



# House of Representatives

General Assembly

**File No. 182**

January Session, 2017

Substitute House Bill No. 7019

*House of Representatives, March 23, 2017*

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

***AN ACT CONCERNING THE DEPARTMENT OF BANKING'S ENFORCEMENT AUTHORITY, THE ISSUANCE OF CERTAIN REPORTS, REQUIRING THE RETURN OF CERTAIN PORTIONS OF SECURITY DEPOSITS AND MAKING MINOR REVISIONS TO THE BANKING STATUTES.***

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

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2 repealed and the following is substituted in lieu thereof (*Effective*  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

4 (a) (1) The commissioner may suspend, revoke or refuse to renew  
5 any mortgage lender, mortgage correspondent lender or mortgage  
6 broker license or take any other action, in accordance with the  
7 provisions of section 36a-51, for any reason which would be sufficient  
8 grounds for the commissioner to deny an application for such license  
9 under sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b, or  
10 if the commissioner finds that the licensee, any control person of the  
11 licensee, the qualified individual or branch manager with supervisory  
12 authority, trustee, employee or agent of such licensee has done any of  
13 the following: (A) Made any material misstatement in the application;

14 (B) committed any fraud, misappropriated funds or misrepresented,  
15 concealed, suppressed, intentionally omitted or otherwise intentionally  
16 failed to disclose any of the material particulars of any residential  
17 mortgage loan transaction, including disclosures required by  
18 subdivision (6) of subsection (a) of section 36a-493, or part III of  
19 chapter 669 or regulations adopted pursuant thereto, to anyone  
20 entitled to such information; (C) violated any of the provisions of this  
21 title or of any [regulations] regulation or order adopted or issued  
22 pursuant thereto, or any other law or regulation applicable to the  
23 conduct of its business; or (D) failed to perform any agreement with a  
24 licensee or a borrower. For purposes of this subdivision, "agent"  
25 includes any settlement agent used by the licensee and "settlement  
26 agent" means the person specified in any Closing Disclosure or other  
27 settlement statement, provided such settlement agent has been selected  
28 by the licensee. Any settlement agent whose name appears on the  
29 licensee's list of approved settlement agents shall be deemed selected  
30 by the licensee even if the settlement agent is selected from such list by  
31 the borrower.

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

45 Sec. 2. Subsection (e) of section 36a-457b of the general statutes is  
46 repealed and the following is substituted in lieu thereof (*Effective from*  
47 *passage*):

48 (e) A mortgage loan made by a Connecticut credit union secured by  
49 a first lien or interest shall have a maturity not exceeding forty-two  
50 years from the date of its making, and a mortgage loan to finance a  
51 manufactured home or secured by a subordinate lien shall have a  
52 maturity not exceeding [twenty] twenty-five years from the date of its  
53 making. For purposes of this subsection, the term "manufactured  
54 home" means a movable dwelling containing living facilities suitable  
55 for year-round occupancy by one family, including permanent  
56 provision for eating, sleeping, cooling and sanitation, provided such  
57 dwelling is to be maintained as a residence of the purchaser and will,  
58 within ninety days after purchase, be located at a manufactured  
59 housing community or other semipermanent site within this state.

60 Sec. 3. Subdivision (3) of subsection (h) of section 36a-437a of the  
61 general statutes is repealed and the following is substituted in lieu  
62 thereof (*Effective from passage*):

63 (3) The bylaws may be amended by the adoption at a meeting of an  
64 amendment resolution by two-thirds of the directors of the credit  
65 union. Written notice of the meeting and text of the proposed  
66 amendment shall be given to each director at least seven days prior to  
67 the meeting. The Connecticut credit union shall file with the  
68 commissioner, within ten days after its adoption, one copy of any  
69 proposed amendment on a form provided by the commissioner. In the  
70 case of a proposed amendment requiring the commissioner's approval,  
71 the commissioner shall, within thirty days after such filing, determine  
72 whether such proposed amendment is consistent with the provisions  
73 and purposes of sections 36a-435a to 36a-472a, inclusive. The thirty-  
74 day period may be extended by the commissioner, in writing, if the  
75 commissioner determines that the proposed amendment raises issues  
76 that require additional information or additional time for analysis.  
77 [The commissioner, upon determining that such proposed amendment  
78 satisfies the requirements of said sections 36a-435a to 36a-472a,  
79 inclusive, shall endorse the commissioner's approval on such proposed  
80 amendment, and return one copy thereof to the Connecticut credit  
81 union.]

82 Sec. 4. Subsection (a) of section 36a-86 of the general statutes is  
83 repealed and the following is substituted in lieu thereof (*Effective from*  
84 *passage*):

85 (a) The governing board of each Connecticut bank shall annually  
86 procure an audit or examination by certified public accountants or  
87 holders of certificates of authority as public accountants selected by  
88 vote of the governing board or a duly authorized committee thereof,  
89 and such accountants shall agree to provide related working papers,  
90 policies and procedures to the commissioner, if requested. The  
91 accountants shall thoroughly examine the books, records, accounts and  
92 affairs of such bank and submit a signed report of the audit or  
93 examination showing the condition of the bank to the governing board  
94 of such bank within a reasonable period of time following the  
95 conclusion of the audit or examination. The signed report shall be kept  
96 on file in such bank and [a copy] such governing board shall [be filed]  
97 file the following documents with the commissioner not later than the  
98 earlier of (1) one hundred twenty days following the close of such  
99 bank's fiscal year, or (2) the date prescribed by federal law for such  
100 bank to file such audit or examination with the applicable federal  
101 banking regulator, unless the commissioner extends such deadline for  
102 good cause shown: (A) A copy of the signed report; (B) any written  
103 communication regarding matters that the accountants are required to  
104 communicate to the audit committee of the bank; and (C) any written  
105 communication from the accountants to the governing board noting  
106 significant deficiencies and material weaknesses in internal controls of  
107 the bank. Members of the governing board of such Connecticut bank  
108 shall not be personally liable for any loss suffered by such bank  
109 through the wrongdoing or negligence of any officer or employee,  
110 which wrongdoing or negligence should have been discovered by the  
111 accountants in the performance of their duties, provided such  
112 members shall have exercised due care to procure thorough and  
113 substantial audits by the accountants.

114 Sec. 5. Section 36a-547 of the general statutes is repealed and the  
115 following is substituted in lieu thereof (*Effective from passage*):

116 On and after October 1, 2016, a sales finance company, as defined in  
117 section 36a-535, as amended by this act, shall acquire and maintain  
118 adequate records in the form and manner as the commissioner shall  
119 direct in each retail installment contract acquired by purchase,  
120 discount, pledge, loan, advance or otherwise, and any application for a  
121 retail installment contract, covering the retail sale of a motor vehicle in  
122 the state that has been reviewed by the sales finance company or  
123 relates to a retail installment contract acquired by the sales finance  
124 company, including, but not limited to, the: (1) Name, address, income  
125 and credit score of the applicant and any coapplicants and, if known,  
126 the ethnicity, race and sex of such individuals; (2) type, amount and  
127 annual percentage rate of the loan; and (3) disposition of the  
128 application. Such records shall be made available to the Banking  
129 Commissioner not later than five business days after a request for such  
130 records by the commissioner. Each sales finance company shall retain  
131 such records for not less than two years after the date of the  
132 application for applications that were denied or, for any retail  
133 installment contract that was acquired, for not less than two years after  
134 the date of final payment or sale or assignment of such contract,  
135 whichever occurs first, or such longer period as may be required by  
136 any other provision of law. On or before January 30, 2017, each licensee  
137 shall provide to the commissioner the records collected between  
138 October 1, 2016, to December 31, 2016, inclusive.

139 Sec. 6. Subsection (c) of section 36a-565 of the general statutes is  
140 repealed and the following is substituted in lieu thereof (*Effective from*  
141 *passage*):

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

147 Sec. 7. Subsection (c) of section 36a-636e of the general statutes is  
148 repealed and the following is substituted in lieu thereof (*Effective from*

149 *passage*):

150 (c) Upon surrender or termination of the license, the licensee shall  
151 promptly notify all customers and provide confirmation of the  
152 notification to the commissioner not later than fifteen days after the  
153 date of such [suspension] surrender or termination.

154 Sec. 8. Subsection (b) of section 36a-813 of the general statutes is  
155 repealed and the following is substituted in lieu thereof (*Effective from*  
156 *passage*):

157 (b) In the case of a claim for default judgment the plaintiff shall file,  
158 in addition to the evidence required under the rules of the Superior  
159 Court, a sworn affidavit that lists the name, address and dates of  
160 ownership of each owner of the debt, from the charge-off creditor to  
161 the current owner. The plaintiff shall attach documentation to the  
162 affidavit that fully substantiates the amount of the debt. If the debt is a  
163 credit card debt subject to federal charge-off requirements, the  
164 following documents shall, subject to subsection (c) of this section,  
165 suffice to substantiate the debt: (1) A copy of the most recent monthly  
166 statement recording a purchase transaction, service billed, last  
167 payment or balance transfer, (2) a statement that reflects the charge-off  
168 balance, (3) with respect to consumer debt purchased on or after  
169 October 1, 2016, an additional monthly account statement sent to the  
170 consumer debtor while the account was active, which shows the  
171 consumer debtor's name and address, (4) such other statements, if any,  
172 required by the federal consumer financial protection bureau in its  
173 regulations, and (5) [postcharge-off] post-charge-off itemization of the  
174 balance if the balance is different from the charge-off amount.

175 Sec. 9. Subsection (c) of section 36a-636a of the general statutes is  
176 repealed and the following is substituted in lieu thereof (*Effective from*  
177 *passage*):

178 (c) The commissioner, at any time and in accordance with section  
179 29-17a, may arrange for a state and national criminal history records  
180 check of each principal, executive officer and director of the applicant

181 or licensee.

182 Sec. 10. Subdivision (3) of section 49-30p of the general statutes is  
183 repealed and the following is substituted in lieu thereof (*Effective from*  
184 *passage*):

185 (3) "Mortgagor" has the same meaning as provided in section 49-24a,  
186 except a mortgagor, for the purposes of sections 49-30p to 49-30w,  
187 inclusive, as amended by this act, shall only include those mortgagors  
188 with personal net liquid assets, excluding retirement and tax  
189 advantaged health savings plans, that are less than one hundred  
190 thousand dollars;

191 Sec. 11. Subsection (a) of section 36a-805 of the general statutes is  
192 repealed and the following is substituted in lieu thereof (*Effective from*  
193 *passage*):

194 (a) No consumer collection agency shall: (1) Furnish legal advice or  
195 perform legal services or represent that it is competent to do so, or  
196 institute judicial proceedings on behalf of others; (2) communicate with  
197 consumer debtors, property tax debtors or federal income tax debtors  
198 in the name of an attorney or upon the stationery of an attorney, or  
199 prepare any forms or instruments which only attorneys are authorized  
200 to prepare; (3) receive assignments as a third party of claims for the  
201 purpose of collection or institute suit thereon in any court; (4) assume  
202 authority on behalf of a creditor to employ or terminate the services of  
203 an attorney unless such creditor has authorized such agency in writing  
204 to act as such creditor's agent in the selection of an attorney to collect  
205 the creditor's accounts; (5) demand or obtain in any manner a share of  
206 the proper compensation for services performed by an attorney in  
207 collecting a claim, whether or not such agency has previously  
208 attempted collection thereof; (6) solicit claims for collection under an  
209 ambiguous or deceptive contract; (7) refuse to return any claim or  
210 claims upon written request of the creditor, claimant or forwarder,  
211 which claims are not in the process of collection after the tender of  
212 such amounts, if any, as may be due and owing to the agency; (8)  
213 advertise or threaten to advertise for sale any claim as a means of

214 forcing payment thereof, unless such agency is acting as the assignee  
215 for the benefit of creditors; (9) refuse or fail to account for and remit to  
216 its clients all money collected which is not in dispute within sixty days  
217 from the last day of the month in which said money is collected; (10)  
218 refuse or intentionally fail to return to the creditor all valuable papers  
219 deposited with a claim when such claim is returned; (11) refuse or fail  
220 to furnish at intervals of not less than ninety days, upon the written  
221 request of the creditor, claimant or forwarder, a written report upon  
222 claims received from such creditor, claimant or forwarder; (12) add  
223 any [post charge-off] post-charge-off charge or fee for cost of  
224 collection, unless such cost is a court cost, to the amount of any claim  
225 which it receives for collection or knowingly accept for collection any  
226 claim to which any such charge or fee has already been added to the  
227 amount of the claim unless (A) the consumer debtor is legally liable for  
228 such charge or fee as determined by the contract or other evidence of  
229 an agreement between the consumer debtor and creditor, a copy of  
230 which shall be obtained by or available to the consumer collection  
231 agency from the creditor and maintained as part of the records of the  
232 consumer collection agency or the creditor, or both, and (B) the total  
233 charge or fee for cost of collection does not exceed fifteen per cent of  
234 the total amount actually collected and accepted as payment in full  
235 satisfaction of the debt; (13) use or attempt to use or make reference to  
236 the term "bonded by the state of Connecticut", "bonded" or "bonded  
237 collection agency" or any combination of such terms or words, except  
238 the word "bonded" may be used on the stationery of any such agency  
239 in type not larger than twelve-point; (14) when the debt is beyond the  
240 statute of limitations, fail to provide the following disclosure in type  
241 not less than ten-point informing the consumer debtor in its initial  
242 communication with such consumer debtor that (A) when collecting  
243 on debt that is not past the date for obsolescence provided for in  
244 Section 605(a) of the Fair Credit Reporting Act, 15 USC 1681c: "The law  
245 limits how long you can be sued on a debt. Because of the age of your  
246 debt, (INSERT OWNER NAME) will not sue you for it. If you do not  
247 pay the debt, (INSERT OWNER NAME) may report or continue to  
248 report it to the credit reporting agencies as unpaid"; and (B) when

249 collecting on debt that is past the date for obsolescence provided for in  
250 Section 605(a) of the Fair Credit Reporting Act, 15 USC 1681c: "The law  
251 limits how long you can be sued on a debt. Because of the age of your  
252 debt, (INSERT OWNER NAME) will not sue you for it and (INSERT  
253 OWNER NAME) will not report it to any credit reporting agencies."; or  
254 (15) engage in any activities prohibited by sections 36a-800 to 36a-812,  
255 inclusive.

256 Sec. 12. Section 36a-535 of the general statutes is repealed and the  
257 following is substituted in lieu thereof (*Effective October 1, 2017*):

258 As used in sections 36a-535 to 36a-546, inclusive, as amended by this  
259 act, unless the context otherwise requires:

260 (1) The terms "goods", "retail installment sale", "retail installment  
261 contract", "installment loan contract", "retail seller" and "retail buyer"  
262 have the same meanings as provided in section 36a-770;

263 (2) "Sales finance company" means any person engaging in this state  
264 in the business, in whole or in part, of (A) acquiring retail installment  
265 contracts [from retail sellers,] or installment loan contracts from the  
266 holders thereof, by purchase, discount or pledge, or by loan or advance  
267 to the holder of either on the security thereof, or otherwise, [but] or (B)  
268 acquiring retail installment loan contracts or installment loan contracts  
269 as described in subparagraph (A) of this subsection and subsequently  
270 conveying, assigning or otherwise transferring any interest in such  
271 contract to another person, but continuing to receive payments of  
272 principal and interest from a retail buyer under such contract. "Sales  
273 finance company" does not include a bank, out-of-state bank,  
274 Connecticut credit union, federal credit union, or out-of-state credit  
275 union, if so engaged.

276 Sec. 13. Section 36a-606a of the general statutes is repealed and the  
277 following is substituted in lieu thereof (*Effective October 1, 2017*):

278 (a) Each licensee shall comply with the applicable provisions of the  
279 Currency and Foreign Transactions Reporting Act, 31 USC Section

280 5311 et seq., as from time to time amended, and any regulations  
281 adopted under such provisions, as from time to time amended and,  
282 upon request, shall provide proof of such compliance to the  
283 commissioner. In addition to any other remedies provided by law, a  
284 violation of such federal law or regulation shall be deemed a violation  
285 of this section and a basis upon which the commissioner may take  
286 enforcement action pursuant to section 36a-608.

287 (b) Each licensee shall establish an anti-money-laundering program,  
288 which shall include, but need not be limited to, (1) internal policies,  
289 procedures and controls, (2) a designated compliance officer, (3) an  
290 ongoing employee training program, and (4) an independent audit  
291 function to test the effectiveness of such anti-money-laundering  
292 program.

293 Sec. 14. Subsection (b) of section 36a-801 of the general statutes is  
294 repealed and the following is substituted in lieu thereof (*Effective*  
295 *October 1, 2017*):

296 (b) Any person desiring to act within this state as a consumer  
297 collection agency shall make a written application to the commissioner  
298 for such license in such form as the commissioner prescribes. Such  
299 application shall be accompanied by (1) a financial statement prepared  
300 by a certified public accountant or a public accountant which  
301 evidences that the applicant has a minimum tangible net worth of fifty  
302 thousand dollars, the accuracy of which is sworn to under oath before  
303 a notary public by the proprietor, a general partner or a corporate  
304 officer or a member duly authorized to execute such documents, (2)  
305 (A) the history of criminal convictions of the (i) applicant; (ii) partners,  
306 if the applicant is a partnership; (iii) members, if the applicant is a  
307 limited liability company or association; or (iv) officers, directors and  
308 principal employees, if the applicant is a corporation, and (B) sufficient  
309 information pertaining to the history of criminal convictions of such  
310 applicant, partners, members, officers, directors and principal  
311 employees as the commissioner deems necessary to make the findings  
312 under subsection (c) of this section, (3) a license fee of eight hundred

313 dollars, or in the case of an initial application that is filed not earlier  
314 than one year before the date such license will expire, a license fee of  
315 four hundred dollars, and (4) an investigation fee of one hundred  
316 dollars. The commissioner shall cause to be made such inquiry and  
317 examination as to the qualifications of each such applicant or any  
318 partner, member, officer, director or principal employee of the  
319 applicant as the commissioner deems necessary. The commissioner, in  
320 accordance with section 29-17a, may conduct a state and national  
321 criminal history records check of the applicant and of each partner,  
322 member, officer, director and principal employee of such applicant.  
323 Each applicant shall furnish satisfactory evidence to the commissioner  
324 that the applicant is a person of good moral character and is financially  
325 responsible.

326 Sec. 15. Section 36a-806 of the general statutes is repealed and the  
327 following is substituted in lieu thereof (*Effective October 1, 2017*):

328 (a) No consumer collection agency shall engage in this state in any  
329 practice which is prohibited in section 36a-805, as amended by this act,  
330 or determined pursuant to section 36a-808 to be an unfair or deceptive  
331 act or practice, nor shall any consumer collection agency engage  
332 outside of this state in any act or practice prohibited in said section  
333 36a-805. The commissioner shall have power to examine the affairs of  
334 every consumer collection agency in this state in order to determine  
335 whether it has been or is engaged in any act or practice prohibited by  
336 sections 36a-805 to 36a-808, inclusive, as amended by this act.

337 (b) No creditor or consumer collection agency shall retain, hire, or  
338 engage the services or continue to retain or engage the services of any  
339 person who engages in the business of a consumer collection agency  
340 and who is not licensed to act as such by the commissioner, if such  
341 creditor has actual knowledge that such person is not licensed by the  
342 commissioner to act as a consumer collection agency.

343 Sec. 16. Subsection (d) of section 36b-27 of the general statutes is  
344 repealed and the following is substituted in lieu thereof (*Effective from*  
345 *passage*):

346 (d) (1) Whenever the commissioner finds as the result of an  
347 investigation that any person has violated any of the provisions of  
348 sections 36b-2 to 36b-34, inclusive, or any regulation, rule or order  
349 adopted or issued under said sections, or engaged in a dishonest or  
350 unethical practice, as described in sections 36b-31-15a to 36b-31-15d,  
351 inclusive, of the regulations of Connecticut state agencies, the  
352 commissioner may send a notice to (A) such person, (B) any other  
353 person that directly or indirectly controls such person and that was a  
354 cause of [the] such violation [of said sections or any such regulation,  
355 rule or order,] or practice due to an act or omission such other person  
356 knew or should have known would contribute to such violation or  
357 practice, or (C) any other person that has materially aided in such  
358 violation or practice, by registered or certified mail, return receipt  
359 requested, or by any express delivery carrier that provides a dated  
360 delivery receipt. The notice shall be deemed received by the person on  
361 the earlier of the date of actual receipt or the date seven days after the  
362 date on which such notice was mailed or sent. Any such notice shall  
363 include: (i) A reference to the title, chapter, regulation, rule or order  
364 alleged to have been violated or the legal authority for the dishonest or  
365 unethical practice allegation; (ii) a short and plain statement of the  
366 matter asserted or charged; (iii) the maximum fine that may be  
367 imposed for such violation or practice; (iv) a statement indicating that  
368 such person may file a written request for a hearing on the matters  
369 asserted not later than fourteen days after receipt of the notice; and (v)  
370 the time and place for the hearing.

371 (2) If a hearing is requested within the time specified in the notice,  
372 the commissioner shall hold a hearing upon the charges made unless  
373 such person fails to appear at the hearing. Any such hearing shall be  
374 held in accordance with the provisions of chapter 54. After the hearing,  
375 if the commissioner finds that the person has violated [caused a  
376 violation or materially aided in the violation of any of the provisions of  
377 sections 36b-2 to 36b-34, inclusive, or any regulation, rule or order  
378 adopted or issued under said sections] any of the provisions of  
379 sections 36b-2 to 36b-34, inclusive, or any regulation, rule or order  
380 adopted or issued under said sections, or engaged in a dishonest or

381 unethical practice, as defined in sections 36b-31-15a to 36b-31-15d,  
382 inclusive, of the regulations of Connecticut state agencies, or that such  
383 person caused or materially aided in such violation or practice, the  
384 commissioner may, in the commissioner's discretion and in addition to  
385 any other remedy authorized by said sections, order that a fine not  
386 exceeding one hundred thousand dollars per violation or dishonest or  
387 unethical act be imposed upon such person. If such person fails to  
388 appear at the hearing, the commissioner may, as the facts require,  
389 order that a fine not exceeding one hundred thousand dollars per  
390 violation or dishonest or unethical act be imposed upon such person.  
391 The commissioner shall send a copy of any order issued pursuant to  
392 this subsection by registered or certified mail, return receipt requested,  
393 or by any express delivery carrier that provides a dated delivery  
394 receipt, to any person named in such order.

395 Sec. 17. Subsection (b) of section 47a-21 of the general statutes is  
396 repealed and the following is substituted in lieu thereof (*Effective*  
397 *October 1, 2017*):

398 (b) (1) In the case of a tenant under sixty-two years of age, a  
399 landlord shall not demand a security deposit in an amount that  
400 exceeds two months' rent.

401 (2) In the case of a tenant sixty-two years of age or older, a landlord  
402 shall not demand a security deposit in an amount that exceeds one  
403 month's rent. Any landlord who has received a security deposit in an  
404 amount that exceeds one month's rent from a tenant who becomes  
405 sixty-two years of age after paying such security deposit shall return  
406 the portion of such security deposit that exceeds one month's rent to  
407 the tenant upon the tenant's request.

408 Sec. 18. (*Effective from passage*) (a) There is established a task force to  
409 study methods to prevent the issuance of mortgages to persons with  
410 excessive blight fines or who have violated nuisance abatement laws.

411 (b) The task force shall consist of the following members:

- 412 (1) Two appointed by the speaker of the House of Representatives;
- 413 (2) Two appointed by the president pro tempore of the Senate;
- 414 (3) One appointed by the majority leader of the House of  
415 Representatives;
- 416 (4) One appointed by the majority leader of the Senate;
- 417 (5) One appointed by the minority leader of the House of  
418 Representatives; and
- 419 (6) One appointed by the minority leader of the Senate.
- 420 (c) Any member of the task force appointed under subsection (b) of  
421 this section may be a member of the General Assembly.
- 422 (d) All appointments to the task force shall be made not later than  
423 thirty days after the effective date of this section. Any vacancy shall be  
424 filled by the appointing authority.
- 425 (e) The speaker of the House of Representatives and the president  
426 pro tempore of the Senate shall select the chairpersons of the task force  
427 from among the members of the task force. Such chairpersons shall  
428 schedule the first meeting of the task force, which shall be held not  
429 later than sixty days after the effective date of this section.
- 430 (f) The administrative staff of the joint standing committee of the  
431 General Assembly having cognizance of matters relating to banking  
432 shall serve as administrative staff of the task force.
- 433 (g) Not later than July 1, 2018, the task force shall submit a report on  
434 its findings and recommendations to the joint standing committee of  
435 the General Assembly having cognizance of matters relating to  
436 banking, in accordance with the provisions of section 11-4a of the  
437 general statutes. The task force shall terminate on the date that it  
438 submits such report or July 1, 2018, whichever is later.

439 Sec. 19. (*Effective from passage*) On or before January 1, 2018, the

440 Banking Commissioner shall report, in accordance with the provisions  
 441 of section 11-4a of the general statutes, to the joint standing committee  
 442 of the General Assembly having cognizance of matters relating to  
 443 banking on the promotion of secured and unsecured lending at Martin  
 444 Luther King, Jr. Corridors.

445 Sec. 20. (*Effective from passage*) On or before January 1, 2018, the  
 446 Banking Commissioner shall submit a report, in accordance with the  
 447 provisions of section 11-4a of the general statutes, to the joint standing  
 448 committee of the General Assembly having cognizance of matters relating  
 449 to banking concerning the effectiveness of the Student Loan Ombudsman  
 450 designated under section 36a-25 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2017</i>	36a-494(a)
Sec. 2	<i>from passage</i>	36a-457b(e)
Sec. 3	<i>from passage</i>	36a-437a(h)(3)
Sec. 4	<i>from passage</i>	36a-86(a)
Sec. 5	<i>from passage</i>	36a-547
Sec. 6	<i>from passage</i>	36a-565(c)
Sec. 7	<i>from passage</i>	36a-636e(c)
Sec. 8	<i>from passage</i>	36a-813(b)
Sec. 9	<i>from passage</i>	36a-636a(c)
Sec. 10	<i>from passage</i>	49-30p(3)
Sec. 11	<i>from passage</i>	36a-805(a)
Sec. 12	<i>October 1, 2017</i>	36a-535
Sec. 13	<i>October 1, 2017</i>	36a-606a
Sec. 14	<i>October 1, 2017</i>	36a-801(b)
Sec. 15	<i>October 1, 2017</i>	36a-806
Sec. 16	<i>from passage</i>	36b-27(d)
Sec. 17	<i>October 1, 2017</i>	47a-21(b)
Sec. 18	<i>from passage</i>	New section
Sec. 19	<i>from passage</i>	New section
Sec. 20	<i>from passage</i>	New section

**BA** Joint Favorable Subst.

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

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**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 18 \$</b>	<b>FY 19 \$</b>
Banking Dept.	GF - Potential Revenue Gain	See Below	See Below
Various State Agencies	GF - Potential Cost	Less than \$1,000	

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill authorized the banking commission to impose a fine up to \$100,000 per violation on any person who engages in dishonest or unethical practices. To the extent that this change results in additional fines, the bill may result in a revenue gain to the General Fund.

The bill establishes a taskforce to study methods to prevent the issuance of mortgages to persons with excessive blight fines or who are in violation of nuisance abatement laws. There may be a cost of less than \$1,000 in FY 18 to those agencies participating in the task force to reimburse legislators and agency staff for mileage expenses, currently at 53.5 cents/mile.

The bill makes clarifying change and requires the Department of Banking to submit two reports to the General Assembly which have no fiscal impact as the Department has the expertise to provide the reports. Additionally, the bill requires landlords to return a portion of security deposits if requested by certain tenants over sixty-two years of age, which do not result in a fiscal impact to the state or municipalities.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to the fines imposed.

**OLR Bill Analysis****sHB 7019*****AN ACT CONCERNING THE DEPARTMENT OF BANKING'S ENFORCEMENT AUTHORITY, THE ISSUANCE OF CERTAIN REPORTS, REQUIRING THE RETURN OF CERTAIN PORTIONS OF SECURITY DEPOSITS AND MAKING MINOR REVISIONS TO THE BANKING STATUTES.*****SUMMARY**

This bill makes various changes to many unrelated provisions in the banking statutes. Among its changes, the bill:

1. increases, from 20 to 25 years, the maximum draw period Connecticut credit unions can establish for second mortgages and mobile home loans and updates the approval process for changes to their bylaws (§§ 2 & 3);
2. adds to the documentation a bank must file with the commissioner as part of its annual audit (§ 4);
3. expands the definition of "sales finance company" to include persons who transfer interest in retail installment or installment loan contracts but continue servicing such contracts or loans (§ 12);
4. requires mortgage transmission licensees to establish an anti-money-laundering program with specific features, such as an independent audit function to test the program's effectiveness (§ 13);
5. requires consumer collection agencies to have a minimum tangible net worth of \$50,000 before licensure and prohibits them from retaining unlicensed consumer collection agencies (§§ 14 & 15);

6. authorizes the banking commissioner to impose a fine of up to \$100,000 per violation on any person who engages in dishonest or unethical practices (§ 16);
7. requires landlords, at the tenant's request, to return any security deposit that exceeds one month's rent if the tenant turned age 62 after paying the deposit (§ 17);
8. establishes an eight-member task force to study methods to prevent the issuance of mortgages to persons with excessive blight fines or who have violated nuisance abatement laws (§ 18);
9. requires the banking commissioner to report to the Banking Committee, by January 1, 2018, on the (a) promotion of secured and unsecured lending in the Martin Luther King, Jr. Corridors and (b) effectiveness of the department's student loan ombudsman (§§ 19 & 20); and
10. codifies existing practice by specifying that, in addition to the banking regulations, the commissioner's enforcement authority includes any orders he issues to mortgage lenders, originators, loan processors, and underwriters (§1).

It also makes minor, technical, and conforming changes (§§ 5 -11).

EFFECTIVE DATE: Upon passage, except October 1, 2017 for the provisions on the commissioner's enforcement authority, retail and loan installment contracts, money transmission licensees, consumer collection agencies, and landlord-tenant security deposits.

## **§§ 2 - 4 — CONNECTICUT CREDIT UNIONS AND CONNECTICUT BANKS**

### ***Connecticut Credit Unions***

The bill increases, from 20 to 25 years, the maximum draw period state credit unions can establish for second mortgages and mobile home loans. (This aligns with the draw period federal credit unions can establish under federal law.) A draw period is the time period

after a loan is approved that the borrower can draw on the credit line.

The bill also updates the process for approving changes to a credit union's bylaws by eliminating the requirement that the commissioner endorse his approval of the amended by-laws and return a copy to the credit union. (This reflects current agency practice.)

### ***Connecticut Banks***

The bill expands the documentation a Connecticut bank is required to file with the commissioner as part of its annual audit. Existing law requires the bank's governing board to annually obtain an audit or examination by a certified or authorized public accountant. The accountant must submit a signed report to the board, which must in turn submit a copy to the commissioner within a specified timeframe. Under the bill, the governing board must submit, along with the report copy, any written communication:

1. on matters that the accountants are required to communicate to the bank's audit committee and
2. from the accountants to the governing board noting significant deficiencies and material weaknesses in the bank's internal controls.

### **§ 12 — RETAIL INSTALLMENT AND INSTALLMENT LOAN CONTRACTS**

Under existing law, a "sales finance company" is any person engaged in acquiring retail installment and installment loan contracts (see BACKGROUND). The bill expands this definition to include those companies that subsequently assign, convey, or transfer their interests in the contracts or loans but continue to service them. By doing so, the bill subjects these contract or loan servicers to all the sales finance company licensure requirements, such as the application process, submission to criminal history record checks, liability for investigation and examination costs, and a biennial license fee of \$800. The bill subjects servicers to fines up to \$500, imprisonment for up to six months, or both for any violation.

**§ 13 — MONEY TRANSMISSION LICENSEES**

The bill requires each money transmission licensee to establish an anti-money-laundering program that includes:

1. internal policies, procedures, and controls;
2. a designated compliance officer;
3. an ongoing employee training program; and
4. an independent audit function to test the program's effectiveness.

By law, money transmission licensees must comply with the federal Currency and Foreign Transaction Reporting Act, which requires reporting to combat money laundering and other criminal activities.

**§§ 14 - 15 — CONSUMER COLLECTION AGENCIES**

Current law requires an applicant for a consumer collection agency license to submit a financial statement prepared by a public accountant. The bill requires that the financial statement show a minimum tangible net worth of \$50,000.

It also prohibits a consumer collection agency from retaining, hiring, or engaging the services of an unlicensed consumer collection agency. Existing law prohibits a creditor from doing so if the creditor has actual knowledge that the consumer collection agency is unlicensed.

**§ 16 — DISHONEST AND UNETHICAL PRACTICES – FINES UNDER THE UNIFORM SECURITIES ACT**

The bill authorizes the banking commissioner to impose a fine of up to \$100,000 per act on any person who, after an investigation, he finds has engaged, directly or indirectly, in dishonest or unethical practice as described under state banking regulations. Existing law allows the commissioner to impose this fine for each violation of the Connecticut Uniform Securities Act (CUSA).

Under the bill, when the commissioner finds that someone has

engaged in a dishonest or unethical practice, he must follow existing law's procedures that apply when he finds a CUSA violation.

The procedures include an opportunity for notice and a hearing, as well as a possible order and fine.

***Notice Requirement***

The commissioner may notify (1) the individual who engaged in the dishonest or unethical practice, (2) the individual's control person, or (3) any other person that materially helped in the practice. The notice must be sent by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt.

The notice is deemed received by the person on the date of actual receipt or seven days after the date it was mailed or sent, whichever is earlier. It must include:

1. a reference to the title, chapter, regulation, rule, or order allegedly violated or the legal authority for the dishonest or unethical practice allegation;
2. a short and plain statement of the matter asserted or charged;
3. the maximum fine that may be imposed for such violation or practice;
4. a statement indicating that the person may file a written request for a hearing on the matters asserted within 14 days after receiving the notice; and
5. the time and place for the hearing.

***Hearing, Order, and Fine***

If the person requests a hearing within the time specified in the notice, the commissioner must hold a hearing unless the person fails to appear. The commissioner may, in his discretion, order a fine up to \$100,000 per violation or act, in addition to any other available remedy,

if he finds that the person (1) has violated the Connecticut Uniform Securities Act, or any related regulations, rule, or order; (2) engaged in a dishonest or unethical practice; or (3) caused or materially assisted in the violation or practice. The commissioner may impose the same fine if the person fails to appear at the hearing.

The commissioner must send a copy of the order by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, to any person named in the order.

### ***Dishonest and Unethical Practices***

Under Connecticut banking regulations, dishonest or unethical practices include acts such as a broker-dealer:

1. executing a transaction on behalf of a customer without authority to do so;
2. extending credit to a customer in violation of the Securities Exchange Act or the Federal Reserve Board regulations; and
3. entering a transaction for its own account with a customer in a security at a price not reasonably related to the current market price of the security, or charging an unreasonable commission (Conn. Agency Regs. §§ 36b-31-15a - 15d).

## **§ 18 — EXCESSIVE BLIGHT FINES AND NUISANCE ABATEMENTS**

The bill establishes an eight-member task force to study methods to prevent the issuance of mortgages to persons with excessive blight fines or who have violated nuisance abatement laws.

The task force members can be legislators and are appointed (1) two each by the Senate pro tempore and the House speaker and (2) one each by the Senate and House majority leaders and the Senate and House minority leaders.

All appointments to the task force must be made within 30 days

after the bill is enacted. The appointing authority must fill any vacancies.

The House speaker and the Senate president pro tempore must select the task force's chairpersons from its members and schedule the first meeting, which must be held within 60 days after the bill is enacted.

The Banking Committee staff must serve as the task force's administrative staff.

The task force must report its findings and recommendations to the Banking Committee by July 1, 2018. It terminates on the date that it submits the report or July 1, 2018, whichever is later.

## **BACKGROUND**

### ***Retail Installment Contract***

By law, a "retail installment contract" is any security agreement, made in Connecticut, including a mortgage, conditional sale contract, or other instrument evidencing an agreement to pay the retail purchase price of goods in installments over a period of time. It does not include a rent-to-own agreement (CGS § 36a-770).

### ***Installment Loan Contract***

An "installment loan contract" is any agreement made in Connecticut to repay in installments the amount loaned or advanced to a retail buyer to pay the retail purchase price of goods and by virtue of which a security interest is taken in the goods for the payment of the amount loaned or advanced. It does not include agreements to repay in installments loans made by the federal government (CGS § 36a-770).

## **COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/07/2017)