensing education requirement
861 described in section 36a-489a and passed a written test that meets the
862 test requirement described in section 36a-489a, provided a mortgage
863 loan originator licensee who was licensed as of the enactment of public
864 act 09-209 shall have completed such prelicensing education
865 requirement and passed such written test not later than October 31,
866 2010.]

867 (c) For purposes of this section, a person has shown that such
868 person is not financially responsible when such person has shown a
869 disregard in the management of such person's own financial condition.
870 A determination that a person has not shown financial responsibility
871 may include, but is not limited to: (1) Current outstanding judgments,
872 except judgments solely as a result of medical expenses; (2) current
873 outstanding tax liens or other government liens and filings; (3)
874 foreclosures during the three years preceding the date of application
875 for an initial license or renewal of a license; or (4) a pattern of seriously
876 delinquent accounts within the past three years.

877 (d) (1) Withdrawal of an application for a license filed under
878 subsection (a) or (b) of this section shall become effective upon receipt
879 by the commissioner of a notice of intent to withdraw such application.
880 The commissioner may deny a license up to the date one year after the
881 effective date of withdrawal.

882 (2) If a license expires under this section due to the licensee's failure
883 to renew, the commissioner may institute a revocation or suspension
884 proceeding or issue an order suspending or revoking such license
885 pursuant to section 36a-494, as amended by this act, not later than one
886 year after the date of such expiration.

887 (e) The commissioner may deem an application for a license under
888 this section abandoned if the applicant fails to respond to any request
889 for information required under sections 36a-485 to 36a-498f, inclusive,
890 as amended by this act, 36a-534a and 36a-534b, as amended by this act,
891 or the regulations adopted pursuant to said sections. The

892 commissioner shall notify the applicant on the system that if such
893 information is not submitted not later than sixty days from the date of
894 such request the application shall be deemed abandoned. An
895 application filing fee paid prior to the date an application is deemed
896 abandoned pursuant to this subsection shall not be refunded.
897 Abandonment of an application pursuant to this subsection shall not
898 preclude the applicant from submitting a new application for a license
899 under said sections 36a-485 to 36a-498f, inclusive, as amended by this
900 act, 36a-534a and 36a-534b, as amended by this act.

901 Sec. 13. Section 36a-489a of the general statutes is repealed and the
902 following is substituted in lieu thereof (*Effective October 1, 2016*):

903 (a) (1) In order to meet the prelicensing education and testing
904 requirements referred to in sections 36a-488, as amended by this act,
905 and 36a-489, as amended by this act, an individual shall complete at
906 least twenty-one hours of education approved in accordance with
907 subdivision (2) of this subsection, which shall include at least (A) three
908 hours of instruction on relevant federal law and regulations; (B) three
909 hours of ethics, including instruction on fraud, consumer protection
910 and fair lending issues; (C) two hours of training related to lending
911 standards for the nontraditional mortgage product marketplace; and
912 (D) one hour of relevant Connecticut law.

913 (2) For purposes of subdivision (1) of this subsection, prelicensing
914 education courses shall be reviewed and approved by the system
915 based upon reasonable standards. Review and approval of a
916 prelicensing education course shall include review and approval of the
917 course provider.

918 (3) Nothing in this subsection shall preclude any prelicensing
919 education course, as approved by the system, that is provided by the
920 sponsor or employer of the individual or an entity which is affiliated
921 with the individual by an agency contract, or any subsidiary or affiliate
922 of such sponsor, employer or entity.

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

925 (5) When prelicensing education requirements described in
926 subdivision (1) of this subsection are completed in another state, such
927 out-of-state prelicensing education requirements shall be accepted as
928 credit towards completion of the prelicensing education requirements
929 of this state, provided such out-of-state prelicensing education
930 requirements are approved by the system.

931 (6) (A) An individual previously licensed under section 36a-489, as
932 amended by this act, [subsequent to the applicable effective date of the
933 prelicensing and testing requirements referred to in section 36a-489,]
934 who is applying to be relicensed shall prove that such individual has
935 completed [all of] the continuing education requirements for the year
936 in which the license was last held.

937 (B) An individual who previously held a position as a qualified
938 individual or branch manager, [subsequent to the applicable effective
939 date of the prelicensing and testing requirements referred to in section
940 36a-488,] at a time when such individual was not required to be
941 licensed as a mortgage loan originator, may not hold such position
942 again until such individual has completed [all of] the continuing
943 education requirements for the year in which such individual last held
944 such position and [, effective November 1, 2012,] has obtained the
945 required mortgage loan originator license.

946 (b) (1) In order to meet the written test requirements referred to in
947 sections 36a-488, as amended by this act, and 36a-489, as amended by
948 this act, an individual shall pass, in accordance with the standards
949 established under this subsection, a qualified written test developed by
950 the system and administered by a test provider approved by the
951 system based upon reasonable standards.

952 (2) A written test shall not be treated as a qualified written test for
953 purposes of subdivision (1) of this subsection unless the test

954 adequately measures the individual's knowledge and comprehension
955 in appropriate subject areas, including ethics, federal law and
956 regulation pertaining to mortgage origination, state law and regulation
957 pertaining to mortgage origination, and federal and state law and
958 regulation, including instruction on fraud, consumer protection, the
959 nontraditional mortgage marketplace and fair lending issues.

960 (3) Nothing in this subsection shall prohibit a test provider
961 approved by the system from providing a test at the location of the
962 sponsor or employer, any subsidiary or affiliate of the sponsor or
963 employer or any entity with which the individual holds an exclusive
964 arrangement to conduct the business of a mortgage loan originator.

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

968 (B) An individual may retake a test three consecutive times with
969 each consecutive taking occurring at least thirty days after the
970 preceding test. After failing three consecutive tests, an individual shall
971 wait at least six months before taking the test again.

972 (C) (i) An individual who was previously licensed [subsequent to
973 the applicable effective date of the prelicensing and testing
974 requirements referred to in section 36a-489] as a mortgage loan
975 originator, who completed the test in connection with such license and
976 who has not been licensed as a mortgage loan originator within the
977 five-year period preceding the date of the filing of such individual's
978 application for a mortgage loan originator license, not taking into
979 account any time during which such individual [is] was a registered
980 mortgage loan originator, shall retake such test; and (ii) [effective
981 October 1, 2011,] an individual previously licensed as a loan processor
982 or underwriter who applies to be licensed again shall retake the test if
983 such individual has not been licensed as a loan processor or
984 underwriter within the five-year period preceding the date of the filing
985 of such application, not taking into account any time during which

986 such individual [is] was engaged in loan processing or underwriting
987 but not required to be licensed under subdivision (3) of subsection (b)
988 of section 36a-486, as amended by this act.

989 (c) (1) In order to meet the annual continuing education
990 requirements referred to in subsections (a) and (b) of section 36a-489,
991 as amended by this act, a licensed mortgage loan originator, a qualified
992 individual or branch manager and [, effective October 1, 2011,] a
993 licensed loan processor or underwriter, shall complete at least eight
994 hours of education approved in accordance with subdivision (2) of this
995 subsection. Such courses shall include at least (A) three hours of
996 instruction on relevant federal law and regulation; (B) two hours of
997 ethics, including instruction on fraud, consumer protection and fair
998 lending issues; (C) two hours of training related to lending standards
999 for the nontraditional mortgage product marketplace; and (D) effective
1000 January 1, 2015, one hour of relevant Connecticut law.

1001 (2) For purposes of subdivision (1) of this subsection, continuing
1002 education courses shall be reviewed and approved by the system
1003 based upon reasonable standards. Review and approval of a
1004 continuing education course shall include review and approval of the
1005 course provider.

1006 (3) Nothing in this subsection shall preclude any education course
1007 approved by the system that is provided by the sponsor or employer
1008 or an entity that is affiliated with the mortgage loan originator,
1009 qualified individual, [or] branch manager or [, effective October 1,
1010 2011,] loan processor or underwriter by an agency contract, or by any
1011 subsidiary or affiliate of such sponsor, employer or entity.

1012 (4) Continuing education may be offered either in a classroom,
1013 online or by any other means approved by the system.

1014 (5) Except as provided in procedures adopted under subsections (a)
1015 and (b) of section 36a-489, as amended by this act, or in regulations
1016 adopted under subdivision (9) of this subsection, a licensed mortgage

1017 loan originator, qualified individual, [or] branch manager or [,
1018 effective October 1, 2011,] a licensed loan processor or underwriter,
1019 may only receive credit for a continuing education course in the year
1020 for which the course is taken, and may not take the same approved
1021 course in the same or successive years to meet the annual requirements
1022 for continuing education.

1023 (6) A licensed mortgage loan originator, [or] a qualified individual,
1024 [or] branch manager or [, effective October 1, 2011,] a licensed loan
1025 processor or underwriter who is an approved instructor of an
1026 approved continuing education course may receive credit for the
1027 licensee's own annual continuing education requirement at the rate of
1028 two hours credit for every one hour taught.

1029 (7) When education requirements described in subdivision (1) of
1030 subsection (a) of this section are completed in another state, such out-
1031 of-state education requirements shall be accepted as credit towards
1032 completion of the education requirements of this state, provided such
1033 out-of-state education requirements are approved by the system.

1034 (8) A licensed mortgage loan originator and [, effective October 1,
1035 2011,] a licensed loan processor or underwriter who subsequently
1036 becomes unlicensed must complete the continuing education
1037 requirements for the last year in which the license was held prior to
1038 issuance of an initial or renewed license. A qualified individual or
1039 branch manager who ceases to hold such position shall complete the
1040 continuing education requirements for the last year in which such
1041 individual or branch manager held such position prior to licensure as a
1042 mortgage loan originator.

1043 (9) A person who meets the requirements of subparagraphs (A)(i)
1044 and [(A)(iii)] (A)(ii) of subdivision (2) of subsection (a) or
1045 subparagraphs (A)(i) and (A)(iii) of subdivision (2) of subsection (b) of
1046 section 36a-489, as amended by this act, may compensate for any
1047 deficiency in an individual's continuing education requirements
1048 pursuant to regulations adopted by the commissioner.

1049 (d) For purposes of this section "nontraditional mortgage product"
1050 means any mortgage product other than a thirty-year fixed rate
1051 mortgage.

1052 Sec. 14. Section 36a-490 of the general statutes is repealed and the
1053 following is substituted in lieu thereof (*Effective October 1, 2016*):

1054 (a) (1) A mortgage lender, mortgage correspondent lender and
1055 mortgage broker license shall not be transferable or assignable. No
1056 licensee may use any name other than its legal name or a fictitious
1057 name approved by the commissioner, provided such licensee may not
1058 use its legal name if the commissioner disapproves use of such name.
1059 Any licensee who intends to permanently cease engaging in the
1060 business of making residential mortgage loans or acting as a mortgage
1061 broker at any time during a license period for any cause, including, but
1062 not limited to, bankruptcy or voluntary dissolution, shall file a request
1063 to surrender the license for each office at which the licensee intends to
1064 cease to do business, on the system, not later than fifteen days after the
1065 date of such cessation, provided this requirement shall not apply when
1066 a license has been suspended pursuant to section 36a-51. No surrender
1067 shall be effective until accepted by the commissioner.

1068 (2) A mortgage loan originator licensee who intends to permanently
1069 cease engaging in the business of a mortgage loan originator at any
1070 time during a license period for any cause, including, but not limited
1071 to, bankruptcy, shall file a request to surrender the license on the
1072 system not later than fifteen days after the date of such cessation,
1073 provided this requirement shall not apply when a license has been
1074 suspended pursuant to section 36a-51. No surrender shall be effective
1075 until accepted by the commissioner.

1076 (3) [Effective October 1, 2011, a] A loan processor or underwriter
1077 licensee who intends to permanently cease engaging in the activities of
1078 a loan processor or underwriter at any time during a license period for
1079 any cause, including, but not limited to, bankruptcy, shall file a request
1080 to surrender the license on the system not later than fifteen days after

1081 the date of such cessation, provided this requirement shall not apply
1082 when a license has been suspended pursuant to section 36a-51. No
1083 surrender shall be effective until accepted by the commissioner.

1084 (b) A mortgage lender, mortgage correspondent lender or mortgage
1085 broker licensee may change the name of the licensee or address of the
1086 office specified on the most recent filing with the system if (1) at least
1087 thirty calendar days prior to such change, the licensee files such
1088 change with the system and, in the case of a main or branch office,
1089 provides, directly to the commissioner, a bond rider or endorsement,
1090 or addendum, as applicable, to the surety bond on file with the
1091 commissioner that reflects the new name or address of the main or
1092 branch office, and (2) the commissioner does not disapprove such
1093 change, in writing, or request further information within such thirty-
1094 day period. The licensee shall promptly file any change in the
1095 information most recently submitted in connection with the license
1096 with the system or, if the information cannot be filed on the system,
1097 directly notify the commissioner, in writing, of such change in the
1098 information.

1099 (c) The mortgage lender, mortgage correspondent lender or
1100 mortgage broker licensee shall promptly file with the system or, if the
1101 information cannot be filed on the system, directly notify the
1102 commissioner, in writing, of the occurrence of any of the following
1103 developments:

1104 (1) Filing for bankruptcy, or the consummation of a corporate
1105 restructuring, of the licensee;

1106 (2) Filing of a criminal indictment against the licensee in any way
1107 related to the lending or brokerage activities of the licensee, or
1108 receiving notification of the filing of any criminal felony indictment or
1109 felony conviction of any of the licensee's officers, directors, members,
1110 partners or shareholders owning ten per cent or more of the
1111 outstanding stock;

1112 (3) Receiving notification of the institution of license denial, cease
1113 and desist, suspension or revocation procedures, or other formal or
1114 informal [regulatory] action by any governmental agency against the
1115 licensee and the reasons therefor;

1116 (4) Receiving notification of the initiation of any action by the
1117 Attorney General or the attorney general of any other state and the
1118 reasons therefor;

1119 (5) Receiving notification of a material adverse action with respect
1120 to any existing line of credit or warehouse credit agreement;

1121 (6) Suspension or termination of the licensee's status as an approved
1122 seller or servicer by the Federal National Mortgage Association,
1123 Federal Home Loan Mortgage Corporation or Government National
1124 Mortgage Association;

1125 (7) Exercise of recourse rights by investors or subsequent assignees
1126 of residential mortgage loans if such loans for which the recourse
1127 rights are being exercised, in the aggregate, exceed the licensee's net
1128 worth exclusive of real property and fixed assets;

1129 (8) Receiving notification of filing for bankruptcy of any of the
1130 licensee's officers, directors, members, partners or shareholders
1131 owning ten per cent or more of the outstanding stock of the licensee; or

1132 (9) A decrease in the net worth required by subsection (a) of section
1133 36a-488, as amended by this act.

1134 (d) Each mortgage loan originator licensee and [, effective October 1,
1135 2011, each] loan processor or underwriter licensee shall promptly file
1136 with the system or, if the information cannot be filed on the system,
1137 directly notify the commissioner, in writing, of any change in the
1138 information most recently submitted in connection with the license
1139 and of the occurrence of any of the following developments:

1140 (1) Filing for bankruptcy of the licensee;

1141 (2) Filing of a criminal indictment against the licensee;

1142 (3) Receiving notification of the institution of license or registration
1143 denial, cease and desist, suspension or revocation procedures, or other
1144 formal or informal [regulatory] action by any governmental agency
1145 against the licensee and the reasons therefor; or

1146 (4) Receiving notification of the initiation of any action against the
1147 licensee by the Attorney General or the attorney general of any other
1148 state and the reasons therefor.

1149 (e) Each mortgage lender, mortgage correspondent lender,
1150 mortgage broker, mortgage loan originator and loan processor or
1151 underwriter license shall remain in force and effect until it has been
1152 surrendered, revoked or suspended, or until it expires or is no longer
1153 effective, in accordance with the provisions of this title.

1154 Sec. 15. Section 36a-491 of the general statutes is repealed and the
1155 following is substituted in lieu thereof (*Effective October 1, 2016*):

1156 (a) [The expiration date of any mortgage lender, mortgage
1157 correspondent lender and mortgage broker license that expires on
1158 September 30, 2008, shall be extended to the close of business on
1159 December 31, 2008. On and after July 1, 2008, each] Each mortgage
1160 lender, mortgage correspondent lender, mortgage broker, mortgage
1161 loan originator and [, on and after October 1, 2011, each] loan
1162 processor or underwriter license shall expire at the close of business on
1163 December thirty-first of the year in which it is approved, unless such
1164 license is renewed, and provided any such license that is approved on
1165 or after November first shall expire at the close of business on
1166 December thirty-first of the year following the year in which it is
1167 approved. An application for renewal of a license shall be filed
1168 between November first and December thirty-first of the year in which
1169 the license expires. Each applicant for an initial license or renewal of a
1170 license as a mortgage lender or mortgage correspondent lender shall
1171 pay to the system any required fees or charges and a license fee of one

1172 thousand dollars, and each applicant for an initial or renewal license as
1173 a mortgage broker shall pay to the system any required fees or charges
1174 and a license fee of five hundred dollars, [, provided each mortgage
1175 lender or mortgage correspondent lender licensee who is a licensee on
1176 September 30, 2008, who submits a renewal application shall, at the
1177 time of making such application, pay to the system any required fees
1178 or charges and a license fee of one thousand one hundred twenty-five
1179 dollars and each mortgage broker who was a licensee on June 30, 2008,
1180 who submits a renewal application shall, at the time of making such
1181 application, pay to the system any required fees or charges and a
1182 license fee of five hundred sixty-five dollars. Effective November 1,
1183 2009, each] Each applicant for an initial license or renewal of a license
1184 as a mortgage loan originator [and, effective October 1, 2011, as a] or
1185 loan processor or underwriter [,] shall pay to the system any required
1186 fees or charges and a license fee of three hundred dollars.

1187 (b) All fees paid pursuant to this section, including fees paid in
1188 connection with an application that is denied or withdrawn prior to
1189 the issuance of the license, shall be nonrefundable. No fee paid
1190 pursuant to this section shall be prorated if the license is surrendered,
1191 revoked or suspended prior to the expiration of the period for which it
1192 was approved.

1193 Sec. 16. Section 36a-492 of the 2016 supplement to the general
1194 statutes is repealed and the following is substituted in lieu thereof
1195 (*Effective October 1, 2016*):

1196 (a) (1) Each licensed mortgage lender, mortgage correspondent
1197 lender and mortgage broker shall file with the commissioner a single
1198 surety bond, written by a surety authorized to write such bonds in this
1199 state, covering its main office and file an addendum to such bond to
1200 cover any branch office, in a penal sum determined in accordance with
1201 subsection (d) of this section, provided the penal sum of the bond for
1202 licensed mortgage lenders and mortgage correspondent lenders shall
1203 be not less than one hundred thousand dollars and the penal sum of
1204 the bond for mortgage brokers shall be not less than fifty thousand

1205 dollars. The bond shall cover all mortgage loan originators sponsored
1206 by such licensee.

1207 (2) Each mortgage loan originator licensee shall be covered by a
1208 surety bond with a penal sum in an amount that reflects the dollar
1209 amount of loans originated by such mortgage loan originator in
1210 accordance with subsection (d) of this section, provided such coverage
1211 shall be provided through a single surety bond filed with the
1212 commissioner by the person who sponsors such mortgage loan
1213 originator.

1214 (3) [Effective October 1, 2011,] (A) [in] In the case of an exempt
1215 registrant under subdivision (1), (2) or (3) of subsection (a) of section
1216 36a-487: (i) The surety bond shall cover all mortgage loan originators
1217 sponsored by such exempt registrant and comply with the
1218 requirements set forth in this section, and (ii) the penal sum of such
1219 bond shall be in an amount determined in accordance with subsection
1220 (d) of this section, provided the penal sum of the bond shall be not less
1221 than one hundred thousand dollars; (B) in the case of an exempt
1222 registrant under subsection (b) of section 36a-487: (i) The surety bond
1223 shall cover all mortgage loan originators sponsored by such exempt
1224 registrant and comply with the requirements set forth in this section,
1225 and (ii) the penal sum of the bond shall be in an amount determined in
1226 accordance with subsection (d) of this section, provided the penal sum
1227 shall be not less than fifty thousand dollars; and (C) in the case of an
1228 exempt registrant under subdivision (4) of subsection (a) of section
1229 36a-487, the surety bond shall cover all mortgage loan originators
1230 sponsored by such exempt registrant and comply with the
1231 requirements set forth in section 36a-671d.

1232 (4) (A) The principal on a bond required by subdivisions (1) and (2)
1233 of this subsection shall annually confirm, in connection with any
1234 renewal request, that it maintains the required penal sum in an
1235 amount required by subsection (d) of this section after review of the
1236 preceding four-quarter period ending June thirtieth. The principal
1237 shall file such information as the commissioner may require under

1238 subsection (d) of this section and shall file, as the commissioner may
1239 require, pursuant to subdivision (d) of this section, any bond rider or
1240 endorsement to the surety bond on file with the commissioner to
1241 reflect any changes necessary to maintain the surety bond coverage
1242 required by this section.

1243 (B) [Effective October 1, 2011, the] The principal on a bond required
1244 by subdivision (3) of this subsection shall annually confirm, in
1245 connection with any renewal request, that it maintains the required
1246 penal sum in an amount required by subsection (d) of this section after
1247 review of the preceding four-quarter period ending June thirtieth. The
1248 principal shall file such information as the commissioner may require
1249 under subsection (d) of this section and shall file, as the commissioner
1250 may require pursuant to subsection (d) of this section, any bond rider
1251 or endorsement to the surety bond on file with the commissioner to
1252 reflect any changes necessary to maintain the surety bond coverage
1253 required by this section.

1254 (5) The commissioner may adopt regulations in accordance with
1255 chapter 54 with respect to the requirements for such surety bonds.

1256 (b) The bond required by subsection (a) of this section shall be (1) in
1257 a form approved by the Attorney General, and (2) conditioned upon
1258 the mortgage lender, mortgage correspondent lender or mortgage
1259 broker licensee and any mortgage loan originator licensee sponsored
1260 by such mortgage lender, mortgage correspondent lender or mortgage
1261 broker or, in the case of a mortgage loan originator licensee sponsored
1262 [after October 1, 2011,] by an exempt registrant, upon such mortgage
1263 loan originator licensee faithfully performing any and all written
1264 agreements or commitments with or for the benefit of borrowers and
1265 prospective borrowers, truly and faithfully accounting for all funds
1266 received from a borrower or prospective borrower by the licensee in
1267 the licensee's capacity as a mortgage lender, mortgage correspondent
1268 lender, mortgage broker or mortgage loan originator, and conducting
1269 such mortgage business consistent with the provisions of sections 36a-
1270 485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-

1271 534b, as amended by this act. Any borrower or prospective borrower
1272 who may be damaged by failure to perform any written agreements or
1273 commitments, or by the wrongful conversion of funds paid by a
1274 borrower or prospective borrower to a licensee, may proceed on such
1275 bond against the principal or surety thereon, or both, to recover
1276 damages. [Commencing August 1, 2009, any] Any borrower or
1277 prospective borrower who may be damaged by a mortgage lender,
1278 mortgage correspondent lender, mortgage broker or mortgage loan
1279 originator licensee's failure to satisfy a judgment against the licensee
1280 arising from the making or brokering of a nonprime home loan, as
1281 defined in section 36a-760, may proceed on such bond against the
1282 principal or surety thereon, or both, to recover the amount of the
1283 judgment. The commissioner may proceed on such bond against the
1284 principal or surety thereon, or both, to collect any civil penalty
1285 imposed upon a licensee pursuant to subsection (a) of section 36a-50
1286 and any unpaid costs of examination of a licensee as determined
1287 pursuant to section 36a-65, as amended by this act. The proceeds of the
1288 bond, even if commingled with other assets of the principal, shall be
1289 deemed by operation of law to be held in trust for the benefit of such
1290 claimants against the principal in the event of bankruptcy of the
1291 principal and shall be immune from attachment by creditors and
1292 judgment creditors. The bond shall run concurrently with the period of
1293 the license for the main office and the aggregate liability under the
1294 bond shall not exceed the penal sum of the bond. The principal shall
1295 notify the commissioner of the commencement of an action on the
1296 bond. When an action is commenced on a principal's bond, the
1297 commissioner may require the filing of a new bond and immediately
1298 on recovery on any action on the bond, the principal shall file a new
1299 bond.

1300 (c) The surety company shall have the right to cancel the bond at
1301 any time by a written notice to the principal stating the date
1302 cancellation shall take effect. Such notice shall be sent by certified mail
1303 to the principal at least thirty days prior to the date of cancellation. A
1304 surety bond shall not be cancelled unless the surety company notifies

1305 the commissioner in writing not less than thirty days prior to the
1306 effective date of cancellation. After receipt of such notification from the
1307 surety company, the commissioner shall give written notice to the
1308 principal of the date such bond cancellation shall take effect and such
1309 notice shall be deemed notice to each mortgage loan originator licensee
1310 sponsored by such principal. The commissioner shall automatically
1311 suspend the licenses of a mortgage lender, mortgage correspondent
1312 lender or mortgage broker on such date and inactivate the licenses of
1313 the mortgage loan originators sponsored by such lender,
1314 correspondent lender or broker. [On and after October 1, 2011, in] In
1315 the case of a cancellation of an exempt registrant's bond, the
1316 commissioner shall inactivate the licenses of the mortgage loan
1317 originators sponsored by such exempt registrant. No automatic
1318 suspension or inactivation shall occur if, prior to the date that the bond
1319 cancellation shall take effect, (1) the principal submits a letter of
1320 reinstatement of the bond from the surety company or a new bond, (2)
1321 the mortgage lender, mortgage correspondent lender or mortgage
1322 broker licensee has ceased business and has surrendered all licenses in
1323 accordance with subsection (a) of section 36a-490, as amended by this
1324 act, or (3) in the case of a mortgage loan originator licensee, the
1325 sponsorship with the mortgage lender, mortgage correspondent lender
1326 or mortgage broker who was automatically suspended pursuant to this
1327 section or, [after October 1, 2011,] with the exempt registrant who
1328 failed to provide the bond required by this section, has been
1329 terminated and a new sponsor has been requested and approved. After
1330 a mortgage lender, mortgage correspondent lender or mortgage broker
1331 license has been automatically suspended pursuant to this section, the
1332 commissioner shall give such licensee notice of the automatic
1333 suspension, pending proceedings for revocation or refusal to renew
1334 pursuant to section 36a-494, as amended by this act, and an
1335 opportunity for a hearing on such action in accordance with section
1336 36a-51 and require such licensee to take or refrain from taking such
1337 action as in the opinion of the commissioner will effectuate the
1338 purposes of this section. [Effective October 1, 2011, the] The
1339 commissioner may provide information to an exempt registrant

1340 concerning actions taken by the commissioner pursuant to this
1341 subsection against any mortgage loan originator licensee that was
1342 sponsored and bonded by such exempt registrant.

1343 (d) The penal sum of the bond required by subdivisions (1) to (3),
1344 inclusive, of subsection (a) of this section shall be determined as
1345 follows:

1346 (1) An applicant for an initial mortgage lender license or mortgage
1347 correspondent lender license shall file a bond in a penal sum of one
1348 hundred thousand dollars in connection with its application for the
1349 main office.

1350 (2) An applicant for an initial mortgage broker license shall file a
1351 bond in a penal sum of fifty thousand dollars in connection with its
1352 application for the main office.

1353 (3) [Effective October 1, 2011, an] An exempt registrant under
1354 subsection (d) of section 36a-487 who is exempt from licensure under
1355 subdivision (1), (2) or (3) of subsection (a) of section 36a-487 shall file a
1356 bond in a penal sum of one hundred thousand dollars the first time
1357 such exempt registrant sponsors a mortgage loan originator.

1358 (4) [Effective October 1, 2011, an] An exempt registrant under
1359 subsection (d) of section 36a-487 who is exempt from licensure under
1360 subsection (b) of section 36a-487 shall file a bond in a penal sum of fifty
1361 thousand dollars the first time such exempt registrant sponsors a
1362 mortgage loan originator.

1363 (5) [Effective October 1, 2011, an] An exempt registrant under
1364 subsection (d) of section 36a-487, who is exempt from licensure under
1365 subdivision (4) of subsection (a) of section 36a-487, shall file a bond in
1366 a penal sum as set forth in section 36a-671d.

1367 (6) (A) For mortgage lender and mortgage correspondent lender
1368 licensees [,] and [, after October 1, 2011,] persons sponsoring and
1369 bonding at least one mortgage loan originator as an exempt registrant

1370 under subsection (d) of section 36a-487 and who are exempt from
1371 licensing under subdivision (1), (2) or (3) of subsection (a) of section
1372 36a-487 if: (i) The aggregate dollar amount of all residential mortgage
1373 loans originated by such licensee at all licensed locations or by the
1374 exempt registrant during the preceding four quarters ending June
1375 thirtieth is less than thirty million dollars, the penal sum of the bond
1376 shall be one hundred thousand dollars; (ii) the aggregate dollar
1377 amount of all residential mortgage loans originated by such licensee at
1378 all licensed locations or by the exempt registrant during the preceding
1379 four quarters ending June thirtieth is thirty million dollars or more but
1380 less than one hundred million dollars, the penal sum of the bond shall
1381 be two hundred thousand dollars; (iii) the aggregate dollar amount of
1382 all residential mortgage loans originated by such licensee at all
1383 licensed locations or by the exempt registrant during the preceding
1384 four quarters ending June thirtieth is one hundred million dollars or
1385 more but less than two hundred fifty million dollars, the penal sum of
1386 the bond shall be three hundred thousand dollars; and (iv) the
1387 aggregate dollar amount of all residential mortgage loans originated
1388 by such licensee at all licensed locations or by the exempt registrant
1389 during the preceding four quarters ending June thirtieth is two
1390 hundred fifty million dollars or more, the penal sum of the bond shall
1391 be five hundred thousand dollars.

1392 (B) For mortgage broker licensees and [, after October 1, 2011,]
1393 persons who are sponsoring and bonding at least one mortgage loan
1394 originator as an exempt registrant under subsection (d) of section 36a-
1395 487 and who are exempt from licensing under subsection (b) or (c) of
1396 section 36a-487 [:] if: (i) The aggregate dollar amount of all residential
1397 mortgage loans originated by such licensee at all licensed locations or
1398 by the exempt registrant during the preceding four quarters ending
1399 June thirtieth is less than thirty million dollars, the penal sum of the
1400 bond shall be fifty thousand dollars; (ii) the aggregate dollar amount of
1401 all residential mortgage loans originated by such licensee at all
1402 licensed locations or by the exempt registrant during the preceding
1403 four quarters ending June thirtieth is thirty million dollars or more but

1404 less than fifty million dollars, the penal sum of the bond shall be one
1405 hundred thousand dollars; and (iii) the aggregate dollar amount of all
1406 residential mortgage loans originated by such licensee at all licensed
1407 locations or by the exempt registrant during the preceding four
1408 quarters ending June thirtieth is fifty million dollars or more, the penal
1409 sum of the bond shall be one hundred fifty thousand dollars.

1410 (7) For purposes of this subsection, the aggregate dollar amount of
1411 all residential mortgage loans originated by such licensee or [, after
1412 October 1, 2011, such] exempt registrant [.] includes the aggregate
1413 dollar amount of all closed residential mortgage loans that the licensee
1414 or exempt registrant originated, brokered or made, as applicable.

1415 (8) Financial information necessary to verify the aggregate dollar
1416 amount of residential mortgage loans originated shall be filed with the
1417 commissioner, as the commissioner may require, and shall be reported
1418 on the system at such time and in such form as the system may
1419 require.

1420 (9) The commissioner may require a change in the penal sum of the
1421 bond if the commissioner determines at any time that the aggregate
1422 dollar amount of all residential mortgage loans originated warrants a
1423 change in the penal sum of the bond.

1424 Sec. 17. Subsection (c) of section 36a-494 of the 2016 supplement to
1425 the general statutes is repealed and the following is substituted in lieu
1426 thereof (*Effective October 1, 2016*):

1427 (c) (1) The commissioner may order a licensee to remove any
1428 individual conducting business under sections 36a-485 to 36a-498f,
1429 inclusive, as amended by this act, 36a-534a and 36a-534b, as amended
1430 by this act, from office and from employment or retention as an
1431 independent contractor in the mortgage business in this state
1432 whenever the commissioner finds as the result of an investigation that
1433 such [person] individual: (A) Has violated any of said sections or any
1434 regulation or order issued thereunder; or (B) for any reason that would

1435 be sufficient grounds for the commissioner to deny a license under
1436 section 36a-489, as amended by this act, by sending a notice to such
1437 [person] individual by registered or certified mail, return receipt
1438 requested, or by any express delivery carrier that provides a dated
1439 delivery receipt. The notice shall be deemed received by such [person]
1440 individual on the earlier of the date of actual receipt or seven days
1441 after mailing or sending. Any such notice shall include: (i) A statement
1442 of the time, place and nature of the hearing; (ii) a statement of the legal
1443 authority and jurisdiction under which the hearing is to be held; (iii) a
1444 reference to the particular sections of the general statutes, regulations
1445 or orders alleged to have been violated; (iv) a short and plain
1446 statement of the matters asserted; and (v) a statement indicating that
1447 such [person] individual may file a written request for a hearing on the
1448 matters asserted not later than fourteen days after receipt of the notice.
1449 If the commissioner finds that the protection of borrowers requires
1450 immediate action, the commissioner may suspend any such [person]
1451 individual from office and require such [person] individual to take or
1452 refrain from taking such action as in the opinion of the commissioner
1453 will effectuate the purposes of this subsection, by incorporating a
1454 finding to that effect in such notice. The suspension or prohibition
1455 shall become effective upon receipt of such notice and, unless stayed
1456 by a court, shall remain in effect until the entry of a permanent order
1457 or the dismissal of the matters asserted.

1458 (2) If a hearing is requested within the time specified in the notice,
1459 the commissioner shall hold a hearing upon the matters asserted in the
1460 notice unless such [person] individual fails to appear at the hearing.
1461 After the hearing, if the commissioner finds that any of the grounds set
1462 forth in subparagraph (A) or (B), of subdivision (1) of this subsection
1463 exist with respect to such [person] individual, the commissioner may
1464 order the removal of such [person] individual from office and from
1465 any employment in the mortgage business in this state. If such
1466 [person] individual fails to appear at the hearing, the commissioner
1467 may order the removal of such [person] individual from office and
1468 from employment in the mortgage business in this state.

1469 Sec. 18. Section 36a-498e of the general statutes is repealed and the
1470 following is substituted in lieu thereof (*Effective October 1, 2016*):

1471 No person [or individual] who is required to be licensed and who is
1472 subject to sections 36a-485 to 36a-498f, inclusive, as amended by this
1473 act, 36a-534a and 36a-534b, as amended by this act, may:

1474 (1) Directly or indirectly employ any scheme, device or artifice to
1475 defraud or mislead borrowers or lenders or to defraud any person;

1476 (2) Engage in any unfair or deceptive practice toward any person;

1477 (3) Obtain property by fraud or misrepresentation;

1478 (4) Solicit or enter into a contract with a borrower that provides in
1479 substance that such person or individual may earn a fee or commission
1480 through "best efforts" to obtain a loan even though no loan is actually
1481 obtained for the borrower;

1482 (5) Solicit, advertise or enter into a contract for specific interest rates,
1483 points or other financing terms unless the terms are actually available
1484 at the time of soliciting, advertising or contracting;

1485 (6) Conduct any business as a mortgage lender, mortgage
1486 correspondent lender, mortgage broker, lead generator, mortgage loan
1487 originator or loan processor or underwriter without holding a valid
1488 license as required under sections 36a-485 to 36a-498f, inclusive, as
1489 amended by this act, sections 22 to 31, inclusive, of this act, 36a-534a
1490 and 36a-534b, as amended by this act, or assist or [aide] aid and abet
1491 any person in the conduct of business as a mortgage lender, mortgage
1492 correspondent lender, mortgage broker, lead generator, mortgage loan
1493 originator or loan processor or underwriter without a valid license as
1494 required under said sections;

1495 (7) Fail to make disclosures as required by sections 36a-485 to 36a-
1496 498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as
1497 amended by this act, and any other applicable state or federal law

1498 including regulations thereunder;

1499 (8) Fail to comply with sections 36a-485 to 36a-498f, inclusive, as
1500 amended by this act, 36a-534a and 36a-534b, as amended by this act, or
1501 rules or regulations adopted under said sections or fail to comply with
1502 any other state or federal law, including the rules and regulations
1503 thereunder, applicable to any business authorized or conducted under
1504 said sections;

1505 (9) Make, in any manner, any false or deceptive statement or
1506 representation including, with regard to the rates, points or other
1507 financing terms or conditions for a residential mortgage loan, or
1508 engage in bait and switch advertising;

1509 (10) Negligently make any false statement or knowingly and
1510 wilfully make any omission of material fact in connection with any
1511 information or reports filed with a governmental agency or the system,
1512 as defined in section 36a-2, or in connection with any investigation
1513 conducted by the commissioner or another governmental agency;

1514 (11) Make any payment, threat or promise, directly or indirectly, to
1515 any person for the purposes of influencing the independent judgment
1516 of the person in connection with a residential mortgage loan as defined
1517 in section 36a-485, as amended by this act, or make any payment,
1518 threat or promise, directly or indirectly, to any appraiser of a property,
1519 for the purposes of influencing the independent judgment of the
1520 appraiser with respect to the value of the property;

1521 (12) Collect, charge, attempt to collect or charge or use or propose
1522 any agreement purporting to collect or charge any fee prohibited by
1523 sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-
1524 534a and 36a-534b, as amended by this act;

1525 (13) Cause or require a borrower to obtain property insurance
1526 coverage in an amount that exceeds the replacement cost of the
1527 improvements as established by the property insurer; or

1528 (14) Fail to truthfully account for moneys belonging to a party to a
1529 residential mortgage loan transaction.

1530 Sec. 19. Section 36a-498f of the general statutes is repealed and the
1531 following is substituted in lieu thereof (*Effective October 1, 2016*):

1532 (a) In addition to any authority provided under this title, the
1533 [Banking Commissioner] commissioner shall have the authority to
1534 conduct investigations and examinations as follows:

1535 (1) For purposes of initial licensing, license renewal, license
1536 suspension, license conditioning, license revocation or termination, or
1537 general or specific inquiry or investigation to determine compliance
1538 with sections 36a-485 to 36a-498f, inclusive, as amended by this act,
1539 36a-534a and 36a-534b, as amended by this act, the commissioner may
1540 access, receive and use any books, accounts, records, files, documents,
1541 information or evidence including, but not limited to: (A) Criminal,
1542 civil and administrative history information; (B) personal history and
1543 experience information including independent credit reports obtained
1544 from a consumer reporting agency described in Section 603(p) of the
1545 federal Fair Credit Reporting Act, 15 USC 1681a; and (C) any other
1546 documents, information or evidence the commissioner deems relevant
1547 to the inquiry or investigation regardless of the location, possession,
1548 control or custody of such documents, information or evidence.

1549 (2) For the purposes of investigating violations or complaints arising
1550 under sections 36a-485 to 36a-498f, inclusive, as amended by this act,
1551 36a-534a or 36a-534b, as amended by this act, or for the purposes of
1552 examination, the commissioner may review, investigate or examine
1553 any licensee, individual or person subject to said sections as often as
1554 necessary in order to carry out the purposes of said sections. The
1555 commissioner may direct, subpoena or order the attendance of and
1556 examine under oath all persons whose testimony may be required
1557 about the loans or the business or subject matter of any such
1558 examination or investigation, and may direct, subpoena or order such
1559 person to produce books, accounts, records, files and any other

1560 documents the commissioner deems relevant to the inquiry.

1561 (b) Each licensee [, individual] or person subject to sections 36a-485
1562 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b,
1563 as amended by this act, shall make or compile reports or prepare other
1564 information as directed by the commissioner in order to carry out the
1565 purposes of this section including accounting compilations,
1566 information lists and data concerning loan transactions in a format
1567 prescribed by the commissioner or such other information the
1568 commissioner deems necessary to carry out the purposes of this
1569 section.

1570 (c) In making any examination or investigation authorized by this
1571 section, the commissioner may control access to any documents and
1572 records of the licensee or person under examination or investigation.
1573 The commissioner may take possession of the documents and records
1574 or place a person in exclusive charge of the documents and records in
1575 the place where they are usually kept. During the period of control, no
1576 [individual or] person shall remove or attempt to remove any of the
1577 documents and records except pursuant to a court order or with the
1578 consent of the commissioner. Unless the commissioner has reasonable
1579 grounds to believe the documents or records of the licensee have been,
1580 or are at risk of being, altered or destroyed for purposes of concealing
1581 a violation of sections 36a-485 to 36a-498f, inclusive, as amended by
1582 this act, 36a-534a or 36a-534b, as amended by this act, the licensee or
1583 owner of the documents and records shall have access to the
1584 documents or records as necessary to conduct its ordinary business
1585 affairs.

1586 (d) In order to carry out the purposes of this section, the
1587 commissioner may:

1588 (1) Retain attorneys, accountants or other professionals and
1589 specialists as examiners, auditors or investigators to conduct or assist
1590 in the conduct of examinations or investigations;

1591 (2) Enter into agreements or relationships with other government
1592 officials or regulatory associations in order to improve efficiencies and
1593 reduce regulatory burden by sharing resources, standardized or
1594 uniform methods or procedures, and documents, records, information
1595 or evidence obtained under this section;

1596 (3) Use, hire, contract or employ public or privately available
1597 analytical systems, methods or software to examine or investigate the
1598 licensee [, individual] or person subject to sections 36a-485 to 36a-498f,
1599 inclusive, as amended by this act, 36a-534a and 36a-534b, as amended
1600 by this act;

1601 (4) Accept and rely on examination or investigation reports made by
1602 other government officials, within or without this state; and

1603 (5) Accept audit reports made by an independent certified public
1604 accountant for the licensee, individual or person subject to sections
1605 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and
1606 36a-534b, as amended by this act, in the course of that part of the
1607 examination covering the same general subject matter as the audit and
1608 may incorporate the audit report in the report of the examination,
1609 report of investigation or other writing of the commissioner.

1610 (e) The authority of this section shall remain in effect, whether such
1611 licensee [, individual] or person subject to sections 36a-485 to 36a-498f,
1612 inclusive, as amended by this act, 36a-534a and 36a-534b, as amended
1613 by this act, acts or claims to act under any licensing or registration law
1614 of this state, or claims to act without such authority.

1615 (f) No licensee [, individual] or person subject to investigation or
1616 examination under this section may knowingly withhold, abstract,
1617 remove, mutilate, destroy or secrete any books, records, computer
1618 records or other information.

1619 Sec. 20. Section 36a-534b of the general statutes is repealed and the
1620 following is substituted in lieu thereof (*Effective October 1, 2016*):

1621 (a) (1) In addition to any other duties imposed upon the
1622 commissioner by law, the commissioner shall require mortgage
1623 lenders, mortgage correspondent lenders, mortgage brokers, lead
1624 generators, mortgage loan originators and loan processors or
1625 underwriters to be licensed and registered through the system. In
1626 order to carry out this requirement, the commissioner shall participate
1627 in the system and permit the system to process applications for
1628 mortgage lender, mortgage correspondent lender, mortgage broker,
1629 lead generator, mortgage loan originator and loan processor or
1630 underwriter licenses in this state and receive and maintain records
1631 related to such licenses that are allowed or required to be maintained
1632 by the commissioner. For this purpose, the commissioner may
1633 establish requirements as necessary for participation in the system,
1634 including: (A) Background checks for criminal history through (i)
1635 fingerprint or other databases, (ii) civil or administrative records, or
1636 (iii) credit history or any other information as deemed necessary by the
1637 system; (B) the payment of fees to apply for or renew licenses through
1638 the system; (C) the setting or resetting of renewal or reporting dates;
1639 and (D) the requirements for amending or surrendering a license or
1640 any other such activities as the commissioner deems necessary for
1641 participation in the system. For the purpose of participating in the
1642 system, the commissioner may waive or modify, in whole or in part,
1643 by regulation or order, any requirement of this section and sections
1644 36a-485 to 36a-498f, inclusive, as amended by this act, and 36a-534a
1645 and establish new requirements as reasonably necessary to participate
1646 in the system. For the purposes of implementing an orderly and
1647 efficient licensing process, the commissioner may adopt licensing
1648 regulations, in accordance with the provisions of chapter 54, and
1649 interim procedures for licensing and acceptance of applications. For
1650 previously licensed individuals, the commissioner may establish
1651 expedited review and licensing procedures.

1652 (2) The commissioner shall report regularly to the system violations
1653 of and enforcement actions under sections 36a-485 to 36a-498f,
1654 inclusive, as amended by this act, 36a-534a and 36a-534b, as amended

1655 by this act, and other relevant information.

1656 (3) The commissioner may establish relationships or enter into
1657 contracts with the system or other entities designated by the system to
1658 collect and maintain records and process transaction fees or other fees
1659 related to licensees or other persons subject to sections 36a-485 to 36a-
1660 498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as
1661 amended by this act.

1662 (4) For the purposes of sections 36a-485 to 36a-498f, inclusive, as
1663 amended by this act, 36a-534a and 36a-534b, as amended by this act,
1664 and to reduce the points of contact that the Federal Bureau of
1665 Investigation may have to maintain for purposes of subsections (b) and
1666 (c) of section 36a-488, as amended by this act, the commissioner may
1667 use the system as a channeling agent for requesting information from
1668 and distributing information to the United States Department of Justice
1669 or any governmental agency.

1670 (5) For the purposes of sections 36a-485 to 36a-498f, inclusive, as
1671 amended by this act, 36a-534a and 36a-534b, as amended by this act,
1672 and to reduce the points of contact that the commissioner may have to
1673 maintain for purposes of subsections (b) and (c) of section 36a-488, as
1674 amended by this act, the commissioner may use the system as a
1675 channeling agent for requesting and distributing information to and
1676 from any source, as directed by the commissioner.

1677 (6) Mortgage lenders, mortgage correspondent lenders, mortgage
1678 brokers, lead generators, mortgage loan originators and [, effective
1679 October 1, 2011, individuals licensed as] loan processors or
1680 underwriters may challenge information entered into the system by
1681 the commissioner. Such challenge shall (A) be made in writing to the
1682 commissioner, (B) set forth the specific information being challenged,
1683 and (C) include any evidence which supports the challenge.
1684 Challenges shall be limited to the factual accuracy of information
1685 within the system. If the commissioner determines that the information
1686 entered into the system is factually inaccurate, the commissioner shall

1687 take prompt action to correct such information. Nothing in this
1688 subdivision shall be construed to permit a challenge under this section
1689 to the merits or factual basis of any administrative action taken by the
1690 commissioner pursuant to this title.

1691 [(b) (1) Each first mortgage lender license and secondary mortgage
1692 lender license in existence on June 30, 2008, shall be deemed on and
1693 after July 1, 2008, to be a mortgage lender license, as defined in section
1694 36a-485; (2) each first mortgage correspondent lender license and
1695 secondary mortgage correspondent lender license in existence on June
1696 30, 2008, shall be deemed on and after July 1, 2008, to be a mortgage
1697 correspondent lender license, as defined in section 36a-485; (3) each
1698 first mortgage broker license and secondary mortgage broker license in
1699 existence on June 30, 2008, shall be deemed on and after July 1, 2008, to
1700 be a mortgage broker license, as defined in section 36a-485; and (4)
1701 each originator registration in existence on June 30, 2008, shall be
1702 deemed on and after July 1, 2008, to be a mortgage loan originator
1703 license, as defined in section 36a-485.

1704 (c) (1) Each person licensed on July 1, 2008, as a mortgage lender,
1705 mortgage correspondent lender, mortgage broker or mortgage loan
1706 originator shall, prior to October 1, 2008, transition on to the system by
1707 submitting all licensing and license-related information required by
1708 the system for this state.]

1709 [(2) On and after July 1, 2008, any] (b) Any licensing or license-
1710 related filings shall be submitted exclusively through the system,
1711 except as directed by the commissioner.

1712 [(3)] (c) Any person making any filing or submission of any
1713 information on the system shall do so in accordance with the
1714 procedures and requirements of the system and pay the applicable fees
1715 or charges to the system. Each mortgage lender, mortgage
1716 correspondent lender, mortgage broker, lead generator, mortgage loan
1717 originator and loan processor or underwriter licensee and each exempt
1718 registrant, to the extent required by the system, shall timely submit to

1719 the system accurate reports of condition that shall be in such form and
1720 shall contain such information as the system may require. Failure by a
1721 licensee to submit a timely and accurate report of condition shall
1722 constitute a violation of this provision. Failure of an exempt registrant
1723 to timely and accurately submit a report of condition shall form a basis
1724 to inactivate the licenses of all sponsored mortgage loan originators or
1725 loan processor or underwriters. To the extent that the system does not
1726 require submission of reports of condition by individual mortgage
1727 loan originator or loan processor or underwriter licensees, such
1728 individual licensees shall timely and accurately report all required
1729 information in their possession to their sponsor for purposes of their
1730 sponsor's reporting obligation. Failure of an individual licensee to
1731 timely and accurately report required information in such licensee's
1732 possession to such licensee's sponsor shall constitute a violation of this
1733 provision.

1734 [(d) Notwithstanding the provisions of this section, any initial
1735 application for a license submitted on the system between October 1,
1736 2008, and December 31, 2008, shall not be approved by the
1737 commissioner prior to January 1, 2009.]

1738 Sec. 21. Subdivision (1) of subsection (d) of section 36a-719 of the
1739 general statutes is repealed and the following is substituted in lieu
1740 thereof (*Effective October 1, 2016*):

1741 (d) (1) Withdrawal of an application for a license filed under this
1742 section shall become effective upon [receipt by the commissioner of a
1743 notice of intent to withdraw such application] the commissioner's
1744 acceptance on the system of a withdrawal request. The commissioner
1745 may deny a license up to one year after the effective date of
1746 withdrawal.

1747 Sec. 22. (NEW) (*Effective October 1, 2016*) On and after January 1,
1748 2017, no person shall act as a lead generator, directly or indirectly,
1749 without first obtaining a license under section 23 of this act.

1750 Sec. 23. (NEW) (*Effective October 1, 2016*) (a) The Banking
1751 Commissioner shall issue a lead generator license to an applicant for
1752 such license if the commissioner finds, at a minimum, that: (1) The
1753 applicant demonstrates that the character, reputation, integrity and
1754 general fitness of the applicant, any control person of the applicant and
1755 the qualified individual are such as to command the confidence of the
1756 community; (2) the applicant has not made a material misstatement in
1757 the application; and (3) the applicant has met any other requirements
1758 determined by the commissioner. If the commissioner fails to make
1759 such findings, the commissioner shall not issue a license and shall
1760 notify the applicant of the denial and the reasons for such denial.
1761 Subject to the provisions of 46a-80 of the general statutes, the
1762 commissioner may deny an application based on the history of
1763 criminal convictions of the applicant, any control person of the
1764 applicant or the qualified individual.

1765 (b) An application for a license as a lead generator or an application
1766 for a license renewal shall be filed, in a form prescribed by the
1767 commissioner, with the system, as defined in section 36a-2 of the
1768 general statutes, and accompanied by the fees required under section
1769 25 of this act. Each such form shall contain content as set forth by
1770 instruction or procedure of the commissioner and may be changed or
1771 updated as necessary by the commissioner in order to carry out the
1772 purposes of sections 22 to 31, inclusive, of this act. The applicant shall,
1773 at a minimum, furnish to the system information concerning the
1774 identity of the applicant, any control person of the applicant and the
1775 qualified individual, including, but not limited to, personal history and
1776 experience, in a form prescribed by the system and information related
1777 to any administrative, civil or criminal findings by any governmental
1778 jurisdiction. The applicant shall notify the commissioner on the system
1779 of any change to the information submitted in connection with its most
1780 recent application for licensure not later than fifteen days after the
1781 applicant has reason to know of such change. The commissioner, in
1782 accordance with section 29-17a of the general statutes, may conduct a
1783 state or national criminal history records check of the applicant, any

1784 control person of the applicant and the qualified individual, and, in
1785 accordance with section 36a-24b of the general statutes, may require
1786 the submission of fingerprints of such persons to the Federal Bureau of
1787 Investigation or other state, national or international criminal
1788 databases as part of the application.

1789 (c) (1) The minimum standards for license renewal for a lead
1790 generator shall include the following: (A) The applicant continues to
1791 meet the minimum standards under subsection (a) of this section; and
1792 (B) the lead generator has paid all required fees for renewal of the
1793 license.

1794 (2) The license of a lead generator who fails to satisfy the minimum
1795 standards for license renewal shall expire. The commissioner may
1796 adopt procedures for the reinstatement of expired licenses consistent
1797 with the standards established by the system. The commissioner may
1798 automatically suspend a lead generator license if the licensee receives a
1799 deficiency on the system indicating that the payment required by
1800 subdivision (1) of this subsection was Returned-ACH or returned
1801 pursuant to such other term as may be utilized by the system to
1802 indicate that the payment was not accepted. After a license has been
1803 automatically suspended pursuant to this section, the commissioner
1804 shall (A) give such licensee notice of the automatic suspension,
1805 pending proceedings for revocation or refusal to renew pursuant to
1806 section 28 of this act, and an opportunity for a hearing on such action
1807 in accordance with section 36a-51 of the general statutes, and (B)
1808 require such licensee to take or refrain from taking such action that, in
1809 the opinion of the commissioner, will effectuate the purposes of this
1810 section.

1811 (d) (1) Withdrawal of an application for a license shall become
1812 effective upon the commissioner's acceptance on the system of a
1813 withdrawal request. The commissioner may deny a license up to the
1814 date one year after the effective date of withdrawal.

1815 (2) If the license of a lead generator expires due to the licensee's

1816 failure to renew, the commissioner may institute a revocation or
1817 suspension proceeding or issue an order suspending or revoking such
1818 license pursuant to section 28 of this act not later than one year after
1819 the date of such expiration.

1820 (e) The commissioner may deem an application for a license under
1821 this section abandoned if the applicant fails to respond to any request
1822 for information required under sections 22 to 31, inclusive, of this act
1823 or the regulations adopted pursuant to said sections. The
1824 commissioner shall notify the applicant on the system that, if such
1825 information is submitted more than sixty days after the date of such
1826 request, the application shall be deemed abandoned. An application
1827 filing fee paid prior to the date an application is deemed abandoned
1828 pursuant to this subsection shall not be refunded. Abandonment of an
1829 application pursuant to this subsection shall not preclude the applicant
1830 from submitting a new application for a license under sections 22 to 31,
1831 inclusive, of this act.

1832 Sec. 24. (NEW) (*Effective October 1, 2016*) (a) A lead generator license
1833 shall not be transferable or assignable. No licensee may use any name
1834 other than its legal name or a fictitious name approved by the Banking
1835 Commissioner, provided such licensee may not use its legal name if
1836 the commissioner disapproves of the use of such name. Any licensee
1837 who intends to permanently cease acting as a lead generator at any
1838 time during a license period for any cause, including, but not limited
1839 to, bankruptcy or voluntary dissolution, shall file a request to
1840 surrender the license on the system, as defined in section 36a-2 of the
1841 general statutes, not later than fifteen days after the date of cessation,
1842 provided this requirement shall not apply when a license has been
1843 suspended pursuant to section 36a-51 of the general statutes. No
1844 surrender shall be effective until accepted by the commissioner.

1845 (b) A lead generator licensee may change the name of the licensee or
1846 address of the office specified on the most recent filing with the system
1847 if (1) at least thirty calendar days prior to such change, the licensee files
1848 such change with the system, and (2) the commissioner does not

1849 disapprove such change, in writing, or request further information
1850 within such thirty-day period. The licensee shall file any change in the
1851 information most recently submitted in connection with the license
1852 with the system or, if the information cannot be filed on the system,
1853 directly notify the commissioner, in writing, of such change in the
1854 information not later than fifteen days after the licensee has reason to
1855 know of such change.

1856 (c) The lead generator licensee shall file on the system or, if the
1857 information cannot be filed on the system, directly notify the
1858 commissioner, in writing, not later than fifteen days after the
1859 occurrence of any of the following developments:

1860 (1) Filing for bankruptcy, or the consummation of a corporate
1861 restructuring, of the licensee;

1862 (2) Filing of a criminal indictment against the licensee or receiving
1863 notification of the filing of any criminal felony indictment or felony
1864 conviction of any of the licensee's officers, directors, members, partners
1865 or shareholders owning ten per cent or more of the outstanding stock;

1866 (3) Receiving notification of the institution of license denial, cease
1867 and desist, suspension or revocation procedures, or other formal or
1868 informal action by any governmental agency and the reasons therefor;

1869 (4) Receiving notification of the initiation of any action by the
1870 Attorney General or the attorney general of any other state and the
1871 reasons therefor;

1872 (5) Receiving notification of filing for bankruptcy of any of the
1873 licensee's officers, directors, members, partners or shareholders
1874 owning ten per cent or more of the outstanding stock of the licensee; or

1875 (6) Receiving notification of the initiation of a class action lawsuit on
1876 behalf of consumers against the licensee that is related to the operation
1877 of the licensed business.

1878 Sec. 25. (NEW) (*Effective October 1, 2016*) (a) Each lead generator
1879 license shall expire at the close of business on December thirty-first of
1880 the year in which it is approved, unless such license is renewed,
1881 provided any such license that is approved on or after November first
1882 shall expire at the close of business on December thirty-first of the year
1883 following the year in which it is approved. An application for renewal
1884 of a license shall be filed between November first and December thirty-
1885 first of the year in which the license expires. Each applicant for an
1886 initial license or renewal of a license as a lead generator shall pay to the
1887 system, as defined in section 36a-2 of the general statutes, any required
1888 fees or charges and a license fee of one thousand dollars.

1889 (b) All fees paid pursuant to this section, including fees paid in
1890 connection with an application that is denied or withdrawn prior to
1891 the issuance of the license, shall be nonrefundable. No fee paid
1892 pursuant to this section shall be prorated if the license is surrendered,
1893 revoked or suspended prior to the expiration of the period for which it
1894 was approved.

1895 Sec. 26. (NEW) (*Effective January 1, 2017*) (a) Each lead generator
1896 shall include the following statement in all advertisements of
1897 residential mortgage loans and solicitations of leads, clearly and
1898 conspicuously expressed: LEAD GENERATOR ONLY, NOT ACTING
1899 IN THE CAPACITY OF A MORTGAGE LOAN ORIGINATOR,
1900 MORTGAGE BROKER, MORTGAGE CORRESPONDENT LENDER
1901 OR MORTGAGE LENDER. INFORMATION RECEIVED WILL BE
1902 SHARED WITH ONE OR MORE THIRD PARTIES IN CONNECTION
1903 WITH YOUR RESIDENTIAL MORTGAGE LOAN INQUIRY.

1904 (b) No lead generator shall: (1) Accept payment of any advance fee,
1905 as such term is defined in section 36a-485 of the general statutes, as
1906 amended by this act, in connection with a residential mortgage loan, or
1907 (2) use, sell, lease, exchange or otherwise transfer or release
1908 information received from a consumer in connection with a residential
1909 mortgage loan inquiry for purposes other than as necessary to facilitate
1910 a residential mortgage loan transaction.

1911 Sec. 27. (NEW) (*Effective October 1, 2016*) A lead generator licensee
1912 shall maintain adequate records of its lead generation activities at the
1913 office named in the license, or, if requested by the Banking
1914 Commissioner, shall make such records available at such office or send
1915 such records to the commissioner by registered or certified mail, return
1916 receipt requested, or by an express delivery carrier that provides a
1917 dated delivery receipt, not later than five business days after requested
1918 by the commissioner to do so. Upon request, the commissioner may
1919 grant a licensee additional time to make such records available or send
1920 such records to the commissioner. Such records shall include, for the
1921 preceding two-year period: (1) Copies of all solicitation materials used
1922 in its business regardless of medium, including, but not limited to,
1923 business cards, telephone scripts, mailers, electronic mail, and radio,
1924 television and Internet advertisements, (2) records of any contact or
1925 attempted contact with a consumer, including the name, date, method
1926 and nature of contact, and any information provided to or received
1927 from the consumer, and (3) the name, address and, if applicable,
1928 unique identifier of any person who received, requested or contracted
1929 for leads or referrals and any fees or consideration charged or received
1930 for such services.

1931 Sec. 28. (NEW) (*Effective October 1, 2016*) (a) The Banking
1932 Commissioner may suspend, revoke or refuse to renew any lead
1933 generator license or take any other action, in accordance with the
1934 provisions of section 36a-51 of the general statutes, for any reason
1935 which would be sufficient grounds for the commissioner to deny an
1936 application for such license under sections 22 to 31, inclusive, of this
1937 act, or if the commissioner finds that the licensee, any control person of
1938 the licensee or qualified individual, trustee, employee or agent of such
1939 licensee has done any of the following: (1) Made any material
1940 misstatement in the application; (2) committed any fraud or
1941 misrepresentation; or (3) violated any of the provisions of title 36a of
1942 the general statutes or of any regulations adopted pursuant thereto, or
1943 any other law or regulation applicable to the conduct of its business.

1944 (b) Whenever it appears to the commissioner that any person has
1945 violated, is violating or is about to violate any of the provisions of
1946 sections 22 to 31, inclusive, of this act or of any regulations adopted
1947 pursuant thereto, or any licensee has committed any fraud or made
1948 any misrepresentation, the commissioner may take action against such
1949 person or licensee in accordance with sections 36a-50 and 36a-52 of the
1950 general statutes.

1951 (c) (1) The commissioner may order a lead generator licensee to
1952 remove any individual conducting business under sections 22 to 31,
1953 inclusive, of this act from office or employment whenever the
1954 commissioner finds as the result of an investigation that such
1955 individual: (A) Has violated any of the provisions of said sections, any
1956 regulation adopted thereunder or any order issued thereunder; or (B)
1957 has for any other reason failed to meet the minimum requirements for
1958 maintaining the license. The commissioner shall send notice of such
1959 finding to such individual by registered or certified mail, return receipt
1960 requested, or by any express delivery carrier that provides a dated
1961 delivery receipt. The notice shall be deemed received by such
1962 individual on the earlier of the date of actual receipt or seven days
1963 after mailing or sending. Any such notice shall include: (i) A statement
1964 of the time, place and nature of the hearing; (ii) a statement of the legal
1965 authority and jurisdiction under which the hearing is to be held; (iii) a
1966 reference to the particular sections of the general statutes, regulations
1967 or orders alleged to have been violated; (iv) a short and plain
1968 statement of the matters asserted; and (v) a statement indicating that
1969 such individual may file a written request for a hearing on the matters
1970 asserted not later than fourteen days after receipt of the notice. If the
1971 commissioner finds that the protection of consumers requires
1972 immediate action, the commissioner may suspend any such individual
1973 from office and require such individual to take or refrain from taking
1974 such action as, in the opinion of the commissioner, will effectuate the
1975 purposes of this subsection, by incorporating a finding to that effect in
1976 such notice. The suspension or prohibition shall become effective upon
1977 receipt of such notice and, unless stayed by a court, shall remain in

1978 effect until the entry of a permanent order or the dismissal of the
1979 matters asserted.

1980 (2) If a hearing is requested within the time specified in the notice,
1981 the commissioner shall hold a hearing upon the matters asserted in the
1982 notice unless such individual fails to appear at the hearing. After the
1983 hearing, if the commissioner finds that any of the grounds set forth in
1984 subparagraph (A) or (B) of subdivision (1) of this subsection exist with
1985 respect to such individual, the commissioner may order a licensee to
1986 remove such individual from office and from any employment in the
1987 lead generation business in this state. If such individual fails to appear
1988 at the hearing, the commissioner may order the removal of such
1989 individual from office and from employment in the lead generation
1990 business in this state.

1991 Sec. 29. (NEW) (*Effective October 1, 2016*) The Banking Commissioner
1992 may adopt such regulations, in accordance with chapter 54 of the
1993 general statutes, as the commissioner deems necessary to administer
1994 and enforce the provisions of sections 22 to 31, inclusive, of this act.

1995 Sec. 30. (NEW) (*Effective January 1, 2017*) (a) No lead generator shall:

1996 (1) Initiate any outbound telephone call using an automatic
1997 telephone dialing system or an artificial or prerecorded voice without
1998 the prior express written consent of the recipient;

1999 (2) Fail to transmit the lead generator's name and telephone number
2000 to any caller identification service in use by a consumer;

2001 (3) Initiate an outbound telephone call to a consumer's residence
2002 between nine o'clock p.m. and eight o'clock a.m. local time in the
2003 consumer's location;

2004 (4) Fail to clearly and conspicuously identify the lead generator and
2005 the purpose of the contact in its written and oral communications with
2006 a consumer;

2007 (5) Fail to provide the ability to opt out of any unsolicited
2008 advertisement communicated to a consumer via an electronic mail
2009 address;

2010 (6) Initiate an unsolicited advertisement via electronic mail to a
2011 consumer more than ten business days after the receipt of a request
2012 from such consumer to opt out of such unsolicited advertisements;

2013 (7) Use a subject heading or electronic mail address in a commercial
2014 electronic mail message that would likely mislead a recipient, acting
2015 reasonably under the circumstances, about a material fact regarding
2016 the sender, contents or subject matter of the message;

2017 (8) Sell, lease, exchange or otherwise transfer or release the
2018 electronic mail address or telephone number of a consumer who has
2019 requested to opt out of future solicitations.

2020 (9) Collect, buy, lease, exchange or otherwise transfer or receive an
2021 individual's Social Security number or bank account number;

2022 (10) Use information from a trigger lead when a lender obtains a
2023 copy of a customer's credit report to solicit consumers who have opted
2024 out of firm offers of credit under the federal Fair Credit Reporting Act;

2025 (11) Initiate a telephone call to a consumer who has placed his or her
2026 contact information on a federal or state Do Not Call list, unless the
2027 consumer has provided express written consent;

2028 (12) Represent to the public, through advertising or other means of
2029 communicating or providing information, including the use of
2030 business cards or stationery, brochures, signs or other promotional
2031 items, that such lead generator can or will perform any other activity
2032 requiring licensure under title 36a of the general statutes, unless such
2033 lead generator is duly licensed to perform such other activity or
2034 exempt from such licensure requirements;

2035 (13) Refer applicants to, or receive a fee from, any person who is

2036 required to be licensed under title 36a of the general statutes but was
2037 not so licensed as of the time of performance of such lead generator's
2038 services;

2039 (14) Assist or aid and abet any person in the conduct of business
2040 requiring licensure under title 36a of the general statutes when such
2041 person does not hold the license required;

2042 (15) Directly or indirectly employ any scheme, device or artifice to
2043 defraud or mislead any person;

2044 (16) Make, in any manner, any false, misleading or deceptive
2045 statement or representation in connection with a residential mortgage
2046 loan or engage in bait and switch advertising; or

2047 (17) Negligently make any false statement or knowingly or wilfully
2048 make any omission of material fact in connection with any information
2049 or reports filed with a governmental agency or the system, as defined
2050 in section 36a-2 of the general statutes, or in connection with any
2051 investigation conducted by the Banking Commissioner or other
2052 governmental agency.

2053 (b) A violation of any provision of this section or section 22 or 26 of
2054 this act shall be deemed an unfair or deceptive act or practice pursuant
2055 to subsection (a) of section 42-110b of the general statutes.

2056 Sec. 31. (NEW) (*Effective October 1, 2016*) (a) In addition to any
2057 authority provided under title 36a of the general statutes, the Banking
2058 Commissioner shall have the authority to conduct investigations and
2059 examinations as follows:

2060 (1) For purposes of initial licensing, license renewal, license
2061 suspension, license conditioning, license revocation or termination, or
2062 general or specific inquiry or investigation to determine compliance
2063 with this section and sections 22 to 30, inclusive, of this act, the
2064 commissioner may access, receive and use any books, accounts,
2065 records, files, documents, information or evidence including, but not

2066 limited to, (A) criminal, civil and administrative history information,
2067 (B) personal history and experience information, and (C) any other
2068 documents, information or evidence the commissioner deems relevant
2069 to the inquiry or investigation regardless of the location, possession,
2070 control or custody of such documents, information or evidence.

2071 (2) For the purposes of investigating violations or complaints arising
2072 under this section and sections 22 to 30, inclusive, of this act or for the
2073 purposes of examination, the commissioner may review, investigate or
2074 examine any lead generator licensee or person subject to said sections
2075 as often as necessary in order to carry out the purposes of said
2076 sections. The commissioner may direct, subpoena or order the
2077 attendance of and examine under oath all persons whose testimony
2078 may be required about the lead generation business or subject matter
2079 of any such examination or investigation, and may direct, subpoena or
2080 order such person to produce books, accounts, records, files and any
2081 other documents the commissioner deems relevant to the inquiry.

2082 (b) Each lead generator licensee or person subject to this section and
2083 sections 22 to 30, inclusive, of this act shall make or compile reports or
2084 prepare other information as directed by the commissioner in order to
2085 carry out the purposes of this section including accounting
2086 compilations, information lists and data concerning residential
2087 mortgage loan transactions in a format prescribed by the commissioner
2088 or such other information the commissioner deems necessary to carry
2089 out the purposes of this section and sections 22 to 30, inclusive, of this
2090 act.

2091 (c) In making any examination or investigation authorized by this
2092 section, the commissioner may control access to any documents and
2093 records of the lead generator licensee or person under examination or
2094 investigation. The commissioner may take possession of the
2095 documents and records or place a person in exclusive charge of the
2096 documents and records in the place where they are usually kept.
2097 During the period of control, no person shall remove or attempt to
2098 remove any of the documents and records except pursuant to a court

2099 order or with the consent of the commissioner. Unless the
2100 commissioner has reasonable grounds to believe the documents or
2101 records of the lead generator licensee or person have been, or are at
2102 risk of being, altered or destroyed for purposes of concealing a
2103 violation of this section and sections 22 to 30, inclusive, of this act, the
2104 lead generator licensee or owner of the documents and records shall
2105 have access to the documents or records as necessary to conduct its
2106 ordinary business affairs.

2107 (d) In order to carry out the purposes of this section, the
2108 commissioner may:

2109 (1) Retain attorneys, accountants or other professionals and
2110 specialists as examiners, auditors or investigators to conduct or assist
2111 in the conduct of examinations or investigations;

2112 (2) Enter into agreements or relationships with other government
2113 officials or regulatory associations in order to improve efficiencies and
2114 reduce regulatory burden by sharing resources, standardized or
2115 uniform methods or procedures, and documents, records, information
2116 or evidence obtained under this section;

2117 (3) Use, hire, contract for or employ public or privately available
2118 analytical systems, methods or software to examine or investigate the
2119 lead generator licensee or person subject to this section and sections 22
2120 to 30, inclusive, of this act;

2121 (4) Accept and rely on examination or investigation reports made by
2122 other government officials, within or without this state; and

2123 (5) (A) Accept audit reports made by an independent certified
2124 public accountant for the lead generator licensee or person subject to
2125 this section and sections 22 to 30, inclusive, of this act, in the course of
2126 that part of the examination covering the same general subject matter
2127 as the audit, and (B) incorporate the audit report into the report of
2128 investigation or examination or other writing of the commissioner.

2129 (e) The authority of this section shall remain in effect, regardless of
2130 whether such lead generator licensee or person subject to this section
2131 and sections 22 to 30, inclusive, of this act, acts or claims to act under
2132 any licensing or registration law of this state, or claims to act without
2133 such authority.

2134 (f) No lead generator licensee or person subject to investigation or
2135 examination under this section may knowingly withhold, abstract,
2136 remove, mutilate, destroy or secrete any books, records, computer
2137 records or other information.

2138 Sec. 32. Subdivision (6) of subsection (c) of section 36a-65 of the
2139 general statutes is repealed and the following is substituted in lieu
2140 thereof (*Effective October 1, 2016*):

2141 (6) A licensee under section 36a-489, as amended by this act, 36a-
2142 541, 36a-556, 36a-581, 36a-600, 36a-628, 36a-656, 36a-671, 36a-719, as
2143 amended by this act, or 36a-801 or section 23 of this act shall pay to the
2144 commissioner the actual cost of any examination of the licensee, as
2145 such cost is determined by the commissioner. If the licensee fails to pay
2146 such cost not later than sixty days after receipt of demand from the
2147 commissioner, the commissioner may suspend the license until such
2148 costs are paid.

2149 Sec. 33. Subsection (c) of section 4-182 of the general statutes is
2150 repealed and the following is substituted in lieu thereof (*Effective*
2151 *October 1, 2016*):

2152 (c) No revocation, suspension, annulment or withdrawal of any
2153 license is lawful unless, prior to the institution of agency proceedings,
2154 the agency gave notice by mail or personal delivery to the licensee of
2155 facts or conduct which warrant the intended action and the specific
2156 provisions of the general statutes or of regulations adopted by the
2157 agency that authorize such intended action, and the licensee was given
2158 an opportunity to show compliance with all lawful requirements for
2159 the retention of the license. If the agency finds that public health, safety

2160 or welfare imperatively requires emergency action, and incorporates a
2161 finding to that effect in its order, summary suspension of a license may
2162 be ordered pending proceedings for revocation or other action. These
2163 proceedings shall be promptly instituted and determined.

2164 Sec. 34. Subdivision (1) of section 36b-3 of the general statutes is
2165 repealed and the following is substituted in lieu thereof (*Effective July*
2166 *1, 2016*):

2167 (1) "Agent" means any individual, other than a broker-dealer, who
2168 represents a broker-dealer or issuer in effecting or attempting to effect
2169 purchases or sales of securities. "Agent" does not include an individual
2170 who represents an issuer in (A) effecting transactions in a security
2171 exempted by subdivision (1), (2), (3), (4), (6), (9), (10), (11) or (22) of
2172 subsection (a) of section 36b-21, (B) effecting transactions exempted by
2173 subsection (b) of section 36b-21, except for transactions exempted by
2174 subdivisions (10), (13) or (14) of said subsection, (C) effecting
2175 transactions with existing employees, partners or directors of the
2176 issuer if no commission or other remuneration is paid or given directly
2177 or indirectly for soliciting any person in this state, or (D) effecting
2178 transactions in any covered security, except for covered securities
2179 within the meaning of Sections 18(b)(2) or [18(b)(4)(D)] 18(b)(4)(E) of
2180 the Securities Act of 1933. "Agent" does not include such other persons
2181 not within the intent of this subdivision as the commissioner may by
2182 regulation or order determine. A general partner, officer or director of
2183 a broker-dealer or issuer, or a person occupying a similar status or
2184 performing similar functions, is an agent only if such person otherwise
2185 comes within this definition and any compensation that such person
2186 receives is directly or indirectly related to purchases or sales of
2187 securities.

2188 Sec. 35. Subsection (a) of section 36b-6 of the general statutes is
2189 repealed and the following is substituted in lieu thereof (*Effective from*
2190 *passage*):

2191 (a) No person shall transact business in this state as a broker-dealer

2192 unless such person is registered under sections 36b-2 to 36b-34,
2193 inclusive. No person shall transact business in this state as a broker-
2194 dealer in contravention of a sanction that is currently effective imposed
2195 by the Securities and Exchange Commission or by a self-regulatory
2196 organization of which such person is a member if the sanction would
2197 prohibit such person from effecting transactions in securities in this
2198 state. No individual shall transact business as an agent in this state
2199 unless such individual is (1) registered as an agent of the broker-dealer
2200 or issuer whom such individual represents in transacting such
2201 business, or (2) an associated person who represents a broker-dealer in
2202 effecting transactions described in subdivisions [(2) and (3) of Section
2203 15(h)] (3) and (4) of Section 15(i) of the Securities Exchange Act of 1934.
2204 No individual shall transact business in this state as an agent of a
2205 broker-dealer in contravention of a sanction that is currently effective
2206 imposed by the Securities and Exchange Commission or a self-
2207 regulatory organization of which the employing broker-dealer is a
2208 member if the sanction would prohibit the individual employed by
2209 such broker-dealer from effecting transactions in securities in this state.

2210 Sec. 36. Section 36b-14 of the general statutes is repealed and the
2211 following is substituted in lieu thereof (*Effective from passage*):

2212 (a) (1) Every registered investment adviser shall make, keep and
2213 preserve such accounts, correspondence, memoranda, papers, books
2214 and other records as the commissioner by regulation adopted, in
2215 accordance with chapter 54, or order prescribes. All such records shall
2216 be preserved for such period as the commissioner by regulation or
2217 order prescribes.

2218 (2) Every investment adviser that is registered with the Securities
2219 and Exchange Commission or excepted from the definition of
2220 investment adviser under Section 202(a)(11) of the Investment
2221 Advisers Act of 1940, and every registered broker-dealer, shall make,
2222 keep and preserve such accounts, correspondence, memoranda,
2223 papers, books and other records as the Securities and Exchange
2224 Commission requires. All such records shall be preserved for such

2225 period as the Securities and Exchange Commission requires.

2226 (3) Broker-dealer records required to be maintained under
2227 subdivision (2) of this subsection may be maintained in any form of
2228 data storage acceptable under Section 17(a) of the Securities Exchange
2229 Act of 1934 if they are readily accessible to the commissioner.
2230 Investment adviser records required to be maintained under this
2231 section may be stored on microfilm, microfiche or on an electronic data
2232 processing system or similar system utilizing an internal memory
2233 device provided that a printed copy of any such record is immediately
2234 accessible.

2235 (b) (1) Every registered investment adviser shall file such financial
2236 reports as the commissioner by regulation prescribes.

2237 (2) Every investment adviser that is registered with the Securities
2238 and Exchange Commission or excepted from the definition of
2239 investment adviser under Section 202(a)(11) of the Investment
2240 Advisers Act of 1940, and, subject to Section [15(h)] 15(i) of the
2241 Securities Exchange Act of 1934, every registered broker-dealer shall
2242 file such financial reports as the commissioner by regulation
2243 prescribes, except that the commissioner shall not require the filing of
2244 financial reports that are not required to be filed with the Securities
2245 and Exchange Commission.

2246 (c) If the information contained in any document filed with the
2247 commissioner under this section is or becomes inaccurate or
2248 incomplete in any material respect, the person making the filing shall
2249 promptly file a correcting amendment unless notification of the
2250 correction has been given under sections 36b-2 to 36b-34, inclusive.

2251 (d) All the records of a registered investment adviser and a
2252 registered broker-dealer referred to in subsection (a) of this section are
2253 subject at any time or from time to time to such reasonable periodic,
2254 special or other examinations by the commissioner, within or without
2255 this state, as the commissioner deems necessary or appropriate in the

2256 public interest or for the protection of investors. Every registered
2257 investment adviser and every registered broker-dealer shall keep such
2258 records open to examination by the commissioner and, upon the
2259 commissioner's request, shall provide copies of any such records to the
2260 commissioner. For the purpose of avoiding unnecessary duplication of
2261 examinations, the commissioner, insofar as the commissioner deems it
2262 practicable in administering this subsection, may cooperate with the
2263 securities administrators of other states, the Securities and Exchange
2264 Commission, and any self-regulatory organization.

2265 (e) Subject to Section [15(h)] 15(i) of the Securities Exchange Act of
2266 1934 or Section 222 of the Investment Advisers Act of 1940, an agent
2267 may not have custody of funds or securities of a customer except
2268 under the supervision of a broker-dealer and an investment adviser
2269 agent may not have custody of funds or securities of a client except
2270 under the supervision of an investment adviser. Subject to Section
2271 [15(h)] 15(i) of the Securities Exchange Act of 1934 or Section 222 of the
2272 Investment Advisers Act of 1940, the commissioner may, by regulation
2273 adopted, in accordance with chapter 54, or order, prohibit, limit or
2274 impose conditions on a broker-dealer regarding custody of funds or
2275 securities of a customer and on an investment adviser regarding
2276 custody of funds or securities of a client.

2277 Sec. 37. Subsection (e) of section 36b-21 of the general statutes is
2278 repealed and the following is substituted in lieu thereof (*Effective from*
2279 *passage*):

2280 (e) Any person who offers or sells a security that is a covered
2281 security under Section [18(b)(4)(D)] 18(b)(4)(E) of the Securities Act of
2282 1933 shall file a notice with the commissioner within fifteen days after
2283 the first sale of such a security in this state. Such notice shall contain
2284 such information as the commissioner may require and shall be
2285 accompanied by a consent to service of process as required by
2286 subsection (g) of section 36b-33 and a nonrefundable fee of one
2287 hundred fifty dollars.

2288 Sec. 38. Subsection (d) of section 36b-31 of the general statutes is
2289 repealed and the following is substituted in lieu thereof (*Effective from*
2290 *passage*):

2291 (d) Subject to Section [15(h)] 15(i) of the Securities Exchange Act of
2292 1934 and Section 222 of the Investment Advisers Act of 1940, the
2293 commissioner may, by regulation or order, prescribe: (1) The form and
2294 content of financial statements required under sections 36b-2 to 36b-34,
2295 inclusive; (2) the circumstances under which consolidated financial
2296 statements shall be filed; and (3) whether any required financial
2297 statements shall be certified by independent certified public
2298 accountants. All financial statements shall be prepared in accordance
2299 with generally accepted accounting principles.

2300 Sec. 39. Section 36a-773 of the general statutes is repealed and the
2301 following is substituted in lieu thereof (*Effective October 1, 2016*):

2302 Every retail seller or sales finance company, if insurance is included
2303 in a retail installment contract, shall, within fifteen days after execution
2304 of the retail installment contract, send or cause to be sent to the retail
2305 buyer a policy or policies or certificate of insurance clearly setting forth
2306 the amount of the premium, the kind or kinds of insurance and the
2307 scope of the coverage and all of the terms, exceptions, limitations,
2308 restrictions and conditions of the insurance contract or contracts. [of
2309 the insurance.] In the event of repossession of goods under section 36a-
2310 785, as amended by this act, where the holder of the retail installment
2311 contract has received a refund of all or part of the unearned insurance
2312 premiums paid by the retail buyer in connection with the retail
2313 installment contract, the holder shall apply such amount toward the
2314 balance of the retail buyer's obligations under the retail installment
2315 contract. For purposes of this section, "unearned insurance premiums"
2316 means the premiums that are collected by an insurer in advance, but
2317 subject to return if the coverage under the insurance contract or
2318 contracts ends before the term covered by the premiums is complete.

2319 Sec. 40. Section 36a-774 of the 2016 supplement to the general

2320 statutes is repealed and the following is substituted in lieu thereof
2321 (*Effective October 1, 2016*):

2322 Every installment loan contract shall be in writing executed by the
2323 retail buyer and a copy thereof shall be delivered to such retail buyer
2324 at the time of the execution thereof. Within fifteen days after the
2325 execution of such installment loan contract, the holder thereof shall
2326 send or cause to be sent to the retail buyer a policy or policies or
2327 certificates of insurance clearly setting forth the amount of the
2328 premium, the kind or kinds of insurance and the scope of the coverage
2329 and all of the terms, exceptions, limitations, restrictions and conditions
2330 of the insurance contract or contracts. [of the insurance.] Every
2331 installment loan contract for the purchase of consumer goods subject to
2332 section 36a-771 and this section shall set forth the information required
2333 to be disclosed under sections 36a-675 to 36a-686, inclusive, and the
2334 regulations thereunder, using the form, content and terminology
2335 provided therein.

2336 Sec. 41. Section 36a-778 of the general statutes is repealed and the
2337 following is substituted in lieu thereof (*Effective October 1, 2016*):

2338 The holder of any retail installment contract or any installment loan
2339 contract shall not receive or collect any charges or expenses for
2340 [delinquency and collection] collecting any delinquent payment,
2341 including, but not limited to, any service fees for accepting delinquent
2342 payments over the telephone or Internet, except as follows: The holder
2343 of a retail installment contract or installment loan contract, [other than]
2344 except a contract for the purchase of a commercial vehicle or an
2345 installment loan contract regulated by sections 36a-555 to 36a-573,
2346 inclusive, may collect a delinquency and collection charge for default
2347 in the payment of any such contract or installment [thereof] of such
2348 contract, when such default has continued for a period of ten days,
2349 such charge not to exceed five per cent of the amount of the
2350 installments in default or the sum of ten dollars, whichever is the
2351 lesser. [; provided this provision shall have no application to
2352 installment loan contracts regulated by sections 36a-555 to 36a-573,

2353 inclusive.] The holder of any retail installment contract or any
2354 installment loan contract for the purchase of a commercial vehicle, as
2355 defined in section 36a-770, except an installment loan contract
2356 regulated by sections 36a-555 to 36a-573, inclusive, may collect a
2357 delinquency and collection charge for default in the payment of any
2358 such contract or installment [thereof] of such contract, when such
2359 default has continued for a period of ten days, such charge not to
2360 exceed five per cent of the amount of the installments in default, [
2361 provided this provision shall have no application to installment loan
2362 contracts regulated by sections 36a-555 to 36a-573, inclusive.] In
2363 addition to any such delinquency and collection charge, the retail
2364 installment contract or the installment loan contract may provide for
2365 the payment of attorney's fees not exceeding fifteen per cent of the
2366 amount due and payable under such contract when such contract is
2367 referred to an attorney, who is not a salaried employee of the holder of
2368 the contract, for collection, plus the court costs. The restriction on
2369 charges [herein provided] under this section shall not apply to any
2370 expenses permitted under section 36a-785, as amended by this act.

2371 Sec. 42. Section 36a-785 of the 2016 supplement to the general
2372 statutes is repealed and the following is substituted in lieu thereof
2373 (*Effective October 1, 2016*):

2374 (a) When the retail buyer is in default in the payment of any sum
2375 due under the retail installment contract or installment loan contract,
2376 or in the performance of any other condition that such contract
2377 requires [him] the retail buyer to perform, or in the performance of any
2378 promise, the breach of which is by such contract expressly made a
2379 ground for the retaking of the goods, the holder of the contract may
2380 retake possession [thereof] of such goods, provided the filing of a
2381 petition in bankruptcy under 11 USC Chapter 7 by a retail buyer of a
2382 motor vehicle, or such retail buyer's status as a debtor in bankruptcy,
2383 shall not be considered a default of a retail installment contract or
2384 ground for repossession of such motor vehicle. Unless the goods can
2385 be retaken without breach of the peace, [it] the goods shall be retaken

2386 by legal process, [but nothing herein contained] provided nothing
2387 contained in this section shall be construed to authorize a violation of
2388 the criminal law. In the case of repossession of any motor vehicle
2389 without the knowledge of the retail buyer, the local police department
2390 shall be notified of such repossession [within] not later than two hours
2391 after repossession. In the absence of a local police department or if the
2392 local police department cannot be reached for notification, the state
2393 police shall be promptly notified of such repossession.

2394 (b) Not less than ten days prior to the retaking, the holder of such
2395 contract [, if he so desires,] may serve upon the retail buyer, personally
2396 or by registered or certified mail, a notice of intention to retake the
2397 goods on account of the retail buyer's default. The notice shall state
2398 [the] that the retail buyer is in default and the period at the end of
2399 which such goods will be retaken and designate (1) the obligations
2400 required to be performed in order to cure the default, including the
2401 dollar amount of any required payment, and (2) the date by which
2402 such obligations must be performed. The notice shall briefly and
2403 clearly state [what] the retail buyer's rights under this subsection [will
2404 be] in [case] the event such goods are retaken. If the notice is so served
2405 and the retail buyer does not perform the conditions and provisions [as
2406 to which he is in] required under the contract to cure the default before
2407 the day set for retaking, the holder of the contract may retake [said]
2408 such goods and hold such goods subject to the provisions of
2409 subsections (d), (e), (f), (g) and (h) of this section regarding resale, but
2410 without any right of redemption.

2411 (c) If the holder of such contract does not give the notice of intention
2412 to retake, described in subsection (b) of this section, [he] the holder
2413 shall retain such goods for fifteen days after the retaking within the
2414 state in which [they] such goods were located when retaken. During
2415 such period the retail buyer, upon payment or tender of the
2416 unaccelerated amount due under such contract at the time of retaking
2417 and interest, or upon performance or tender of performance of such
2418 other condition as may be named in such contract as precedent to the

2419 retail buyer's continued possession of such goods, or upon
2420 performance or tender of performance of any other promise for the
2421 breach of which such goods were retaken, and upon payment of the
2422 actual and reasonable expenses of any retaking and storing, may
2423 redeem such goods and become entitled to take possession of [the
2424 same] such goods and to continue in the performance of such contract
2425 as if no default had occurred. The holder of such contract shall, [within
2426 three days of] not later than three days after the retaking, furnish or
2427 mail, by registered or certified mail, to the last known address of the
2428 retail buyer, a written statement of the unaccelerated sum due under
2429 such contract and the actual and reasonable expense of any retaking
2430 and storing. [For failure] Failure to furnish or mail such statement as
2431 required by this section [, the holder of the contract shall forfeit the]
2432 shall result in forfeiture of the holder's right to claim payment for the
2433 actual and reasonable expenses of retaking and storage, and [also] the
2434 holder shall be liable for the actual damages suffered because of such
2435 failure. If such goods are perishable so that retention for fifteen days
2436 [as herein prescribed] under this subsection would result in their
2437 destruction or substantial injury, the provisions of this subsection shall
2438 not apply and the holder of the contract may resell the goods
2439 immediately upon such retaking.

2440 (d) If the retail buyer does not redeem such goods within fifteen
2441 days after the holder of the contract has retaken possession, the holder
2442 of the contract shall sell such goods at public or private sale [which
2443 sale may be held] not less than fifteen days and [shall be held] not
2444 more than one hundred eighty days after the retaking. When the
2445 holder of the contract retakes possession by legal process, and an
2446 answer is interposed, the holder of the contract may, at [his] the
2447 holder's election, hold such retaken goods for a period not to exceed
2448 thirty days after the entry of final judgment by a court of competent
2449 jurisdiction entitling the holder of the contract to possession of such
2450 goods before holding such resale. The holder of the contract shall give
2451 the retail buyer not less than ten days' written notice of the time and
2452 place of any public sale, or the time after which any private sale or

2453 other intended disposition is to be made, either personally or by
2454 registered mail or by certified mail, [receipted for on mailing] return
2455 receipt requested, directed to the retail buyer at [his] such retail buyer's
2456 last-known place of business or residence. The holder of the contract
2457 may bid for such goods at any public sale. The proceeds of the resale
2458 shall be considered to be either the amount paid for such goods at such
2459 sale or the fair cash retail market value of such goods at the time of
2460 repossession, whichever is the greater, except as otherwise provided in
2461 subsection (g) of this section.

2462 (e) Proceeds of the resale shall be applied in the following order of
2463 priority: (1) First, to the payment of the actual and reasonable expenses
2464 [thereof] of such resale, (2) if, after application pursuant to subdivision
2465 (1) of this subsection, there are proceeds remaining, then to the
2466 payment of the actual and reasonable expenses of any retaking and
2467 storing of said goods, and (3) if, after application pursuant to
2468 subdivisions (1) and (2) of this subsection, there are proceeds
2469 remaining, then to the satisfaction of the balance due under the
2470 contract. [Within thirty days of] Not later than thirty days after the
2471 resale, the holder of the contract shall give the retail buyer a written
2472 statement itemizing the disposition of the proceeds. Any sum
2473 remaining after the satisfaction of such claims shall be paid to the retail
2474 buyer.

2475 (f) [Notwithstanding that] Even if the proceeds of the resale are [not
2476 sufficient] insufficient to defray the actual and reasonable expenses
2477 [thereof] of such resale, and [also] such actual and reasonable expenses
2478 of any retaking and storing of such goods and the balance due under
2479 the contract, the holder of the contract may not recover the deficiency
2480 from the retail buyer or any surety or guarantor for [him] the retail
2481 buyer, or from [any one] anyone who has succeeded to the obligations
2482 of such retail buyer, except as provided in subsection (g) of this
2483 section.

2484 (g) If the goods retaken consist of a motor vehicle the aggregate cash
2485 price of which was more than [two] six thousand dollars, the prima

2486 facie fair market value of such motor vehicle shall be calculated by
2487 adding together the [average] highest-stated trade-in value for [that]
2488 such motor vehicle and the [average] highest-stated retail value for
2489 [that] such motor vehicle and dividing [that] the sum of such values by
2490 two. Such [average] highest-stated trade-in value and [average]
2491 highest-stated retail value shall be determined by the values as stated
2492 in the National Automobile Dealers Association Used Car Guide,
2493 Eastern Edition, as of the date of repossession. If an average trade-in
2494 value is not stated in said guide, the highest trade-in value stated in
2495 said guide for the motor vehicle shall be used. If the goods retaken
2496 consist of a boat the aggregate cash price of which was more than
2497 [two] six thousand dollars, the prima facie fair market value of such
2498 boat shall be calculated by adding together the [average] highest-
2499 stated trade-in value for [that] such boat and the [average] highest-
2500 stated retail value for [that] such boat and dividing [that] the sum of
2501 such values by two. Such [average] highest-stated trade-in value and
2502 [average] highest-stated retail value shall be determined by the values
2503 as stated in the National Automobile Dealers Association Appraisal
2504 Guide for Boats, Eastern Edition, as of the date of repossession. If an
2505 average trade-in value is not stated in said guide, the highest trade-in
2506 value stated in said guide for the boat shall be used. In the event that
2507 the value of such motor vehicle or boat is not stated in such
2508 publication, [then] the fair market value at retail minus the reasonable
2509 costs of resale shall be determined by the court. The prima facie
2510 evidence of fair market value of such motor vehicle or boat so
2511 determined may be rebutted only by direct in-court testimony. If such
2512 value of the motor vehicle or boat is less than the balance due under
2513 the contract, plus the actual and reasonable expenses of the retaking of
2514 possession, the holder of the contract may recover from the retail
2515 buyer, or from anyone who has succeeded to [his] such retail buyer's
2516 obligations, as a deficiency, the amount by which such liability exceeds
2517 such fair market value, as defined in this subsection. If the actual resale
2518 price received by the holder exceeds such fair market value, as defined
2519 in this subsection, the actual resale price shall govern.

2520 (h) After the holder retakes possession as provided in subsection (a)
2521 of this section, or if the holder obtains a prejudgment remedy against
2522 the goods under chapter 903a, the retail buyer or anyone who has
2523 succeeded to [his] such retail buyer's obligations shall not be liable for
2524 any balance due, except to the extent permitted by subsection (g) of
2525 this section. The holder may seek a monetary judgment on the contract
2526 against the retail buyer unless the goods have been repossessed, with
2527 or without judicial process. Goods purchased under the contract shall
2528 not be executed upon to satisfy such judgment. When such judgment
2529 becomes final, the holder's security interest in the goods shall be
2530 extinguished. If the contract covers a retail sale of a motor vehicle
2531 required to be registered, the holder shall comply with section 14-188.

2532 (i) If the holder of the contract fails to comply with the provisions of
2533 subsections (c), (d), (e), (f), (g) and (h) of this section, after retaking the
2534 goods, the retail buyer may recover from the holder of the contract
2535 [his] such retail buyer's actual damages, if any, and in no event less
2536 than one-fourth of the sum of all payments which have been made
2537 under the contract.

2538 (j) No act or agreement of the retail buyer before or at the time of the
2539 making of a retail installment contract or installment loan contract nor
2540 any agreement or statement by the retail buyer in such contract shall
2541 constitute a valid waiver of the provisions of subsections (c), (d), (e),
2542 (f), (g), (h) and (i) of this section.

2543 (k) After the delivery of the goods to the retail buyer and prior to
2544 any retaking [thereof] of such goods by the holder of the contract, the
2545 risk of injury and loss shall rest upon the retail buyer.

2546 Sec. 43. Section 47a-21 of the general statutes is repealed and the
2547 following is substituted in lieu thereof (*Effective July 1, 2016*):

2548 (a) As used in this chapter:

2549 (1) "Commissioner" means the Banking Commissioner.

2550 (2) "Escrow account" means any account at a financial institution
2551 which is not subject to execution by the creditors of the [person in
2552 whose name such account is maintained] escrow agent and includes a
2553 clients' funds account.

2554 (3) "Escrow agent" means the person in whose name an escrow
2555 account [, including a clients' funds account,] is maintained.

2556 (4) "Financial institution" means any state bank and trust company,
2557 national bank, savings bank, federal savings bank, savings and loan
2558 association, and federal savings and loan association that is located in
2559 this state.

2560 (5) "Forwarding address" means the address to which a security
2561 deposit may be mailed for delivery to a former tenant.

2562 (6) "Landlord" means any landlord of residential real property, and
2563 includes (A) any receiver; (B) any [person who is a] successor; [to a
2564 landlord or to a landlord's interest;] and (C) any tenant who sublets his
2565 premises.

2566 (7) "Receiver" means any person who is appointed or authorized by
2567 any state, federal or probate court to receive rents from tenants, and
2568 includes trustees, executors, administrators, guardians, conservators,
2569 receivers, and receivers of rent.

2570 (8) "Rent receiver" means a receiver who lacks court authorization to
2571 return security deposits and to inspect the premises of tenants and
2572 former tenants.

2573 (9) "Residential real property" means real property containing one
2574 or more residential units, including residential units not owned by the
2575 landlord, and containing one or more tenants who paid a security
2576 deposit.

2577 (10) "Security deposit" means any advance rental payment, [other
2578 than] except an advance payment for the first month's rent [and] or a

2579 deposit for a key or any special equipment.

2580 (11) "Successor" [to a landlord or to a landlord's interest] means any
2581 person who succeeds to a landlord's interest whether by purchase,
2582 foreclosure or otherwise and includes a receiver.

2583 (12) "Tenant" means a tenant, as defined in section 47a-1, or a
2584 resident, as defined in section 21-64.

2585 (13) "Tenant's obligations" means (A) the amount of any rental or
2586 utility payment due the landlord from a tenant; and (B) a tenant's
2587 obligations under the provisions of section 47a-11.

2588 (b) (1) In the case of a tenant under sixty-two years of age, a
2589 landlord shall not demand a security deposit in an amount [or value in
2590 excess of] that exceeds two months' [periodic rent which may be in
2591 addition to the current month's] rent.

2592 (2) In the case of a tenant sixty-two years of age or older, a landlord
2593 shall not demand a security deposit in an amount [or value in excess
2594 of] that exceeds one month's [periodic rent, which may be in addition
2595 to the current month's rent. Upon the request of a tenant sixty-two
2596 years of age or older, any landlord who has received from such tenant
2597 a security deposit in an amount or value in excess of one month's
2598 periodic rent shall refund to such tenant the portion of such security
2599 deposit that exceeds one month's periodic] rent.

2600 (3) Any landlord who has received from a tenant a security deposit
2601 in an amount that exceeds the amount allowed under subdivision (1)
2602 or (2) of this subsection shall refund to such tenant the excess portion
2603 of the security deposit upon the request of such tenant or the
2604 commissioner, provided any portion of such excess that the landlord
2605 has applied to a past rental payment shall be deemed to have been
2606 refunded to such tenant.

2607 (c) Any security deposit paid by a tenant shall remain the property
2608 of such tenant in which the landlord [and his successor] shall have a

2609 security interest, as defined in subdivision (35) of subsection (b) of
2610 section 42a-1-201, to secure such tenant's obligations. A security
2611 deposit shall be exempt from attachment and execution by the
2612 creditors of the landlord [or his successor] and shall not be considered
2613 part of the estate of the landlord [or his successor] in any legal
2614 proceeding. Any voluntary or involuntary transfer of a landlord's
2615 interest in residential real [estate] property to a successor shall
2616 constitute an assignment to such successor of such landlord's security
2617 interest in all security deposits paid by tenants of such transferred
2618 residential real [estate] property.

2619 (d) (1) [Within] Not later than the time specified in [subdivisions]
2620 subdivision (2) [and (4)] of this subsection, the person who is the
2621 landlord at the time a tenancy is terminated, other than a rent receiver,
2622 shall pay to the tenant or former tenant: (A) The amount of any
2623 security deposit that was deposited by the tenant with the person who
2624 was landlord at the time such security deposit was deposited less the
2625 value of any damages [which] that any person who was a landlord of
2626 such premises at any time during the tenancy of such tenant has
2627 suffered as a result of such tenant's failure to comply with such
2628 tenant's obligations; and (B) any accrued interest due on such security
2629 deposit as [required by] provided in subsection (i) of this section. If the
2630 landlord at the time of termination of a tenancy is a rent receiver, such
2631 rent receiver shall return security deposits in accordance with the
2632 provisions of subdivision (3) of this subsection.

2633 (2) Upon termination of a tenancy, any tenant may notify [his] the
2634 landlord in writing of such tenant's forwarding address. [Within] Not
2635 later than thirty days after termination of a tenancy or fifteen days
2636 after receiving written notification of such tenant's forwarding
2637 address, whichever is later, each landlord other than a rent receiver
2638 shall deliver to the tenant or former tenant at such forwarding address
2639 either (A) the full amount of the security deposit paid by such tenant
2640 plus [accrued] interest [as provided in] accrued pursuant to subsection
2641 (i) of this section, or (B) the balance of [the] such security deposit [paid

2642 by such tenant plus] and accrued interest [as provided in subsection (i)
2643 of this section] after deduction for any damages suffered by such
2644 landlord by reason of such tenant's failure to comply with such
2645 tenant's obligations, together with a written statement itemizing the
2646 nature and amount of such damages. Any [such] landlord who violates
2647 any provision of this subsection shall be liable for twice the amount [or
2648 value] of any security deposit paid by such tenant, except that, if the
2649 only violation is the failure to deliver the accrued interest, such
2650 landlord shall [only] be liable for ten dollars or twice the amount of
2651 [such] the accrued interest, whichever is greater.

2652 (3) (A) Any receiver who is authorized by [the] a court [appointing
2653 him receiver] to return security deposits and to inspect the premises of
2654 any tenant shall pay security deposits and interest in accordance with
2655 the provisions of subdivisions (1) and (2) of this subsection from the
2656 operating income of such receivership to the extent that any such
2657 payments exceed the amount in any escrow accounts for such tenants.
2658 (B) Any rent receiver shall present any claim by any tenant for return
2659 of a security deposit to the court which authorized [him to be a] the
2660 rent receiver. Such court shall determine the validity of any such claim
2661 and shall direct such rent receiver to pay from the escrow account or
2662 from the operating income of such property the amount due such
2663 tenant as determined by such court.

2664 [(4) Any landlord who does not have written notice of his tenant's or
2665 former tenant's forwarding address shall deliver any written statement
2666 and security deposit due to the tenant, as required by subdivision (2)
2667 of this subsection, within the time required by subdivision (2) of this
2668 subsection or within fifteen days after receiving written notice of such
2669 tenant's forwarding address, whichever is later.]

2670 (e) A successor, other than a receiver, [to a landlord's interest in
2671 residential real property] shall be liable for the claims of tenants of
2672 such property for return of any part of such security deposit which is
2673 or becomes due to such tenant during the time such successor is a
2674 landlord. A receiver's liability for payment of security deposits and

2675 interest under this section shall be limited to the balance in any escrow
2676 account for such tenants maintained by such receiver in such
2677 receivership in accordance with subsection (h) of this section and to the
2678 operating income generated in such receivership.

2679 (f) Any landlord who is not a resident of this state shall appoint in
2680 writing the Secretary of the State as his or her attorney upon whom all
2681 process in any action or proceeding against such landlord may be
2682 served.

2683 (g) Any person may bring an action in replevin or for money
2684 damages in any court of competent jurisdiction to reclaim any part of
2685 [his] such person's security deposit which may be due. This section
2686 does not preclude the landlord or tenant from recovering other
2687 damages to which [he] the landlord or tenant may be entitled.

2688 (h) (1) Each landlord shall immediately deposit the entire amount of
2689 all security deposits received by [him on or after October 1, 1979, from
2690 his tenants] such landlord into one or more escrow accounts [for such
2691 tenants] established or maintained in a financial institution for the
2692 benefit of such landlord's tenants. [Such landlord shall be escrow agent
2693 of such account. Within seven days after a written request by the
2694 commissioner for the name of each financial institution in which any
2695 such escrow accounts are maintained and the account number of each
2696 such escrow account, a landlord shall deliver such requested
2697 information to the commissioner. (2)] Each landlord [and each
2698 successor to the landlord's interest] shall maintain each such account
2699 as escrow agent and shall not withdraw [the amount of any security
2700 deposit or accrued interest on such amount, as provided in subsection
2701 (i) of this section, that is in any escrow account] funds from such
2702 account except as provided in [this section] subdivision (2) of this
2703 subsection.

2704 (2) The escrow agent may withdraw funds from an escrow account
2705 to: (A) Disburse the amount of any security deposit and accrued
2706 interest due to a tenant pursuant to subsection (d) of this section; (B)

2707 disburse interest to a tenant pursuant to subsection (i) of this section;
2708 (C) make a transfer of the entire amount of certain security deposits
2709 pursuant to subdivision (3) of this subsection; (D) retain interest
2710 credited to the account in excess of the amount of interest payable to
2711 the tenant under subsection (i) of this section; (E) retain all or any part
2712 of a security deposit and accrued interest after termination of tenancy
2713 equal to the damages suffered by the landlord by reason of the tenant's
2714 failure to comply with such tenant's obligations; (F) disburse all or any
2715 part of the security deposit to a tenant at any time during tenancy; or
2716 (G) transfer such funds to another financial institution or escrow
2717 account, provided such funds remain continuously in an escrow
2718 account.

2719 (3) (A) Whenever any real estate is voluntarily or involuntarily
2720 transferred from a landlord, other than a receiver, to [his] a successor,
2721 including a receiver, such landlord shall withdraw from the escrow
2722 account and deliver to [his] the successor the entire amount of security
2723 deposits paid by tenants of the property being transferred, plus
2724 [accrued] any interest [provided for in] accrued pursuant to subsection
2725 (i) of this section. If at the time of transfer of such real estate the funds
2726 in such account are commingled with security deposits paid by tenants
2727 in real estate not being transferred to such successor, and if at such
2728 time the funds in such account are less than the amount of security
2729 deposits paid by all tenants whose security deposits are contained in
2730 such account, such landlord shall deliver to such successor a pro rata
2731 share of security deposits paid by tenants of the real estate being
2732 transferred to such successor. [Any successor to a landlord shall
2733 immediately deposit the entire amount of funds delivered to him in
2734 accordance with this subdivision into an escrow account as provided
2735 in subdivision (l) of this subsection and shall maintain such account as
2736 escrow agent in accordance with the provisions of this section.] (B)
2737 Whenever any real estate is transferred from a receiver to his or her
2738 successor, such receiver shall dispose of the escrow accounts as
2739 ordered by the court which appointed [him] such receiver. The order
2740 of such court shall provide for the priority of the present and future

2741 rights of tenants to security deposits paid by them over the rights of
2742 any secured or unsecured creditor of any person and shall provide that
2743 the funds in such account shall be delivered to the successor of such
2744 receiver for immediate deposit in an escrow account for tenants who
2745 paid security deposits.

2746 (4) [No person shall withdraw funds from any escrow account
2747 except as follows: (A) Within the time specified in subsection (d) of this
2748 section, each escrow agent shall withdraw and disburse the amount of
2749 any security deposit due to any tenant upon the termination of such
2750 tenancy, in accordance with subsection (d) of this section, together
2751 with accrued interest thereon as provided in subsection (i) of this
2752 section. (B) At the time provided for in subsection (i) of this section,
2753 each escrow agent shall withdraw from such account and pay to each
2754 tenant any accrued interest due and payable to any tenant in
2755 accordance with the provisions of said subsection. (C) The escrow
2756 agent may withdraw and personally retain interest credited to and not
2757 previously withdrawn from such account to the extent such interest
2758 exceeds the amount of interest being earned by tenants as provided in
2759 subsection (i) of this section. (D) The escrow agent may withdraw and
2760 personally retain the amount of damages withheld, in accordance with
2761 the provisions of subsection (d) of this section, from payment of a
2762 security deposit to a tenant. (E) The escrow agent may at any time
2763 during a tenancy withdraw and pay to a tenant all or any part of a
2764 security deposit together with accrued interest on such amount as
2765 provided in subsection (i) of this section. (F) The escrow agent shall
2766 withdraw and disburse funds in accordance with the provisions of
2767 subdivision (3) of this subsection. (G) The escrow agent may transfer
2768 any escrow account from one financial institution to another and may
2769 transfer funds from one escrow account to another provided that all
2770 security deposits in escrow accounts remain continuously in escrow
2771 accounts] (A) The landlord shall provide each tenant with a written
2772 notice stating the amount held for the benefit of the tenant and the
2773 name and address of the financial institution at which the tenant's
2774 security deposit is being held not later than thirty days after the

2775 landlord receives a security deposit from the tenant or the tenant's
2776 previous landlord or transfers the security deposit to another financial
2777 institution or escrow account.

2778 (B) Not later than seven days after the commissioner makes a
2779 written request for information, the landlord shall provide the
2780 commissioner with any information related to a tenant's security
2781 deposit, including, but not limited to, the name of each financial
2782 institution in which any escrow account is maintained and the account
2783 number of each escrow account.

2784 (i) [(1)] On and after July 1, 1993, each landlord other than a
2785 landlord of a residential unit in any building owned or controlled by
2786 any educational institution and used by such institution for the
2787 purpose of housing students of such institution and their families, and
2788 each landlord or owner of a mobile manufactured home or of a mobile
2789 manufactured home space or lot or park, as such terms are defined in
2790 subdivisions (1), (2) and (3) of section 21-64, shall pay interest on each
2791 security deposit received by such landlord at a rate of not less than the
2792 average rate paid, as of December 30, 1992, on savings deposits by
2793 insured commercial banks as published in the Federal Reserve Board
2794 Bulletin rounded to the nearest one-tenth of one percentage point,
2795 except in no event shall the rate be less than one and one-half per cent.
2796 On and after January 1, 1994, the rate for each calendar year shall be
2797 not less than the deposit index, as defined in [subdivision (2) of this
2798 subsection] section 44 of this act, for that year, except in no event shall
2799 the rate be less than one and one-half per cent. On and after January 1,
2800 2012, the rate for each calendar year shall be not less than the deposit
2801 index, as defined in [subdivision (2) of this subsection,] section 44 of
2802 this act, for that year. [On the anniversary date of the tenancy and
2803 annually thereafter, such interest shall be paid to the tenant or resident
2804 or credited toward the next rental payment due from the tenant or
2805 resident, as the landlord or owner shall determine. If the tenancy is
2806 terminated before the anniversary date of such tenancy, or if the
2807 landlord or owner returns all or part of a security deposit prior to

2808 termination of the tenancy, the landlord or owner shall pay the
2809 accrued interest to the tenant or resident not later than thirty days after
2810 such termination or return. In any case where a tenant or resident] The
2811 landlord shall pay such interest to the tenant upon termination of the
2812 tenancy pursuant to subsection (d) of this section, unless the landlord
2813 elects to pay such interest to the tenant annually on the anniversary
2814 date of the tenancy or the tenant requests that the landlord pay such
2815 interest annually. Any such interest paid upon termination of the
2816 tenancy shall be compounded annually. Interest shall not be paid to a
2817 tenant for any month in which the tenant has been delinquent for more
2818 than ten days in the payment of any monthly rent, [such resident or
2819 tenant shall forfeit any interest that would otherwise be payable to
2820 such resident or tenant for that month, except that there shall be no
2821 such forfeiture if, pursuant to a provision of the rental agreement, a
2822 late charge is imposed for failure to pay such rent within the time
2823 period provided by section 47a-15a] unless the landlord imposes a late
2824 charge for such delinquency. No landlord [or owner] shall increase the
2825 rent due [on any quarters or property subject to the provisions of this
2826 section] from a tenant because of the requirement that interest be paid
2827 on [any] the security deposit [made with respect to such quarters or
2828 property] by such tenant.

2829 [(2) The commissioner shall publish the rate that takes effect July 1,
2830 1993, in the Department of Banking news bulletin no later than July 15,
2831 1993. The deposit index for each calendar year shall be equal to the
2832 average rate paid on savings deposits by insured commercial banks as
2833 last published in the Federal Reserve Board Bulletin in November of
2834 the prior year. The commissioner shall determine the deposit index for
2835 each calendar year and publish such deposit index in the Department
2836 of Banking news bulletin no later than December fifteenth of the prior
2837 year. The commissioner shall also cause such rates to be disseminated
2838 in a manner designed to come to the attention of landlords and tenants
2839 including, but not limited to, the issuance of press releases and public
2840 service announcements, the encouragement of news stories in the mass
2841 media and the posting of conspicuous notices at financial institutions.

2842 For purposes of this subsection, "Federal Reserve Board Bulletin"
2843 means the monthly survey of selected deposits published as a special
2844 supplement to the Federal Reserve Statistical Release Publication H.6
2845 published by the Board of Governors of the Federal Reserve System or,
2846 if such bulletin is superseded or becomes unavailable, a substantially
2847 similar index or publication.]

2848 (j) (1) [The] Except as provided in subdivision (2) of this subsection,
2849 the commissioner may receive and investigate complaints regarding
2850 any alleged violation of subsections (b), (d), (h) or (i) of this section. [,
2851 provided the commissioner shall not have jurisdiction over the refusal
2852 or other failure of any landlord to return all or part of a security
2853 deposit if such failure results from the landlord's good faith claim that
2854 the landlord has suffered damages as a result of a tenant's failure to
2855 comply with such tenant's obligations whether or not the existence or
2856 amount of alleged damages is disputed by the tenant. For purposes of
2857 this section a good faith claim is deemed to be a claim for actual
2858 damages suffered by the landlord for which written notification of
2859 such damages has been given to the tenant in accordance with the
2860 provisions of subdivisions (1), (2) and (4) of subsection (d) of this
2861 section.] For the purposes of such investigation, any person who is or
2862 was a landlord shall be subject to the provisions of section 36a-17. [(2)]
2863 If the commissioner determines that any landlord has violated any
2864 provision of this section over which the commissioner has jurisdiction,
2865 the commissioner may, in accordance with section 36a-52, order such
2866 person to cease and desist from such practices and to comply with the
2867 provisions of this section.

2868 (2) The commissioner shall not have jurisdiction over (A) the failure
2869 of a landlord to pay interest to a tenant annually under subsection (i)
2870 of this section, or (B) the refusal or other failure of the landlord to
2871 return all or part of the security deposit if such failure results from the
2872 landlord's good faith claim that such landlord has suffered damages as
2873 a result of a tenant's failure to comply with such tenant's obligations,
2874 regardless of whether the existence or amount of the alleged damages

2875 is disputed by the tenant. For purposes of this section, a good faith
2876 claim means a claim for actual damages suffered by the landlord for
2877 which written notification of such damages has been provided to the
2878 tenant in accordance with the provisions of subdivision (2) of
2879 subsection (d) of this section.

2880 (3) The commissioner may adopt regulations, in accordance with
2881 chapter 54, to carry out the purposes of this section.

2882 (k) (1) Any person who is a landlord at the time of termination of a
2883 tenancy and who knowingly and wilfully fails to pay all or any part of
2884 a security deposit when due shall be subject to a fine of not more than
2885 two hundred fifty dollars for each offense, provided it shall be an
2886 affirmative defense under this subdivision that such failure was
2887 caused by such landlord's good faith belief that he was entitled to
2888 deduct the value of damages he has suffered as a result of such
2889 tenant's failure to comply with such tenant's obligations.

2890 (2) Any person who knowingly and wilfully violates the provisions
2891 of subsection (h) of this section on or after October 1, 1979, shall be
2892 subject to a fine of not more than five hundred dollars or
2893 imprisonment of not more than thirty days or both for each offense. It
2894 shall be an affirmative defense under the provisions of this subdivision
2895 that at the time of the offense, such person leased residential real
2896 property to fewer than four tenants who paid a security deposit.

2897 (3) Any person who is a landlord at the time an interest payment is
2898 due under the provisions of subsection (i) of this section and who
2899 knowingly and wilfully violates the provisions of such subsection shall
2900 be subject to a fine of not more than one hundred dollars for each
2901 offense.

2902 (4) No financial institution shall be liable for any violation of this
2903 section except for any violation in its capacity as a landlord, [or
2904 successor to a landlord's interest.]

2905 (l) Nothing in this section shall be construed as a limitation upon: (1)

2906 The power or authority of the state, the Attorney General or the
2907 commissioner to seek administrative, legal or equitable relief
2908 permitted by the general statutes or at common law; or (2) the right of
2909 any tenant to bring a civil action permitted by the general statutes or at
2910 common law.

2911 Sec. 44. (NEW) (*Effective July 1, 2016*) The Banking Commissioner
2912 shall determine the deposit index for each calendar year and publish
2913 such deposit index in the Department of Banking's news bulletin and
2914 on the department's Internet web site not later than December fifteenth
2915 of the prior year. The commissioner may also disseminate the deposit
2916 index and any information the commissioner deems appropriate in a
2917 manner designed to alert the parties that may rely on the deposit
2918 index, including the issuance of press releases and public service
2919 announcements, the encouragement of news stories in the mass media
2920 and the posting of conspicuous notices at financial institutions. For
2921 purposes of this section, "deposit index" means the average of the
2922 national rates for savings deposits and money market deposits as
2923 determined by the Federal Deposit Insurance Corporation pursuant to
2924 12 CFR 337.6, as amended from time to time, for the last week in
2925 November of the prior year.

2926 Sec. 45. Subsection (e) of section 3-70a of the 2016 supplement to the
2927 general statutes is repealed and the following is substituted in lieu
2928 thereof (*Effective July 1, 2016*):

2929 (e) In the case of any claim allowed under this section for property,
2930 funds or money delivered to the Treasurer pursuant to subdivision (1)
2931 or (2) of subsection (a) of section 3-57a, the Treasurer shall pay such
2932 claim with interest as follows: For each calendar year or portion
2933 thereof that the property, funds or money has been paid or delivered
2934 to the Treasurer, the Treasurer shall pay interest at [the deposit index
2935 rate determined and published by the Banking Commissioner not later
2936 than December fifteenth of the preceding calendar year pursuant to
2937 subdivision (2) of subsection (i) of section 47a-21] a rate that is not less
2938 than the deposit index, as determined under section 44 of this act, for

2939 such year. Such interest shall accrue from the date of payment or
2940 delivery of the property, funds or money to the Treasurer until the
2941 date of payment or delivery of the property, funds or money to the
2942 claimant.

2943 Sec. 46. Section 16-262j of the general statutes is repealed and the
2944 following is substituted in lieu thereof (*Effective July 1, 2016*):

2945 (a) No public service company and no electric supplier shall refuse
2946 to provide electric, gas or water service to a residential customer based
2947 on the financial inability of such customer to pay a security deposit for
2948 such service. The Public Utilities Regulatory Authority shall adopt
2949 regulations in accordance with chapter 54 to carry out the provisions of
2950 this subsection.

2951 (b) No telephone company and no certified telecommunications
2952 provider shall refuse to provide telecommunications service to a
2953 candidate or a committee, as defined in section 9-601, on the grounds
2954 that such candidate, such committee or the person acting on behalf of
2955 such committee has offered to pay the security deposit for such service
2956 with a credit card.

2957 (c) Each public service company, certified telecommunications
2958 provider and electric supplier shall pay interest on any security
2959 deposit it receives from a customer at the average rate paid, as of
2960 December 30, 1992, on savings deposits by insured commercial banks
2961 as published in the Federal Reserve Board bulletin and rounded to the
2962 nearest one-tenth of one percentage point, except in no event shall the
2963 rate be less than one and one-half per cent. On and after January 1,
2964 1994, the rate for each calendar year shall be not less than the deposit
2965 index, as determined [by the Banking Commissioner and defined in
2966 subsection (d) of this section] under section 44 of this act, for [that]
2967 such year and rounded to the nearest one-tenth of one percentage
2968 point, except in no event shall the rate be less than one and one-half
2969 per cent.

2970 [(d) The deposit index for each calendar year shall be equal to the
2971 average rate paid on savings deposits by insured commercial banks as
2972 last published in the Federal Reserve Board bulletin in November of
2973 the prior year. The Banking Commissioner shall determine the deposit
2974 index for each calendar year and publish such deposit index in the
2975 Department of Banking news bulletin no later than December fifteenth
2976 of the prior year. For purposes of this section, "Federal Reserve Board
2977 bulletin" means the monthly survey of selected deposits published as a
2978 special supplement to the Federal Reserve Statistical Release
2979 Publication H.6 published by the Board of Governors of the Federal
2980 Reserve System or, if such bulletin is superseded or becomes
2981 unavailable, a substantially similar index or publication.]

2982 Sec. 47. Section 37-9 of the general statutes is repealed and the
2983 following is substituted in lieu thereof (*Effective July 1, 2016*):

2984 The provisions of sections 37-4, 37-5 and 37-6 shall not affect: (1)
2985 Any loan made prior to September 12, 1911; (2) any loan made by (A)
2986 any bank, as defined in section 36a-2, or any out-of-state bank, as
2987 defined in section 36a-2, that maintains in this state a branch, as
2988 defined in section 36a-410, (B) any wholly-owned subsidiary of such
2989 bank or out-of-state bank, except a loan for consumer purposes, or (C)
2990 any Connecticut credit union, as defined in section 36a-2, or federal
2991 credit union, as defined in section 36a-2; (3) any bona fide mortgage of
2992 real property for a sum in excess of five thousand dollars; (4) (A) any
2993 loan, carrying an annual interest rate of not more than the deposit
2994 index, as determined [pursuant to subsection (c) of section 49-2a]
2995 under section 44 of this act, for the calendar year in which the loan is
2996 made plus seventeen per cent, made to a foreign or domestic
2997 corporation, statutory trust, limited liability company, general, limited
2998 or limited liability partnership or association organized for a profit or
2999 any individual, provided such corporation, trust, company,
3000 partnership, association or individual is engaged primarily in
3001 commercial, manufacturing, industrial or nonconsumer pursuits and
3002 provided further that the funds received by such corporation, trust,

3003 company, partnership, association or individual are utilized in such
3004 entity's business or investment activities and are not utilized for
3005 consumer purposes and provided further that the original
3006 indebtedness to be repaid is in excess of ten thousand dollars but less
3007 than or equal to two hundred fifty thousand dollars, or, in the case of
3008 one or more advances of money of less than ten thousand dollars made
3009 pursuant to a revolving loan agreement or similar agreement or a loan
3010 agreement providing for the making of advances to the borrower from
3011 time to time up to an aggregate maximum amount, the total principal
3012 amount of all loans owing by the borrower to the lender at the time of
3013 any such advance is in excess of ten thousand dollars but less than or
3014 equal to two hundred fifty thousand dollars, or (B) any loan made to a
3015 foreign or domestic corporation, statutory trust, limited liability
3016 company, general, limited or limited liability partnership or
3017 association organized for a profit or any individual, provided such
3018 corporation, trust, company, partnership, association or individual is
3019 engaged primarily in commercial, manufacturing, industrial or
3020 nonconsumer pursuits and provided further that the funds received by
3021 such corporation, trust, company, partnership, association or
3022 individual are utilized in such entity's business or investment activities
3023 and are not utilized for consumer purposes and provided further that
3024 the original indebtedness to be repaid is in excess of two hundred fifty
3025 thousand dollars, or, in the case of one or more advances of money of
3026 less than two hundred fifty thousand dollars made pursuant to a
3027 revolving loan agreement or similar agreement or a loan agreement
3028 providing for the making of advances to the borrower from time to
3029 time up to an aggregate maximum amount, the total principal amount
3030 of all loans owing by the borrower to the lender at the time of any such
3031 advance is in excess of two hundred fifty thousand dollars; (5) any
3032 obligations, including bonds, notes or other obligations, issued by (A)
3033 the state, (B) any municipality, including any city, town, borough,
3034 district, whether consolidated or not, or other public body corporate,
3035 or (C) any authority, instrumentality, public agency or other political
3036 subdivision of the state or of a municipality; (6) any loan made by (A)
3037 the state, (B) any municipality, including any city, town, borough,

3038 district, whether consolidated or not, or other public body corporate,
3039 or (C) any authority, instrumentality, public agency or other political
3040 subdivision of the state or of a municipality; (7) any loan made for the
3041 purpose of financing the purchase of a motor vehicle, a recreational
3042 vehicle or a boat, carrying an interest rate of not more than (A)
3043 eighteen per cent per annum on loans made on or after July 1, 1981,
3044 and prior to October 1, 1985, and (B) on loans made on or after October
3045 1, 1985, and prior to October 1, 1993, (i) sixteen per cent per annum for
3046 new motor vehicles, recreational vehicles or boats, and (ii) eighteen per
3047 cent per annum for used motor vehicles, recreational vehicles or boats,
3048 payable in four or more monthly, quarterly or yearly installments
3049 which is unsecured or in which a security interest is taken in such
3050 property; (8) any loan by an institution of higher education made to an
3051 individual for the purpose of enabling attendance at such institution
3052 and carrying an interest rate of not more than the greater of (A) the
3053 maximum rate then permitted by section 37-4, or (B) a rate which is not
3054 more than five per cent in excess of the discount rate, including any
3055 surcharge, on ninety-day commercial paper in effect from time to time
3056 at the federal reserve bank in the federal reserve district where such
3057 institution is located; (9) any loan made to a plan participant or
3058 beneficiary from an employee pension benefit plan as defined in the
3059 Employee Retirement Income Security Act of 1974, Public Law 93-406,
3060 as from time to time amended. The provisions of part III of chapter 668
3061 shall not apply to loans made pursuant to subdivision (7) of this
3062 section. No provision of this section shall prevent any such bank, out-
3063 of-state bank, Connecticut credit union or federal credit union or other
3064 lender from recovering by an action at law the amount of the principal
3065 and the interest stipulated or interest at the legal rate, if interest is not
3066 stipulated, in any negotiable instrument which it has acquired for
3067 value and in good faith without notice of illegality in the consideration.
3068 For the purpose of this section: "Interest" shall not be construed to
3069 include attorney's fees, including preparation of mortgage deed and
3070 note, security agreements, title search, waivers and closing fees, survey
3071 charges or recording fees paid by the mortgagor or borrower; and
3072 "consumer purposes" means the utilization of funds for personal,

3073 family or household purchases, acquisitions or uses.

3074 Sec. 48. Section 49-2a of the general statutes is repealed and the
3075 following is substituted in lieu thereof (*Effective July 1, 2016*):

3076 [(a)] On and after July 1, 1993, each state bank and trust company,
3077 national banking association, state or federally-chartered savings and
3078 loan association, savings bank, insurance company and other
3079 mortgagee or mortgage servicer holding funds of a mortgagor in
3080 escrow for the payment of taxes and insurance premiums with respect
3081 to mortgaged property located in this state shall pay interest on such
3082 funds, except as provided in section 49-2c, at a rate of not less than the
3083 average rate paid, as of December 30, 1992, on savings deposits by
3084 insured commercial banks as published in the Federal Reserve Board
3085 Bulletin and rounded to the nearest one-tenth of one percentage point,
3086 except in no event shall the rate be less than one and one-half per cent.
3087 On and after January 1, 1994, until September 30, 2012, the rate for each
3088 calendar year shall be not less than the deposit index_z as [defined in
3089 subsection (c) of this section] determined under section 44 of this act,
3090 for [that] such year and rounded to the nearest one-tenth of one
3091 percentage point, except in no event shall the rate be less than one and
3092 one-half per cent. On and after October 1, 2012, the rate for each
3093 calendar year shall be not less than the deposit index_z as [defined in
3094 subsection (c) of this section] determined under section 44 of this act,
3095 for [that] such year and rounded to the nearest one-tenth of one
3096 percentage point. Interest payments shall be credited on the thirty-first
3097 day of December annually toward the payment of taxes or insurance
3098 premiums as the case may be, on such mortgaged property in the
3099 ensuing year. If the mortgage debt is paid prior to December thirty-
3100 first in any year, the interest to the date of payment shall be paid to the
3101 mortgagor. The provisions of this section shall apply only with respect
3102 to mortgages on owner-occupied residential property consisting of not
3103 more than four living units and housing cooperatives occupied solely
3104 by the shareholders thereof. Any mortgagee or mortgage servicer
3105 violating the provisions of this section shall be fined not more than one

3106 hundred dollars for each offense.

3107 [(b) Each mortgagee or mortgage servicer subject to the provisions
3108 of this section may contact the Department of Banking to ascertain the
3109 published deposit index to determine the minimum rate paid on funds
3110 of a mortgagor held in escrow for the payment of taxes and insurance
3111 premiums.

3112 (c) The deposit index for each calendar year shall be equal to the
3113 average rate paid on savings deposits by insured commercial banks as
3114 last published in the Federal Reserve Board Bulletin in November of
3115 the prior year. The commissioner shall determine the deposit index for
3116 each calendar year and publish such deposit index in the Department
3117 of Banking news bulletin no later than December fifteenth of the prior
3118 year. For purposes of this section, "Federal Reserve Board Bulletin"
3119 means the monthly survey of selected deposits published as a special
3120 supplement to the Federal Reserve Statistical Release Publication H.6
3121 published by the Board of Governors of the Federal Reserve System or,
3122 if such bulletin is superseded or becomes unavailable, a substantially
3123 similar index or publication.]

3124 Sec. 49 Subsection (a) of section 49-31p of the general statutes is
3125 repealed and the following is substituted in lieu thereof (*Effective*
3126 *October 1, 2016*):

3127 (a) In the case of any foreclosure on a federally-related mortgage
3128 loan or on any dwelling or residential real property that has a return
3129 date on or after July 13, 2011, [but not later than December 31, 2017,]
3130 any immediate successor in interest in such property pursuant to the
3131 foreclosure shall assume such interest subject to (1) the provision, by
3132 such successor in interest, of a notice to vacate to any bona fide tenant
3133 not less than ninety days before the effective date of such notice; and
3134 (2) the rights of any bona fide tenant, as of the date absolute title vests
3135 in such successor in interest (A) under any bona fide lease entered into
3136 before such date to occupy the premises until the end of the remaining
3137 term of the lease, except that a successor in interest may terminate a

3138 lease effective on the date of sale of the unit to a purchaser who will
3139 occupy the unit as a primary residence, subject to the receipt by the
3140 tenant of the ninety-day notice under subdivision (1) of this subsection;
3141 or (B) without a lease or with a lease terminable at will under state law,
3142 subject to the receipt by the tenant of the ninety-day notice under
3143 subdivision (1) of this subsection, except that nothing under this
3144 section shall affect the requirements for termination of any federally
3145 subsidized or state-subsidized tenancy or of any state or local law that
3146 provides longer time periods or other additional protections for
3147 tenants.

3148 Sec. 50. Section 49-31q of the general statutes is repealed and the
3149 following is substituted in lieu thereof (*Effective October 1, 2016*):

3150 (a) [On or before December 31, 2017, in] In the case of an owner who
3151 is an immediate successor in interest pursuant to foreclosure during
3152 the term of a lease, vacating the property prior to sale shall not
3153 constitute other good cause for terminating the lease of a tenant who is
3154 a recipient of assistance under 42 USC 1437f(o), the federal Housing
3155 Choice Voucher Program, except that the owner may terminate the
3156 tenancy effective on the date of transfer of the unit to the owner if the
3157 owner (1) will occupy the unit as a primary residence, and (2) has
3158 provided the tenant a notice to vacate at least ninety days before the
3159 effective date of such notice.

3160 (b) [On or before December 31, 2017, in] In the case of any
3161 foreclosure on any federally-related mortgage loan, as that term is
3162 defined in 12 USC 2602(1), the Real Estate Settlement Procedures Act
3163 of 1974, or on any residential real property in which a recipient of
3164 assistance under 42 USC 1437(o), the federal Housing Choice Voucher
3165 Program, resides, the immediate successor in interest in such property
3166 pursuant to the foreclosure shall assume such interest subject to the
3167 lease between the prior owner and the tenant and to the housing
3168 assistance payments contract between the prior owner and the public
3169 housing agency for the occupied unit, except that this provision and
3170 the provisions related to foreclosure in subsection (a) of this section

3171 shall not affect any state or local law that provides longer time periods
3172 or other additional protections for tenants.

3173 Sec. 51. Subsection (a) of section 36a-65 of the general statutes is
3174 repealed and the following is substituted in lieu thereof (*Effective from*
3175 *passage*):

3176 (a) (1) The commissioner shall annually, on or after July first for the
3177 fiscal year commencing on said July first, collect pro rata based on
3178 asset size from each Connecticut bank and each Connecticut credit
3179 union an amount sufficient in the commissioner's judgment to meet
3180 the expenses of the Department of Banking, including a reasonable
3181 reserve for contingencies, provided the commissioner shall not collect
3182 such amount from a newly organized Connecticut credit union until
3183 July first following the third full calendar year after issuance by the
3184 commissioner of such credit union's certificate of authority. Such
3185 assessments and expenses shall not exceed the budget estimates
3186 submitted in accordance with section 36a-13.

3187 (2) In addition to any license, investigation or examination fee
3188 required under this title, the commissioner may levy assessments on
3189 persons licensed as money transmitters pursuant to sections 36a-595 to
3190 36a-612, inclusive, and persons licensed as student loan servicers, as
3191 defined in section 36a-846, as amended by this act. The commissioner
3192 shall annually, on or after July first for the fiscal year commencing on
3193 said July first, collect such additional amounts sufficient in the
3194 commissioner's judgment to meet the expenses of the Department of
3195 Banking, including a reasonable reserve for contingencies. Such
3196 assessment shall be determined pro rata based on: (A) For licensed
3197 money transmitters, dollar volume of money transmissions in this
3198 state, and (B) for licensed student loan servicers, dollar volume of
3199 student education loans, as defined in section 36a-846, as amended by
3200 this act, of student loan borrowers serviced. Each such licensee shall
3201 pay the commissioner the amount allocated to it not later than the date
3202 specified by the commissioner for payment. Failure by a licensee to
3203 timely make such payment shall constitute a violation of this section

3204 and a basis upon which the commissioner may take action against such
3205 licensee pursuant to section 36a-51.

3206 (3) Such assessments may be made more frequently than annually at
3207 the discretion of the commissioner. Such assessments for any fiscal
3208 year shall be reduced pro rata by the amount of any surplus from the
3209 assessments of prior fiscal years, which surplus shall be maintained in
3210 accordance with subdivision (4) of subsection (b) of this section. The
3211 commissioner may reduce any such assessment collected from a
3212 Connecticut bank up to the amount of any assessment for the same
3213 fiscal year collected from such bank by another state in which such
3214 bank has established a branch, limited branch or mobile branch. The
3215 commissioner may reduce any such assessment collected from a
3216 Connecticut credit union up to the amount of any assessment for the
3217 same fiscal year collected from such credit union by another state in
3218 which such credit union has established a branch. Such assessments
3219 for any fiscal year shall be a liability of such banks, [and] credit unions
3220 and licensees as of the assessment date. Except as provided in this
3221 subsection, such assessments shall not be prorated for any reason.

3222 Sec. 52. (*Effective from passage*) The Banking Commissioner shall
3223 study the feasibility of levying assessments on mortgage servicers. Not
3224 later than January 1, 2017, the commissioner shall submit a report, in
3225 accordance with the provisions of section 11-4a of the general statutes,
3226 to the joint standing committee of the General Assembly having
3227 cognizance of matters relating to banking concerning the findings of
3228 the study.

3229 Sec. 53. Section 36a-719h of the 2016 supplement to the general
3230 statutes is repealed and the following is substituted in lieu thereof
3231 (*Effective October 1, 2016*):

3232 No mortgage servicer shall:

3233 (1) Directly or indirectly employ any scheme, device or artifice to
3234 defraud or mislead mortgagors or mortgagees or to defraud any

3235 person;

3236 (2) Engage in any unfair or deceptive practice toward any person or
3237 misrepresent or omit any material information in connection with the
3238 servicing of the residential mortgage loan, including, but not limited
3239 to, misrepresenting the amount, nature or terms of any fee or payment
3240 due or claimed to be due on a residential mortgage loan, the terms and
3241 conditions of the servicing agreement or the mortgagor's obligations
3242 under the residential mortgage loan;

3243 (3) Obtain property by fraud or misrepresentation;

3244 (4) [~~Knowingly misapply or recklessly apply~~] Recklessly apply
3245 residential mortgage loan payments or knowingly misapply residential
3246 mortgage loan payments to the outstanding balance of a residential
3247 mortgage loan;

3248 (5) [~~Knowingly misapply or recklessly apply~~] Recklessly apply
3249 payments or knowingly misapply payments to escrow accounts;

3250 (6) Place hazard, homeowners or flood insurance on the mortgaged
3251 property when the mortgage servicer [~~knows~~] knew or [~~has reason to~~
3252 ~~know~~] should have known that the mortgagor has an effective policy
3253 for such insurance;

3254 (7) Fail to comply with section 49-10a;

3255 (8) Knowingly or recklessly provide inaccurate information to a
3256 credit bureau [, thereby harming a mortgagor's creditworthiness] that
3257 results in harm to a mortgagor's creditworthiness;

3258 (9) Fail to report both the favorable and unfavorable payment
3259 history of the mortgagor to a nationally recognized consumer credit
3260 bureau at least annually if the mortgage servicer regularly reports
3261 information to a credit bureau;

3262 (10) Collect private mortgage insurance beyond the date for which

3263 private mortgage insurance is required;

3264 (11) Fail to issue a release of mortgage in accordance with section
3265 49-8;

3266 (12) Fail to provide written notice to a mortgagor upon taking action
3267 to place hazard, homeowners or flood insurance on the mortgaged
3268 property, including a clear and conspicuous statement of the
3269 procedures by which the mortgagor may demonstrate that he or she
3270 has the required insurance coverage and by which the mortgage
3271 servicer shall terminate the insurance coverage placed by it and refund
3272 or cancel any insurance premiums and related fees paid by or charged
3273 to the mortgagor;

3274 (13) Place hazard, homeowners or flood insurance on a mortgaged
3275 property, or require a mortgagor to obtain or maintain such insurance,
3276 in excess of the replacement cost of the improvements on the
3277 mortgaged property as established by the property insurer;

3278 (14) Fail to provide to the mortgagor a refund of unearned
3279 premiums paid by a mortgagor or charged to the mortgagor for
3280 hazard, homeowners or flood insurance placed by a mortgagee or the
3281 mortgage servicer if the mortgagor provides reasonable proof that the
3282 mortgagor has obtained coverage such that the forced placement
3283 insurance is no longer necessary and the property is insured. If the
3284 mortgagor provides reasonable proof that no lapse in coverage
3285 occurred such that the forced placement was not necessary, the
3286 mortgage servicer shall promptly refund the entire premium;

3287 (15) Require any amount of funds to be remitted by means more
3288 costly to the mortgagor than a bank or certified check or attorney's
3289 check from an attorney's account to be paid by the mortgagor;

3290 (16) Refuse to communicate with an authorized representative of the
3291 mortgagor who provides a written authorization signed by the
3292 mortgagor, provided the mortgage servicer may adopt procedures
3293 reasonably related to verifying that the representative is in fact

3294 authorized to act on behalf of the mortgagor;

3295 (17) Conduct any business covered by sections 36a-715 to 36a-719l,
 3296 inclusive, without holding a valid license as required under said
 3297 sections, or assist or aid and abet any person in the conduct of business
 3298 without a valid license as required under this title;

3299 (18) Negligently make any false statement or knowingly and
 3300 wilfully make any omission of a material fact in connection with any
 3301 information or reports filed with a governmental agency or the system
 3302 or in connection with any investigation conducted by the Banking
 3303 Commissioner or another governmental agency; or

3304 (19) Collect, charge, attempt to collect or charge or use or propose
 3305 any agreement purporting to collect or charge any fee prohibited by
 3306 sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-
 3307 534a and 36a-534b, as amended by this act.

3308 Sec. 54. Section 36a-534c of the general statutes is repealed. (*Effective*
 3309 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	36a-448a(b)
Sec. 2	<i>from passage</i>	36a-34(a)(1)
Sec. 3	<i>from passage</i>	36a-333(b)(1)
Sec. 4	<i>from passage</i>	36a-70(q)
Sec. 5	<i>from passage</i>	36a-21(a)
Sec. 6	<i>October 1, 2016</i>	New section
Sec. 7	<i>July 1, 2016</i>	36a-597(a)
Sec. 8	<i>July 1, 2016</i>	36a-716
Sec. 9	<i>October 1, 2016</i>	36a-485
Sec. 10	<i>October 1, 2016</i>	36a-486
Sec. 11	<i>October 1, 2016</i>	36a-488
Sec. 12	<i>October 1, 2016</i>	36a-489
Sec. 13	<i>October 1, 2016</i>	36a-489a
Sec. 14	<i>October 1, 2016</i>	36a-490
Sec. 15	<i>October 1, 2016</i>	36a-491

Sec. 16	<i>October 1, 2016</i>	36a-492
Sec. 17	<i>October 1, 2016</i>	36a-494(c)
Sec. 18	<i>October 1, 2016</i>	36a-498e
Sec. 19	<i>October 1, 2016</i>	36a-498f
Sec. 20	<i>October 1, 2016</i>	36a-534b
Sec. 21	<i>October 1, 2016</i>	36a-719(d)(1)
Sec. 22	<i>October 1, 2016</i>	New section
Sec. 23	<i>October 1, 2016</i>	New section
Sec. 24	<i>October 1, 2016</i>	New section
Sec. 25	<i>October 1, 2016</i>	New section
Sec. 26	<i>January 1, 2017</i>	New section
Sec. 27	<i>October 1, 2016</i>	New section
Sec. 28	<i>October 1, 2016</i>	New section
Sec. 29	<i>October 1, 2016</i>	New section
Sec. 30	<i>January 1, 2017</i>	New section
Sec. 31	<i>October 1, 2016</i>	New section
Sec. 32	<i>October 1, 2016</i>	36a-65(c)(6)
Sec. 33	<i>October 1, 2016</i>	4-182(c)
Sec. 34	<i>July 1, 2016</i>	36b-3(1)
Sec. 35	<i>from passage</i>	36b-6(a)
Sec. 36	<i>from passage</i>	36b-14
Sec. 37	<i>from passage</i>	36b-21(e)
Sec. 38	<i>from passage</i>	36b-31(d)
Sec. 39	<i>October 1, 2016</i>	36a-773
Sec. 40	<i>October 1, 2016</i>	36a-774
Sec. 41	<i>October 1, 2016</i>	36a-778
Sec. 42	<i>October 1, 2016</i>	36a-785
Sec. 43	<i>July 1, 2016</i>	47a-21
Sec. 44	<i>July 1, 2016</i>	New section
Sec. 45	<i>July 1, 2016</i>	3-70a(e)
Sec. 46	<i>July 1, 2016</i>	16-262j
Sec. 47	<i>July 1, 2016</i>	37-9
Sec. 48	<i>July 1, 2016</i>	49-2a
Sec. 49	<i>October 1, 2016</i>	New section
Sec. 50	<i>October 1, 2016</i>	49-31q
Sec. 51	<i>from passage</i>	36a-65(a)
Sec. 52	<i>from passage</i>	New section
Sec. 53	<i>October 1, 2016</i>	36a-719h
Sec. 54	<i>from passage</i>	Repealer section

Statement of Legislative Commissioners:

In Section 18(6), "lead generator" was added at the beginning of the subdivision, and the reference to "sections 22 to 31, inclusive, of this act" was repositioned for accuracy, in Section 23(1), language was rephrased for clarity, in Section 25, "Each lead generator shall expire" was changed to "Each lead generator license shall expire" for accuracy, in Section 28(b), "title 36a of the general statutes" was changed to "sections 22 to 31, inclusive, of this act" for accuracy, in Section 28(c)(1), language was restructured for clarity, in Section 30(10), "pulls a copy" was changed to "obtains a copy" for clarity, in Section 31(a), "under this title" was changed to "under title 36a of the general statutes" for accuracy, in Section 42(c), "under subsection (d) of this section" was changed to "under this subsection", for accuracy, in Section 48, "the deposit index as defined in subsection (c) of this section" was changed to "the deposit index, as determined under section 44 of this act," for accuracy, in Section 51(a)(2), references to an incorrect definitional section were corrected and a reference to an inapplicable definitional section was deleted, in Section 52, "assessing mortgage servicers" was changed to "levying assessments on mortgage servicers" for clarity, and in Section 53(4), (5) and (6), language was rephrased for clarity.

BA *Joint Favorable Subst.*