



**Substitute Senate Bill No. 906**

**Public Act No. 17-38**

**AN ACT CONCERNING LEAD GENERATORS OF RESIDENTIAL MORTGAGE LOANS.**

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

Section 1. Section 36a-485 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

As used in this section and sections 36a-486 to 36a-498f, inclusive, as amended by this act, [and] 36a-534a [to 36a-534c, inclusive] and 36a-534b, as amended by this act, and section 16 of this act, unless the context otherwise requires:

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

(2) "Advertise", "advertisement" or "advertising" means the use of any announcement, statement, assertion or representation that is placed before the public in a newspaper, magazine or other

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publication, or in the form of a notice, circular, pamphlet, letter or poster or over any radio or television station, by means of the Internet, or by other electronic means of distributing information, by personal contact, or in any other way;

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

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

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

(6) "Dwelling" [has the same meaning] means a "dwelling", as [provided] defined in Section 103 of the Consumer Credit Protection Act, 15 USC 1602, that is located in this state;

(7) "Employee" means an individual (A) whose manner and means

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of work performance are subject to the right of control of, or are controlled by, a person, and (B) whose compensation is reported or required to be reported on a W-2 form issued by the controlling person. For purposes of the definition of "registered mortgage loan originator", "employee" has the foregoing meaning or such other meaning as the federal banking agencies may issue in connection with such agencies' implementation of such agencies' responsibilities under the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC 5101 et seq.;

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

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

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

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

(12) "Individual" means a natural person;

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

(14) "Lead generator" means a person who, for or with the expectation of compensation or gain: (A) Sells, assigns or otherwise transfers one or more leads for a residential mortgage loan; (B)

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generates or augments one or more leads for another person; or (C) directs a consumer to another person for a residential mortgage loan by performing marketing services, including, but not limited to, online marketing, direct response advertising or telemarketing;

[(13)] (15) "Loan processor or underwriter" means an individual who performs clerical or support duties. The term "clerical or support duties" includes, subsequent to the receipt of an application, (A) the receipt, collection, distribution and analysis of information common for the processing or underwriting of a residential mortgage loan, and (B) communication with a consumer to obtain the information necessary for the processing or underwriting of a loan to the extent that such communication does not include offering or negotiating loan rates or terms or counseling consumers about residential mortgage loan rates or terms;

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

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

[(16)] (18) "Mortgage correspondent lender" means a person engaged in the business of making residential mortgage loans in such

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person's own name where the loans are not held by such person for more than ninety days and are funded by another person through a warehouse agreement, table funding agreement or similar agreement;

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

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

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

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

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

[(22)] (24) "Real estate brokerage activity" means any activity that involves offering or providing real estate brokerage services to the public, including (A) acting as a real estate agent or real estate broker for a buyer, seller, lessor or lessee of real property; (B) bringing together parties interested in the sale, purchase, lease, rental or exchange of real property; (C) negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental or exchange of real property, other than in connection with providing financing with respect to any such transaction; (D) engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; and (E) offering to engage in any activity, or act in any capacity, described in this subdivision;

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

[(24)] (26) "Residential mortgage loan" means any loan primarily for personal, family or household use that is secured by a mortgage, deed of trust or other equivalent consensual security interest on a dwelling

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or residential real estate upon which is constructed or intended to be constructed a dwelling;

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

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

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

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

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

(32) "Trigger lead" means a consumer report obtained pursuant to subparagraph (B) of subdivision (1) of subsection (c) of Section 604 of the Fair Credit Reporting Act, 15 USC 1681b, as amended from time to time, where the issuance of the report is triggered by an inquiry made with a consumer reporting agency in response to an application for credit;

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

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

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Sec. 2. Section 36a-486 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) No person shall engage in the business of making residential mortgage loans or act as a mortgage broker in this state unless such person has first obtained the required license for its main office and each branch office where such business is conducted in accordance with the provisions of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act. [Effective April 1, 2010, any] Any such person who is an individual shall also obtain a mortgage loan originator license prior to conducting such business unless such individual does not engage directly in the activities of a mortgage loan originator. A person, other than a licensed mortgage loan originator acting on behalf of a mortgage lender or mortgage correspondent lender, shall be deemed to be engaged in the business of making residential mortgage loans if such person advertises, causes to be advertised, solicits or offers to make residential mortgage loans, either directly or indirectly. A person, other than a licensed mortgage loan originator acting on behalf of a mortgage broker, shall be deemed to be acting as a mortgage broker if such person advertises or causes to be advertised that such person will negotiate, solicit, place or find a residential mortgage loan, either directly or indirectly. A mortgage correspondent lender shall not be deemed to be acting as a mortgage lender if such mortgage correspondent lender makes a loan utilizing its own funds in a situation where another person does not honor such person's commitment to fund the loan. A licensed lead generator shall not be deemed to be acting as a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator when engaged in the activities of a lead generator, as described in section 36a-485, as amended by this act, if such person does not: (1) Obtain compensation or gain contingent upon the consummation of a residential mortgage loan or the receipt of a residential mortgage loan application, or (2)



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utilize financial criteria particular to the consumer or the residential mortgage loan transaction to selectively place a lead or to steer a consumer to a specific person for a residential mortgage loan.

(b) (1) No person licensed as a mortgage lender, mortgage correspondent lender or mortgage broker shall engage the services of a mortgage loan originator or of a loan processor or underwriter required to be licensed under this section unless such mortgage loan originator or loan processor or underwriter is licensed under section 36a-489, as amended by this act. An individual, unless specifically exempted under subdivision (2) of this subsection, shall not engage in the business of a mortgage loan originator on behalf of a licensee or a person exempt under section 36a-487 with respect to any residential mortgage loan without first obtaining and maintaining annually a license as a mortgage loan originator under section 36a-489, as amended by this act. An individual, unless specifically exempted under subdivision (2) of this subsection, shall be deemed to be engaged in the business of a mortgage loan originator if such individual: (A) Acts as a mortgage loan originator in connection with any residential mortgage loan on behalf of a licensee or person exempt under section 36a-487; or (B) makes any representation to the public through advertising or other means of communication that such individual can or will act as a mortgage loan originator on behalf of a licensee or person exempt under section 36a-487. Each licensed mortgage loan originator and each licensed loan processor or underwriter shall register with and maintain a valid unique identifier issued by the system. No individual may act as a mortgage loan originator for more than one person at the same time. No loan processor or underwriter licensee may be sponsored by more than one person at a time. The license of a mortgage loan originator or a loan processor or underwriter is not effective during any period when such mortgage loan originator or a loan processor or underwriter is not sponsored by a licensed mortgage lender, mortgage correspondent

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lender or mortgage broker, or by a person registered as an exempt registrant under subsection (d) of section 36a-487, or during any period in which the license of the mortgage lender, mortgage correspondent lender or mortgage broker with whom such originator or loan processor or underwriter is associated has been suspended. Either the mortgage loan originator, the loan processor or underwriter or the sponsor may file a notification of the termination of sponsorship with the system.

(2) The following are exempt from this section: (A) A registered mortgage loan originator or an employee of an institution or subsidiary described in subdivision [(23)] (25) of section 36a-485, as amended by this act, who is not required to be registered under Section 1507 of the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC Section 5101 et seq., when acting for such institution or subsidiary; (B) an individual who offers or negotiates the terms of a residential mortgage loan with or on behalf of an immediate family member of such individual; (C) an individual who offers or negotiates the terms of a residential mortgage loan secured by a dwelling that served as the individual's residence, unless the context demonstrates that such individual engaged in such activities with a degree of habitualness or repetition; (D) a Connecticut licensed attorney who negotiates the terms of a residential mortgage loan on behalf of a client as an ancillary matter to the attorney's representation of the client, unless the attorney is compensated by a mortgage lender, mortgage correspondent lender, mortgage broker or other mortgage loan originator or by any agent of such mortgage lender, mortgage correspondent lender, mortgage broker or other mortgage loan originator; (E) an individual who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan as an employee of a federal, state or local government agency or housing finance agency exempt from licensure pursuant to section 36a-487, and who does so only pursuant to such individual's official duties as an employee of such agency; (F) an

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individual who takes a residential mortgage loan application or offers or negotiates terms of a residential mortgage loan as an employee of an organization that has obtained bona fide nonprofit status from the commissioner and is exempt from licensure pursuant to section 36a-487, and who does so only pursuant to such individual's official duties as an employee of such organization; and (G) an individual who offers or negotiates the terms of a residential mortgage loan secured by a dwelling that is not the individual's residence but is owned by such individual, unless the context demonstrates that such individual engaged in such activities with a degree of habitualness or repetition.

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

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

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

(C) Any individual engaged, in any capacity, in loan processor or underwriter activities in connection with a residential mortgage loan originated by an individual not required to be licensed or registered as

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a mortgage loan originator under this part.

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

(5) On and after January 1, 2018, no person shall, directly or indirectly, act as a lead generator without first obtaining a license under section 36a-489, as amended by this act, unless such person is exempt from licensure. The following persons shall be exempt from licensure as a lead generator:

(A) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured;

(B) Any wholly owned subsidiary of any such bank or credit union;

(C) Any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same such bank or credit union;

(D) Any person licensed as a mortgage lender, mortgage correspondent lender or mortgage broker in this state, provided such exemption shall not be effective during any period in which the license of such person is suspended;

(E) A consumer reporting agency, as defined in Section 603 (f) of the Fair Credit Reporting Act, 15 USC 1681a, as amended from time to time; and

(F) An employee of a person licensed as a lead generator or exempt from licensure as a lead generator, while engaged in lead generator

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activities on behalf of such person.

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

(d) Each residential mortgage loan taken, offered, negotiated, solicited, arranged, placed, found, made, processed or underwritten without a license shall constitute a separate violation for purposes of section 36a-50.

Sec. 3. Section 36a-488 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) (1) The commissioner shall not issue a mortgage lender license, a mortgage correspondent lender license or a mortgage broker license to any person unless such person meets the following tangible net worth and experience requirements, as applicable: (A) The minimum tangible net worth requirement for a mortgage lender shall be two hundred fifty thousand dollars and the minimum tangible net worth requirement for a mortgage correspondent lender and a mortgage broker shall be [(i) prior to March 2, 2009, twenty-five thousand dollars, and (ii) on and after March 2, 2009,] fifty thousand dollars, and (B) a mortgage lender, mortgage correspondent lender or mortgage

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broker shall have, at the main office for which the license is sought, a qualified individual and, at each branch office, a branch manager (i) who [have] has supervisory authority over the lending or brokerage activities, (ii) who [have] has at least three years' experience in the mortgage business within the five years immediately preceding the date of the application for the license, and (iii) who [, effective April 1, 2010, have completed the prelicensing education requirement described in section 36a-489a and passed a written test that meets the test requirement described in section 36a-489a, and (iv) who, effective November 1, 2012, are] is licensed as a mortgage loan originator under section 36a-489, as amended by this act. As used in this subdivision, "experience in the mortgage business" means paid experience in the origination, processing or underwriting of residential mortgage loans, the marketing of such loans in the secondary market or in the supervision of such activities, or any other relevant experience as determined by the commissioner.

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

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

(b) The commissioner may issue a mortgage lender license, a mortgage correspondent lender license, or a mortgage broker license. Each mortgage lender licensee may also act as a mortgage correspondent lender and a mortgage broker, and each mortgage correspondent lender licensee may also act as a mortgage broker. [On and after July 1, 2008, an] An application for a license as a mortgage lender, mortgage correspondent lender or mortgage broker office or renewal of such license shall be filed, in a form prescribed by the commissioner, with the system. Each such form shall contain content

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as set forth by instruction or procedure of the commissioner and may be changed or updated as necessary by the commissioner in order to carry out the purpose of sections 36a-21, 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act. The applicant shall, at a minimum, furnish to the system information concerning the identity of the applicant, any control person of the applicant, the qualified individual and any branch manager, including personal history and experience in a form prescribed by the system and information related to any administrative, civil or criminal findings by any governmental jurisdiction. The following supplementary information shall be filed directly with the commissioner: (1) In the case of an initial application for a license for the main office, (A) a financial statement as of a date not more than twelve months prior to the filing of the application which reflects tangible net worth, and if such financial statement is unaudited, the proprietor, general partner, or duly authorized officer, trustee or member shall swear to its accuracy under oath before a notary public, and (B) a bond as required by section 36a-492, as amended by this act; (2) evidence that the qualified individual or branch manager meets the experience required by subsection (a) of this section; and (3) such other information pertaining to the applicant, the applicant's background, the background of its principals, employees, mortgage loan originators, and loan processors or underwriters, and the applicant's activities as the commissioner may require. For the purpose of this subsection, evidence of experience of the qualified individual or branch manager shall include: (A) A statement specifying the duties and responsibilities of such person's employment, the term of employment, including month and year, and the name, address and telephone number of a supervisor, employer or, if self-employed, a business reference; and (B) if required by the commissioner, copies of W-2 forms, 1099 tax forms or, if self-employed, 1120 corporate tax returns, signed letters from the employer on the employer's letterhead verifying such person's duties and

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responsibilities and term of employment including month and year, and if such person is unable to provide such letters, other proof satisfactory to the commissioner that such person meets the experience requirement. The commissioner may conduct a criminal history records check of the applicant, any control person of the applicant and the qualified individual or branch manager with supervisory authority at the office for which the license is sought and require the applicant to submit the fingerprints of such persons and authorization of such persons for the system and the commissioner to obtain an independent credit report from a consumer reporting agency, as described in Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a, as part of the application.

(c) [(1)] The commissioner may issue a mortgage loan originator license or a loan processor or underwriter license. Each mortgage loan originator licensee may also act as a loan processor or underwriter. An application to license an individual as a mortgage loan originator or a loan processor or underwriter for a specified office or renewal of such license shall be filed, in a form prescribed by the commissioner, with the system. Each such form shall contain content as set forth by instruction or procedure of the commissioner and may be changed or updated as necessary by the commissioner in order to carry out the purpose of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act. The applicant shall, at a minimum, furnish to the system, in a form prescribed by the system, information concerning the applicant's identity, including personal history and experience and information related to any administrative, civil or criminal findings by any governmental jurisdiction. [Effective April 1, 2010, each] Each applicant for a mortgage loan originator license [and, effective October 1, 2011, each applicant for] or a loan processor or underwriter license [.] shall furnish to the system fingerprints for submission to the Federal Bureau of Investigation and any governmental agency or entity



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authorized to receive such information for a state, national and international criminal history background check. [Effective the later of July 31, 2010, or thirty days after the date the system commences accepting such authorizations for processing, each] Each applicant shall furnish authorization for the system and the commissioner to obtain an independent credit report from a consumer reporting agency, as described in Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a.

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

(d) The commissioner may issue a lead generator license. An application for a license as a lead generator or an application for a license renewal shall be filed, in a form prescribed by the commissioner, with the system, accompanied by the fees required under section 36a-491, as amended by this act. Each such form shall contain content as set forth by instruction or procedure of the commissioner and may be changed or updated as necessary by the commissioner in order to carry out the purposes of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act. The applicant shall, at a minimum, furnish to the system information concerning the identity of the applicant, any control person of the applicant and the qualified

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individual, including, but not limited to, a personal history and experience, in a form prescribed by the system, and information related to any administrative, civil or criminal findings by any governmental jurisdiction. The applicant shall notify the commissioner on the system of any change to the information submitted in connection with the applicant's most recent application for licensure not later than fifteen days after the applicant has reason to know of such change. The commissioner, in accordance with section 29-17a, may conduct a state or national criminal history records check of the applicant, any control person of the applicant and the qualified individual, and, in accordance with section 36a-24b, may require the submission of fingerprints of such persons to the Federal Bureau of Investigation or other state, national or international criminal databases as part of the application.

Sec. 4. Section 36a-489 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) (1) The commissioner shall not issue an initial license for a mortgage lender, mortgage correspondent lender or mortgage broker unless the commissioner, at a minimum, finds that: (A) The applicant meets the requirements of subsection (a) of section 36a-488, as amended by this act; (B) notwithstanding the provisions of section 46a-80, the applicant, the control persons of the applicant and the qualified individual or branch manager with supervisory authority at the office for which the license is sought have not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign or military court during the seven-year period preceding the date of the application for licensing or at any time preceding the date of application if such felony involved an act of fraud, dishonesty, a breach of trust or money laundering, provided any pardon or expungement of a conviction shall not be a conviction for purposes of this subdivision; (C) the applicant demonstrates that the financial

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responsibility, character and general fitness of the applicant, the control persons of the applicant and the qualified individual or branch manager having supervisory authority over the office for which the license is sought are such as to command the confidence of the community and to warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act; (D) the applicant has met the surety bond requirement under section 36a-492, as amended by this act; and (E) the applicant has not made a material misstatement in the application. If the commissioner fails to make such findings, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. For purposes of this subsection, the level of offense of the crime and the status of any conviction, pardon or expungement shall be determined by reference to the law of the jurisdiction where the case was prosecuted. In the event that such jurisdiction does not use the term "felony", "pardon" or "expungement", such terms shall include legally equivalent events.

(2) (A) The minimum standards for license renewal for a mortgage lender, mortgage correspondent lender or mortgage broker shall include the following: (i) The applicant continues to meet the minimum standards under subdivision (1) of this subsection; and (ii) [effective April 1, 2010, each qualified individual and branch manager has completed the prelicensing education requirement described in section 36a-489a and passed a written test that meets the test requirement described in section 36a-489a, or has satisfied the annual continuing education requirements described in subsection (c) of section 36a-489a, as applicable, and effective November 1, 2012, each qualified individual and branch manager is licensed as a mortgage loan originator and has completed any applicable continuing education requirements described in subsection (c) of section 36a-489a;

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and (iii)] the mortgage lender, mortgage correspondent lender or mortgage broker has paid all required fees for renewal of the license.

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

(b) (1) The commissioner shall not issue an initial license for a mortgage loan originator or a loan processor or underwriter unless the commissioner, at a minimum, finds that the applicant has: (A) Never had a mortgage loan originator or equivalent loan processor or underwriter license revoked in any governmental jurisdiction, except that a subsequent formal vacating of such revocation shall not be deemed a revocation; (B) notwithstanding the provisions of section 46a-80, not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign or military court during the seven-year period preceding the date of the application for licensing or at any time preceding such date of application if such felony involved an act

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of fraud, dishonesty, a breach of trust, or money laundering, provided any pardon or expungement of a conviction shall not be a conviction for purposes of this subdivision; (C) demonstrated financial responsibility, character and general fitness so as to command the confidence of the community and to warrant a determination that the mortgage loan originator or loan processor or underwriter will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act; (D) [for mortgage loan originator applicants, effective April 1, 2010, and for loan processor or underwriter applicants, effective October 1, 2011,] completed the prelicensing education requirement described in section 36a-489a, as amended by this act, and passed a written test that meets the test requirement described in section 36a-489a, as amended by this act; [and, effective November 1, 2012, for qualified individuals or branch managers seeking initial licensure as a mortgage loan originator, completed any continuing education required of them in their position as qualified individuals and branch managers pursuant to section 36a-489a; (E) effective July 31, 2010,] (E) met the surety bond requirement under section 36a-492, as amended by this act, and, [effective October 1, 2011,] in the case of a mortgage loan originator required to be licensed under section 36a-671e, met the surety bond requirements under sections 36a-492, as amended by this act, and 36a-671d; and (F) not made a material misstatement in the application. If the commissioner denies an application for a mortgage loan originator or a loan processor or underwriter license, the commissioner shall notify the applicant and may notify the sponsor or any other person the commissioner deems appropriate of the denial and the reasons for such denial. For purposes of this subsection, the level of offense of the crime and the status of any conviction, pardon or expungement shall be determined by reference to the law of the jurisdiction where the case was prosecuted. In the event that such jurisdiction does not use the term "felony", "pardon" or "expungement", those terms shall

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include legally equivalent events.

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

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

[(3) Not later than April 1, 2010, each mortgage loan originator licensee shall have completed the prelicensing education requirement described in section 36a-489a and passed a written test that meets the test requirement described in section 36a-489a, provided a mortgage

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loan originator licensee who was licensed as of the enactment of public act 09-209 shall have completed such prelicensing education requirement and passed such written test not later than October 31, 2010.]

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

(d) (1) The commissioner shall not issue a lead generator license to an applicant for such license unless the commissioner, at a minimum, finds that: (A) The applicant demonstrates that the character, reputation, integrity and general fitness of the applicant, any control person of the applicant and the qualified individual are such as to command the confidence of the community and warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act; (B) the applicant has not made a material misstatement in the application; and (C) the applicant has met any other requirements determined by the commissioner. If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the denial and the reasons for such denial. Without limiting the foregoing requirements of this subdivision, and subject to the provisions of section 46a-80, the commissioner may deny an application based on the history of

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criminal convictions of the applicant, any control person of the applicant or the qualified individual.

(2) (A) The minimum standards for license renewal for a lead generator shall include the following: (i) The applicant continues to meet the minimum standards under subdivision (1) of this subsection; and (ii) the lead generator has paid all required fees for renewal of a license.

(B) The license of a lead generator who fails to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. The commissioner may automatically suspend a lead generator license if the licensee receives a deficiency on the system indicating that the payment required by subparagraph (A) of subdivision (2) of this subsection was Returned-ACH or returned pursuant to such other term as may be utilized by the system to indicate that the payment was not accepted. After a license has been automatically suspended pursuant to this section, the commissioner shall (i) give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51; and (ii) require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

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

(2) If a license expires under this section due to the licensee's failure



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to renew, the commissioner may institute a revocation or suspension proceeding or issue an order suspending or revoking such license pursuant to section 36a-494, as amended by this act, not later than one year after the date of such expiration.

[(e)] (f) The commissioner may deem an application for a license under this section abandoned if the applicant fails to respond to any request for information required under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of the this act, or the regulations adopted pursuant to said sections. The commissioner shall notify the applicant on the system that if such information is not submitted not later than sixty days from the date of such request the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under [said] sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act.

Sec. 5. Section 36a-489a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

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

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

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

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

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

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

(B) An individual who previously held a position as a qualified individual or branch manager, [subsequent to the applicable effective date of the preclicensing and testing requirements referred to in section 36a-488,] at a time when such individual was not required to be licensed as a mortgage loan originator, may not hold such position

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again until such individual has completed [all of the] any continuing education requirements [for the year in which] in effect when such individual last held such position and [, effective November 1, 2012,] has obtained the required mortgage loan originator license.

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

(2) A written test shall not be treated as a qualified written test for purposes of subdivision (1) of this subsection unless the test adequately measures the individual's knowledge and comprehension in appropriate subject areas, including ethics, federal law and regulation pertaining to mortgage origination, state law and regulation pertaining to mortgage origination, and federal and state law and regulation, including instruction on fraud, consumer protection, the nontraditional mortgage marketplace and fair lending issues.

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

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

(B) An individual may retake a test three consecutive times with each consecutive taking occurring at least thirty days after the preceding test. After failing three consecutive tests, an individual shall

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wait at least six months before taking the test again.

(C) (i) An individual who was previously licensed [subsequent to the applicable effective date of the prelicensing and testing requirements referred to in section 36a-489] as a mortgage loan originator who completed the test in connection with such license and who has not been licensed as a mortgage loan originator within the five-year period preceding the date of the filing of such individual's application for a mortgage loan originator license, not taking into account any time during which such individual [is] was a registered mortgage loan originator, shall retake such test; and (ii) [effective October 1, 2011,] an individual previously licensed as a loan processor or underwriter who applies to be licensed again shall retake the test if such individual has not been licensed as a loan processor or underwriter within the five-year period preceding the date of the filing of such application, not taking into account any time during which such individual [is] was engaged in loan processing or underwriting but not required to be licensed under subdivision (3) of subsection (b) of section 36a-486, as amended by this act.

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

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

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

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

(5) Except as provided in procedures adopted under subsections (a) and (b) of section 36a-489, as amended by this act, or in regulations adopted under subdivision (9) of this subsection, a licensed mortgage loan originator, qualified individual, [or] branch manager or [, effective October 1, 2011,] a licensed loan processor or underwriter, may only receive credit for a continuing education course in the year for which the course is taken, and may not take the same approved course in the same or successive years to meet the annual requirements for continuing education.

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

(7) When education requirements described in subdivision (1) of

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subsection (a) of this section are completed in another state, such out-of-state education requirements shall be accepted as credit towards completion of the education requirements of this state, provided such out-of-state education requirements are approved by the system.

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

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

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

Sec. 6. Section 36a-490 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) (1) A mortgage lender, mortgage correspondent lender, [and] mortgage broker and lead generator license shall not be transferable or assignable. No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves

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use of such name. Any licensee who intends to permanently cease engaging in the business of making residential mortgage loans or acting as a mortgage broker or lead generator at any time during a license period for any cause, including, but not limited to, bankruptcy or voluntary dissolution, shall file a request to surrender the license for each office at which the licensee intends to cease to do business, on the system, not later than fifteen days after the date of such cessation, provided this requirement shall not apply when a license has been suspended pursuant to section 36a-51. No surrender shall be effective until accepted by the commissioner.

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

(3) [Effective October 1, 2011, a] A loan processor or underwriter licensee who intends to permanently cease engaging in the activities of a loan processor or underwriter at any time during a license period for any cause, including, but not limited to, bankruptcy, shall file a request to surrender the license on the system not later than fifteen days after the date of such cessation, provided this requirement shall not apply when a license has been suspended pursuant to section 36a-51. No surrender shall be effective until accepted by the commissioner.

(b) A mortgage lender, mortgage correspondent lender, [or] mortgage broker or lead generator licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if (1) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a

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main or branch office, provides, directly to the commissioner, a bond rider or endorsement, or addendum, as applicable, to the surety bond on file with the commissioner that reflects the new name or address of the main or branch office, and (2) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period. The licensee shall promptly file any change in the information most recently submitted in connection with the license with the system or, if the information cannot be filed on the system, directly notify the commissioner, in writing, of such change in the information.

(c) The mortgage lender, mortgage correspondent lender, [or] mortgage broker or lead generator licensee shall promptly file with the system or, if the information cannot be filed on the system, directly notify the commissioner, in writing, of the occurrence of any of the following developments:

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

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

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

(4) Receiving notification of the initiation of any action by the Attorney General or the attorney general of any other state and the



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reasons therefor;

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

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

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

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

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

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

(1) Filing for bankruptcy of the licensee;

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

(3) Receiving notification of the institution of license or registration denial, cease and desist, suspension or revocation procedures, or other formal or informal [regulatory] action by any governmental agency

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against the licensee and the reasons therefor; or

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

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

Sec. 7. Section 36a-491 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) [The expiration date of any mortgage lender, mortgage correspondent lender and mortgage broker license that expires on September 30, 2008, shall be extended to the close of business on December 31, 2008. On and after July 1, 2008, each] Each mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, mortgage loan originator and [, on and after October 1, 2011, each] loan processor or underwriter license shall expire at the close of business on December thirty-first of the year in which it is approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for an initial license or renewal of a license as a mortgage lender or mortgage correspondent lender shall pay to the system any required fees or charges and a license fee of one thousand dollars, and each applicant for an initial or renewal license as a mortgage broker or lead generator shall pay to the system any required fees or charges and a license fee of five hundred

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

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

Sec. 8. Section 36a-492 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

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

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by such licensee.

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

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

(4) (A) The principal on a bond required by subdivisions (1) and (2) of this subsection shall annually confirm, in connection with any renewal request, that it maintains the required penal sum in an amount required by subsection (d) of this section after review of the preceding four-quarter period ending June thirtieth. The principal

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

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

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

(b) The bond required by subsection (a) of this section shall be (1) in a form approved by the Attorney General, and (2) conditioned upon the mortgage lender, mortgage correspondent lender or mortgage broker licensee and any mortgage loan originator licensee sponsored by such mortgage lender, mortgage correspondent lender or mortgage broker or, in the case of a mortgage loan originator licensee sponsored [after October 1, 2011,] by an exempt registrant, upon such mortgage loan originator licensee faithfully performing any and all written agreements or commitments with or for the benefit of borrowers and prospective borrowers, truly and faithfully accounting for all funds received from a borrower or prospective borrower by the licensee in the licensee's capacity as a mortgage lender, mortgage correspondent

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lender, mortgage broker or mortgage loan originator, and conducting such mortgage business consistent with the provisions of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act. Any borrower or prospective borrower who may be damaged by failure to perform any written agreements or commitments, or by the wrongful conversion of funds paid by a borrower or prospective borrower to a licensee, may proceed on such bond against the principal or surety thereon, or both, to recover damages. [Commencing August 1, 2009, any] Any borrower or prospective borrower who may be damaged by a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator licensee's failure to satisfy a judgment against the licensee arising from the making or brokering of a nonprime home loan, as defined in section 36a-760, may proceed on such bond against the principal or surety thereon, or both, to recover the amount of the judgment. The commissioner may proceed on such bond against the principal or surety thereon, or both, to collect any civil penalty imposed upon a licensee pursuant to subsection (a) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65. The proceeds of the bond, even if commingled with other assets of the principal, shall be deemed by operation of law to be held in trust for the benefit of such claimants against the principal in the event of bankruptcy of the principal and shall be immune from attachment by creditors and judgment creditors. The bond shall run concurrently with the period of the license for the main office and the aggregate liability under the bond shall not exceed the penal sum of the bond. The principal shall notify the commissioner of the commencement of an action on the bond. When an action is commenced on a principal's bond, the commissioner may require the filing of a new bond and immediately on recovery on any action on the bond, the principal shall file a new bond.

(c) The surety company shall have the right to cancel the bond at

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any time by a written notice to the principal stating the date cancellation shall take effect. Such notice shall be sent by certified mail to the principal at least thirty days prior to the date of cancellation. A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the principal of the date such bond cancellation shall take effect and such notice shall be deemed notice to each mortgage loan originator licensee sponsored by such principal. The commissioner shall automatically suspend the licenses of a mortgage lender, mortgage correspondent lender or mortgage broker on such date and inactivate the licenses of the mortgage loan originators sponsored by such lender, correspondent lender or broker. [On and after October 1, 2011, in] In the case of a cancellation of an exempt registrant's bond, the commissioner shall inactivate the licenses of the mortgage loan originators sponsored by such exempt registrant. No automatic suspension or inactivation shall occur if, prior to the date that the bond cancellation shall take effect, (1) the principal submits a letter of reinstatement of the bond from the surety company or a new bond, (2) the mortgage lender, mortgage correspondent lender or mortgage broker licensee has ceased business and has surrendered all licenses in accordance with subsection (a) of section 36a-490, as amended by this act, or (3) in the case of a mortgage loan originator licensee, the sponsorship with the mortgage lender, mortgage correspondent lender or mortgage broker who was automatically suspended pursuant to this section or, [after October 1, 2011,] with the exempt registrant who failed to provide the bond required by this section, has been terminated and a new sponsor has been requested and approved. After a mortgage lender, mortgage correspondent lender or mortgage broker license has been automatically suspended pursuant to this section, the commissioner shall give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew

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pursuant to section 36a-494, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51 and require such licensee to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section. [Effective October 1, 2011, the] The commissioner may provide information to an exempt registrant concerning actions taken by the commissioner pursuant to this subsection against any mortgage loan originator licensee that was sponsored and bonded by such exempt registrant.

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

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

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

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

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



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

(6) (A) For mortgage lender and mortgage correspondent lender licensees [L] and [, after October 1, 2011,] persons sponsoring and bonding at least one mortgage loan originator as an exempt registrant under subsection (d) of section 36a-487 and who are exempt from licensing under subdivision (1), (2) or (3) of subsection (a) of section 36a-487 if: (i) The aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is less than thirty million dollars, the penal sum of the bond shall be one hundred thousand dollars; (ii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is thirty million dollars or more but less than one hundred million dollars, the penal sum of the bond shall be two hundred thousand dollars; (iii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is one hundred million dollars or more but less than two hundred fifty million dollars, the penal sum of the bond shall be three hundred thousand dollars; and (iv) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is two hundred fifty million dollars or more, the penal sum of the bond shall be five hundred thousand dollars.

(B) For mortgage broker licensees and [, after October 1, 2011,] persons who are sponsoring and bonding at least one mortgage loan

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originator as an exempt registrant under subsection (d) of section 36a-487 and who are exempt from licensing under subsection (b) or (c) of section 36a-487, [:] if: (i) The aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is less than thirty million dollars, the penal sum of the bond shall be fifty thousand dollars; (ii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is thirty million dollars or more but less than fifty million dollars, the penal sum of the bond shall be one hundred thousand dollars; and (iii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is fifty million dollars or more, the penal sum of the bond shall be one hundred fifty thousand dollars.

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

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

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

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Sec. 9. Section 36a-493 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) Each mortgage lender, mortgage correspondent lender and mortgage broker licensee shall maintain adequate records of each residential mortgage loan transaction at the office named in the license, or, if requested by the commissioner, shall make such records available at such office or send such records to the commissioner by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, not later than five business days after requested by the commissioner to do so. Upon request, the commissioner may grant a licensee additional time to make such records available or send them to the commissioner. Such records shall provide the following information: (1) A copy of any disclosures required under part III of chapter 669; (2) whether the licensee acted as a mortgage lender, a mortgage correspondent lender, a mortgage broker, a mortgage lender and a mortgage broker, or a mortgage correspondent lender and a mortgage broker; (3) if the licensee is acting as a mortgage lender or mortgage correspondent lender, and retains the residential mortgage loan or receives payments thereon, an adequate loan history for those loans retained or upon which payments are received, itemizing the amount and date of each payment and the unpaid balance at all times; (4) the purpose for which the loan was made; (5) the original or an exact copy of the note, loan agreement or other evidence of indebtedness and mortgage deed; (6) a statement signed by the borrower acknowledging the receipt of such statement which discloses the full amount of any fee, commission or consideration paid to the mortgage lender, mortgage correspondent lender and mortgage broker for all services in connection with the origination and settlement of the residential mortgage loan; (7) the name and address of the mortgage lender, mortgage correspondent lender and the mortgage broker, if any, involved in the loan transaction; (8) a copy of the initial and a copy of the final residential

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mortgage loan application taken from the borrower; and (9) a copy of all information used in evaluating the application.

(b) For each loan that is made and serviced by a licensee, the licensee shall retain: (1) The records of such loan transaction for not less than two years following the final payment thereon, or the assignment of such loan, whichever occurs first, or such longer period as may be required by any other provision of law, and (2) copies of the note, Closing Disclosure or other settlement statement, or such other records as are sufficient to verify the mortgage lender's or mortgage correspondent lender's compliance with section 36a-498a for not less than five years from the date of the transaction.

(c) For each loan transaction in which a licensee acts as a mortgage lender, mortgage correspondent lender or mortgage broker but does not service the loan, the licensee shall retain: (1) The records of such loan transaction for not less than two years from the date of the transaction or such longer period as may be required by any other provision of law, and (2) copies of the note, Closing Disclosure or other settlement statement, or such other records as are sufficient to verify the mortgage lender's or mortgage correspondent lender's compliance with section 36a-498a for not less than five years from the date of the transaction.

(d) Each lead generator licensee shall maintain adequate records of its lead generation activities at the office named in the license, or, if requested by the commissioner, shall make such records available at such office or send such records to the commissioner by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, not later than five business days after such records are requested by the commissioner. Upon request, the commissioner may grant a lead generator licensee additional time to make such records available or send such records to the commissioner. Such records shall include, for the preceding two-

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year period: (1) Copies of all solicitation materials used in the lead generator's business regardless of medium, including, but not limited to, business cards, telephone scripts, mailers, electronic mail and radio, television and Internet advertisements; (2) records of any contact or attempted contact with a consumer, including the name, date, method and nature of contact, and any information provided to or received from the consumer; and (3) the name, address and, if applicable, unique identifier of any person who received, requested or contracted for leads or referrals and any fees or consideration charged or received for such services.

~~[(d)]~~ (e) Any person who furnishes to a licensee any records required to be maintained under this section or any information necessary to complete such records may charge a fee to the licensee in an amount not to exceed fifty dollars.

Sec. 10. Section 36a-494 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) (1) The commissioner may suspend, revoke or refuse to renew any mortgage lender, mortgage correspondent lender or mortgage broker license or take any other action, in accordance with the provisions of section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for such license under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act or if the commissioner finds that the licensee, any control person of the licensee, the qualified individual or branch manager with supervisory authority, trustee, employee or agent of such licensee has done any of the following: (A) Made any material misstatement in the application; (B) committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any residential mortgage loan transaction, including disclosures

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required by subdivision (6) of subsection (a) of section 36a-493, as amended by this act, or part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information; (C) violated any of the provisions of this title or of any regulations adopted pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (D) failed to perform any agreement with a licensee or a borrower. For purposes of this subdivision, "agent" includes any settlement agent used by the licensee and "settlement agent" means the person specified in any Closing Disclosure or other settlement statement, provided such settlement agent has been selected by the licensee. Any settlement agent whose name appears on the licensee's list of approved settlement agents shall be deemed selected by the licensee even if the settlement agent is selected from such list by the borrower.

(2) The commissioner may suspend, revoke or refuse to renew any mortgage loan originator license or any loan processor or underwriter license or take any other action, in accordance with the provisions of section 36a-51, for any reason which would be sufficient grounds for the commissioner to deny an application for such license under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act or if the commissioner finds that the licensee has committed any fraud, misappropriated funds, misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any residential mortgage loan transaction or has violated any of the provisions of this title or of any regulations adopted pursuant to such title or any other law or regulation applicable to the conduct of such licensee's business.

(3) The commissioner may suspend, revoke or refuse to renew any lead generator license or take any other action, in accordance with the provisions of section 36a-51, for any reason that would be sufficient

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grounds for the commissioner to deny an application for such license under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, or if the commissioner finds that the licensee, any control person of the licensee or qualified individual, trustee, employee or agent of such licensee has done any of the following: (A) Made any material misstatement in the application for licensure; (B) committed any fraud or misrepresentation in connection with such licensee's lead generator business; or (C) violated any of the provisions of title 36a or of any regulations adopted pursuant thereto, or any other law or regulation applicable to the conduct of such licensee's lead generator business.

(b) Whenever it appears to the commissioner that (1) any person has violated, is violating or is about to violate any of the provisions of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act or any regulation adopted pursuant thereto, (2) any person is, was, or would be a cause of the violation of any such provisions or regulation due to an act or omission such person knew or should have known would contribute to such violation, or (3) any licensee has failed to perform any agreement with a borrower, committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any residential mortgage loan transaction, including disclosures required by subdivision (6) of subsection (a) of section 36a-493, as amended by this act, or part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) (1) The commissioner may order a licensee to remove any individual conducting business under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended

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by this act, and section 16 of this act from office and from employment or retention as an independent contractor in the mortgage business in this state whenever the commissioner finds as the result of an investigation that such [person] individual: (A) Has violated any of said sections or any regulation or order issued thereunder; or (B) for any reason that would be sufficient grounds for the commissioner to deny a license under section 36a-489, as amended by this act, by sending a notice to such [person] individual by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt. The notice shall be deemed received by such [person] individual on the earlier of the date of actual receipt or seven days after mailing or sending. Any such notice shall include: (i) A statement of the time, place and nature of the hearing; (ii) a statement of the legal authority and jurisdiction under which the hearing is to be held; (iii) a reference to the particular sections of the general statutes, regulations or orders alleged to have been violated; (iv) a short and plain statement of the matters asserted; and (v) a statement indicating that such [person] individual may file a written request for a hearing on the matters asserted not later than fourteen days after receipt of the notice. If the commissioner finds that the protection of borrowers requires immediate action, the commissioner may suspend any such [person] individual from office and require such [person] individual to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this subsection, by incorporating a finding to that effect in such notice. The suspension or prohibition shall become effective upon receipt of such notice and, unless stayed by a court, shall remain in effect until the entry of a permanent order or the dismissal of the matters asserted.

(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such [person] individual fails to appear at the hearing. After the hearing, if the commissioner finds that any of the grounds set



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forth in subparagraph (A) or (B), of subdivision (1) of this subsection exist with respect to such [person] individual, the commissioner may order the removal of such [person] individual from office and from any employment in the mortgage business in this state. If such [person] individual fails to appear at the hearing, the commissioner may order the removal of such [person] individual from office and from employment in the mortgage business in this state.

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

Sec. 11. Section 36a-497 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) No mortgage lender licensee, mortgage correspondent lender licensee or mortgage broker licensee shall:

(1) Advertise or cause to be advertised in this state, any residential mortgage loan in which such person intends to act only as a mortgage broker unless the advertisement includes the following statement, clearly and conspicuously expressed: MORTGAGE BROKER ONLY, NOT A MORTGAGE LENDER OR MORTGAGE CORRESPONDENT LENDER; or

(2) In connection with an advertisement in this state, use (A) a simulated check; (B) a comparison between the loan payments under the residential mortgage loan offered and the loan payments under a hypothetical loan or extension of credit, unless the advertisement

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includes, with respect to both the hypothetical loan or extension of credit and the residential mortgage loan being offered, the interest rate, the loan balance, the total amount of finance charges, the total number of payments and the monthly payment amount that would be required to pay off the outstanding loan balance shown; (C) representations such as "verified as eligible", "eligible", "preapproved", "prequalified" or similar words or phrases, without also disclosing, in immediate proximity to and in similar size print, language which sets forth prerequisites to qualify for the residential mortgage loan, including, but not limited to, income verification, credit check, and property appraisal or evaluation; or (D) any words or symbols in the advertisement or on the envelope containing the advertisement that give the appearance that the mailing was sent by a government agency.

(b) (1) Each lead generator licensee shall include the following statement in all advertisements of residential mortgage loans and solicitations of leads by mail, electronic mail or through such licensee's web site, clearly and conspicuously expressed: "LEAD GENERATOR ONLY, NOT ACTING IN THE CAPACITY OF A MORTGAGE LOAN ORIGINATOR, MORTGAGE BROKER, MORTGAGE CORRESPONDENT LENDER OR MORTGAGE LENDER. INFORMATION RECEIVED WILL BE SHARED WITH ONE OR MORE THIRD PARTIES IN CONNECTION WITH YOUR RESIDENTIAL MORTGAGE LOAN INQUIRY."

(2) No person required to be licensed as a lead generator shall: (A) Accept payment of any advance fee, as defined in section 36a-485, as amended by this act, in connection with a residential mortgage loan, or (B) use, sell, lease, exchange or otherwise transfer or release information received from a consumer in connection with a residential mortgage loan inquiry for purposes other than as necessary to facilitate a residential mortgage loan transaction.

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Sec. 12. Section 36a-498e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

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

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

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

(3) Obtain property by fraud or misrepresentation;

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

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

(6) Conduct any business as a mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, mortgage loan originator or loan processor or underwriter without holding a valid license as required under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act or assist or [aide] aid and abet any person in the conduct of business as a mortgage lender, mortgage correspondent lender, mortgage broker, mortgage loan originator or loan processor or underwriter without a valid license as required under said sections;

(7) Fail to make disclosures as required by sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as

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amended by this act, and section 16 of this act, and any other applicable state or federal law including regulations thereunder;

(8) Fail to comply with sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections;

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

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

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

(12) Collect, charge, attempt to collect or charge or use or propose any agreement purporting to collect or charge any fee prohibited by sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act;

(13) Cause or require a borrower to obtain property insurance

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coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer; or

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

Sec. 13. Section 36a-498f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

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

(1) For purposes of initial licensing, license renewal, license suspension, license conditioning, license revocation or termination, or general or specific inquiry or investigation to determine compliance with sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, the commissioner may access, receive and use any books, accounts, records, files, documents, information or evidence including, but not limited to: (A) Criminal, civil and administrative history information; (B) personal history and experience information including independent credit reports obtained from a consumer reporting agency described in Section 603(p) of the federal Fair Credit Reporting Act, 15 USC 1681a; and (C) any other documents, information or evidence the commissioner deems relevant to the inquiry or investigation regardless of the location, possession, control or custody of such documents, information or evidence.

(2) For the purposes of investigating violations or complaints arising under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a or 36a-534b, as amended by this act, and section 16 of this act, or for the purposes of examination, the commissioner may review, investigate or examine any licensee, individual or person subject to

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said sections as often as necessary in order to carry out the purposes of said sections. The commissioner may direct, subpoena or order the attendance of and examine under oath all persons whose testimony may be required about the loans or the business or subject matter of any such examination or investigation, and may direct, subpoena or order such person to produce books, accounts, records, files and any other documents the commissioner deems relevant to the inquiry.

(b) Each licensee [, individual] or person subject to sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, shall make or compile reports or prepare other information as directed by the commissioner in order to carry out the purposes of this section including accounting compilations, information lists and data concerning loan transactions in a format prescribed by the commissioner or such other information the commissioner deems necessary to carry out the purposes of this section.

(c) In making any examination or investigation authorized by this section, the commissioner may control access to any documents and records of the licensee or person under examination or investigation. The commissioner may take possession of the documents and records or place a person in exclusive charge of the documents and records in the place where they are usually kept. During the period of control, no individual or person shall remove or attempt to remove any of the documents and records except pursuant to a court order or with the consent of the commissioner. Unless the commissioner has reasonable grounds to believe the documents or records of the licensee have been, or are at risk of being, altered or destroyed for purposes of concealing a violation of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a or 36a-534b, as amended by this act, and section 16 of this act, the licensee or owner of the documents and records shall have access to the documents or records as necessary to conduct its ordinary

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business affairs.

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

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

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

(3) Use, hire, contract or employ public or privately available analytical systems, methods or software to examine or investigate the licensee [, individual] or person subject to sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act;

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

(5) Accept audit reports made by an independent certified public accountant for the licensee, individual or person subject to sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, in the course of that part of the examination covering the same general subject matter as the audit and may incorporate the audit report in the report of the examination, report of investigation or other writing of the commissioner.

(e) The authority of this section shall remain in effect, whether such licensee [, individual] or person subject to sections 36a-485 to 36a-498f,

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inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, acts or claims to act under any licensing or registration law of this state, or claims to act without such authority.

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

Sec. 14. Section 36a-534b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) (1) In addition to any other duties imposed upon the commissioner by law, the commissioner shall require mortgage lenders, mortgage correspondent lenders, mortgage brokers, lead generators, mortgage loan originators and loan processors or underwriters to be licensed and registered through the system. In order to carry out this requirement, the commissioner shall participate in the system and permit the system to process applications for mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, mortgage loan originator and loan processor or underwriter licenses in this state and receive and maintain records related to such licenses that are allowed or required to be maintained by the commissioner. For this purpose, the commissioner may establish requirements as necessary for participation in the system, including: (A) Background checks for criminal history through (i) fingerprint or other databases, (ii) civil or administrative records, or (iii) credit history or any other information as deemed necessary by the system; (B) the payment of fees to apply for or renew licenses through the system; (C) the setting or resetting of renewal or reporting dates; and (D) the requirements for amending or surrendering a license or any other such activities as the commissioner deems necessary for participation in the system. For the purpose of participating in the



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system, the commissioner may waive or modify, in whole or in part, by regulation or order, any requirement of this section and sections 36a-485 to 36a-498f, inclusive, as amended by this act, and 36a-534a and section 16 of this act, and establish new requirements as reasonably necessary to participate in the system. For the purposes of implementing an orderly and efficient licensing process, the commissioner may adopt licensing regulations, in accordance with the provisions of chapter 54, and interim procedures for licensing and acceptance of applications. For previously licensed individuals, the commissioner may establish expedited review and licensing procedures.

(2) The commissioner shall report regularly to the system violations of and enforcement actions under sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, and other relevant information.

(3) The commissioner may establish relationships or enter into contracts with the system or other entities designated by the system to collect and maintain records and process transaction fees or other fees related to licensees or other persons subject to sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act.

(4) For the purposes of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, and to reduce the points of contact that the Federal Bureau of Investigation may have to maintain for purposes of subsections (b) [and (c)] to (d), inclusive, of section 36a-488, as amended by this act, the commissioner may use the system as a channeling agent for requesting information from and distributing information to the United States Department of Justice or any governmental agency.

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(5) For the purposes of sections 36a-485 to 36a-498f, inclusive, as amended by this act, 36a-534a and 36a-534b, as amended by this act, and section 16 of this act, and to reduce the points of contact that the commissioner may have to maintain for purposes of subsections (b) [and (c)] to (d), inclusive, of section 36a-488, as amended by this act, and section 16 of this act, the commissioner may use the system as a channeling agent for requesting and distributing information to and from any source, as directed by the commissioner.

(6) Mortgage lenders, mortgage correspondent lenders, mortgage brokers, lead generators, mortgage loan originators and [ , effective October 1, 2011, individuals licensed as] loan processors or underwriters may challenge information entered into the system by the commissioner. Such challenge shall (A) be made in writing to the commissioner, (B) set forth the specific information being challenged, and (C) include any evidence which supports the challenge. Challenges shall be limited to the factual accuracy of information within the system. If the commissioner determines that the information entered into the system is factually inaccurate, the commissioner shall take prompt action to correct such information. Nothing in this subdivision shall be construed to permit a challenge under this section to the merits or factual basis of any administrative action taken by the commissioner pursuant to this title.

[(b) (1) Each first mortgage lender license and secondary mortgage lender license in existence on June 30, 2008, shall be deemed on and after July 1, 2008, to be a mortgage lender license, as defined in section 36a-485; (2) each first mortgage correspondent lender license and secondary mortgage correspondent lender license in existence on June 30, 2008, shall be deemed on and after July 1, 2008, to be a mortgage correspondent lender license, as defined in section 36a-485; (3) each first mortgage broker license and secondary mortgage broker license in existence on June 30, 2008, shall be deemed on and after July 1, 2008, to

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be a mortgage broker license, as defined in section 36a-485; and (4) each originator registration in existence on June 30, 2008, shall be deemed on and after July 1, 2008, to be a mortgage loan originator license, as defined in section 36a-485.

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

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

[(3)] (c) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, mortgage loan originator and loan processor or underwriter licensee and each exempt registrant, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision. Failure of an exempt registrant to timely and accurately submit a report of condition shall form a basis to inactivate the licenses of all sponsored mortgage loan originators or loan processor or underwriters. To the extent that the system does not require submission of reports of condition by individual mortgage loan originator or loan processor or underwriter licensees, such individual licensees shall timely and accurately report all required information in their possession to their sponsor for purposes of their sponsor's reporting obligation. Failure of an individual licensee to

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timely and accurately report required information in such licensee's possession to such licensee's sponsor shall constitute a violation of this provision.

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

Sec. 15. Subdivision (1) of subsection (d) of section 36a-719 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

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

Sec. 16. (NEW) (*Effective January 1, 2018*) (a) No person required to be licensed as a lead generator shall, while engaged in lead generation activities:

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

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

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

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

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

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

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

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

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

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

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

(12) Represent to the public, through advertising or other means of communicating or providing information, including, but not limited to, the use of business cards or stationery, brochures, signs or other

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promotional items, that such lead generator can or will perform any other activity requiring licensure under title 36a of the general statutes, unless such lead generator is duly licensed to perform such other activity or exempt from such licensure requirements; or

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

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

Sec. 17. Section 36a-534c of the general statutes is repealed. (*Effective from passage*)

Approved June 9, 2017