



House of Representatives

General Assembly

File No. 190

January Session, 2017

Substitute House Bill No. 7141

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 SECURED AND UNSECURED LENDING.

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

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 Section 36a-3 of the general statutes is repealed and the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

3 Other definitions applying to this title or to specified parts thereof
4 and the sections in which they appear are:

- T1 "Account". Sections 36a-155 and 36a-365.
T2 "Additional proceeds". Section 36a-746e.
T3 "Administrative expense". Section 36a-237.
T4 "Advance fee". Sections 36a-485 and 36a-615.
T5 "Advertise", "advertisement" or "advertising". [Section] Sections 36a-485,
T6 36a-535, as amended by this act, 36a-596, as amended by this act,
T7 36a-655, as amended by this act, 36a-671, as amended by this act,
T8 and 36a-846, as amended by this act.
T9 "Agency bank". Section 36a-285.
T10 "Agent". Section 36a-494.

- T11 "Alternative mortgage loan". Section 36a-265.
- T12 "Amount financed". Section 36a-690.
- T13 "Annual percentage rate". Section 36a-690.
- T14 "Annual percentage yield". Section 36a-316.
- T15 "Annuities". Section 36a-455a.
- T16 "Applicant". Section 36a-736.
- T17 "APR". Section 36a-746a.
- T18 "Assessment area". Section 36a-37.
- T19 "Assets". Section 36a-70.
- T20 "Associate". Section 36a-184.
- T21 "Associated member". Section 36a-458a.
- T22 "Authorized delegate". Section 36a-596, as amended by this act.
- T23 "Bank". Section 36a-30.
- T24 "Bankers' bank". Section 36a-70.
- T25 "Banking business". Section 36a-425.
- T26 "Basic services". Section 36a-437a.
- T27 "Billing cycle". Section 36a-565.
- T28 "Bona fide nonprofit organization". Sections 36a-487
- T29 and 36a-655, as amended by this act.
- T30 "Branch". Sections 36a-145, 36a-410 and 36a-435b.
- T31 "Branch office". Sections 36a-485 and 36a-715.
- T32 "Branch or agency net payment entitlement". Section 36a-428n.
- T33 "Branch or agency net payment obligation". Section 36a-428n.
- T34 "Broker". Section 36a-746a.
- T35 "Business and industrial development corporation". Section 36a-626.
- T36 "Business and property in this state". Section 36a-428n.
- T37 "Capital". Section 36a-435b.
- T38 "Cash advance". Section 36a-564.
- T39 "Cash price". Section 36a-770.
- T40 "Certificate of incorporation". Section 36a-435b.
- T41 "CHFA loan". Section 36a-760.
- T42 "Clerical or support duties". Section 36a-485.
- T43 "Closely related activities". Sections 36a-250 and 36a-455a.
- T44 "Collective managing agency account". Section 36a-365.
- T45 "Commercial vehicle". Section 36a-770.

- T46 "Community bank". Section 36a-70.
- T47 "Community credit union". Section 36a-37.
- T48 "Community development bank". Section 36a-70.
- T49 "Community reinvestment performance". Section 36a-37.
- T50 "Connecticut holding company". Sections 36a-53 and 36a-410.
- T51 "Consolidate". Section 36a-145.
- T52 "Construction loan". Section 36a-458a.
- T53 "Consumer". Sections 36a-155 and 36a-695.
- T54 "Consumer Credit Protection Act". Section 36a-676.
- T55 "Consumer debtor" and "debtor". Sections 36a-645 and 36a-800.
- T56 "Consumer collection agency". Section 36a-800.
- T57 "Consummation". Section 36a-746a.
- T58 "Control person". [Section] Sections 36a-485, 36a-535, as amended by this
- T59 act, 36a-596, as amended by this act, 36a-655,
- T60 as amended by this act, 36a-671, as amended by this act,
- T61 and 36a-846, as amended by this act.
- T62 "Controlling interest". Section 36a-276.
- T63 "Conventional mortgage rate". Section 36a-760.
- T64 "Corporate". Section 36a-435b.
- T65 "Credit". Section 36a-645.
- T66 "Credit manager". Section 36a-435b.
- T67 "Creditor". Sections 36a-676, 36a-695 and 36a-800.
- T68 "Credit clinic". Section 36a-700.
- T69 "Credit rating agency". Section 36a-695.
- T70 "Credit report". Section 36a-695.
- T71 "Credit union service organization". Section 36a-435b.
- T72 "Credit union service organization services". Section 36a-435b.
- T73 "De novo branch". Section 36a-410.
- T74 "Debt". Section 36a-645.
- T75 "Debt adjustment". Section 36a-655, as amended by this act.
- T76 "Debt mutual fund". Sections 36a-275 and 36a-459a.
- T77 "Debt negotiation". Section 36a-671, as amended by this act.
- T78 "Debt securities". Sections 36a-275 and 36a-459a.
- T79 "Debtor". [Section] Sections 36a-655, as amended by this act, and
- T80 36a-671, as amended by this act.

T81	"Deliver". Section 36a-316.
T82	"Deposit". Section 36a-316.
T83	"Deposit account". Section 36a-316.
T84	"Deposit account charge". Section 36a-316.
T85	"Deposit account disclosures". Section 36a-316.
T86	"Deposit contract". Section 36a-316.
T87	"Deposit services". Section 36a-425.
T88	"Depositor". Section 36a-316.
T89	"Depository institution". Section 36a-485.
T90	"Derivative transaction". Section 36a-262.
T91	"Director". Section 36a-435b.
T92	"Dwelling". Section 36a-485.
T93	"Earning period". Section 36a-316.
T94	"Electronic payment instrument". Section 36a-596, <u>as amended by this act.</u>
T95	"Eligible collateral". Section 36a-330.
T96	"Eligible entity". Section 36a-34.
T97	"Employee". Section 36a-485.
T98	"Entity". Section 36a-380.
T99	"Equity mutual fund". Sections 36a-276 and 36a-459a.
T100	"Equity security". Sections 36a-276 and 36a-459a.
T101	"Executive officer". Sections 36a-263 and 36a-469c.
T102	"Expedited Connecticut bank". Section 36a-70.
T103	"Experience in the mortgage business". Section 36a-488.
T104	"Federal banking agency". Section 36a-485.
T105	"Federal Credit Union Act". Section 36a-435b.
T106	"Federal Home Mortgage Disclosure Act". Section 36a-736.
T107	"FHA loan". Section 36a-760.
T108	"Fiduciary". Section 36a-365.
T109	"Filing fee". Section 36a-770.
T110	"Finance charge". Sections 36a-690 and 36a-770.
T111	"Financial institution". Sections 36a-41, 36a-44a, 36a-155,
T112	36a-316, 36a-330, 36a-435b, 36a-736 and 36a-755.
T113	"Financial records". Section 36a-41.
T114	"First mortgage loan". Sections 36a-485, 36a-705 and 36a-725.
T115	<u>"Foreclosure rescue services". Section 36a-671, as amended by this act.</u>

- T116 "Foreign banking corporation". Section 36a-425.
- T117 "Fully indexed rate". Section 36a-760b.
- T118 "General facility". Section 36a-580.
- T119 "Global net payment entitlement". Section 36a-428n.
- T120 "Global net payment obligation". Section 36a-428n.
- T121 "Goods". Sections 36a-535, as amended by this act, and 36a-770.
- T122 "Graduated payment mortgage loan". Section 36a-265.
- T123 "Guardian". Section 36a-365.
- T124 "High cost home loan". Section 36a-746a.
- T125 "Holder". Section 36a-596, as amended by this act.
- T126 "Home improvement loan". Section 36a-736.
- T127 "Home purchase loan". Section 36a-736.
- T128 "Home state". Section 36a-410.
- T129 "Housing finance agency". Section 36a-487.
- T130 "Immediate family member". Sections 36a-435b and 36a-485.
- T131 "Independent contractor". Section 36a-485.
- T132 "Individual". Section 36a-485.
- T133 "Insider". Section 36a-454b.
- T134 "Installment loan contract". Sections 36a-535, as amended by this act,
T135 and 36a-770.
- T136 "Insurance". Section 36a-455a.
- T137 "Insurance bank". Section 36a-285.
- T138 "Insurance department". Section 36a-285.
- T139 "Interest". Section 36a-316.
- T140 "Interest rate". Section 36a-316.
- T141 "Interim interest". Section 36a-746a.
- T142 "Investments". Section 36a-602.
- T143 "Lender". Sections 36a-746a, 36a-760 and 36a-770.
- T144 "Lessor". Section 36a-676.
- T145 "License". Section 36a-626.
- T146 "Licensee". Sections 36a-596, as amended by this act,
T147 36a-607, as amended by this act, and 36a-626.
- T148 "Limited branch". Section 36a-145.
- T149 "Limited facility". Section 36a-580.
- T150 "Loan broker". Section 36a-615.

- T151 "Loan processor or underwriter". Section 36a-485.
- T152 "Loss". Section 36a-330.
- T153 "Made in this state". Section 36a-770.
- T154 "Main office". Section 36a-485.
- T155 "Managing agent". Section 36a-365.
- T156 "Manufactured home". Section 36a-457b.
- T157 "Material litigation". Section 36a-598.
- T158 "Member". Section 36a-435b.
- T159 "Member business loan". Section 36a-458a.
- T160 "Member in good standing". Section 36a-435b.
- T161 "Membership share". Section 36a-435b.
- T162 "Mobile branch". Sections 36a-145 and 36a-435b.
- T163 "Monetary value". Section 36a-596, as amended by this act.
- T164 "Money transmission". Section 36a-596, as amended by this act.
- T165 "Mortgage". Section 36a-760g.
- T166 "Mortgage broker". Sections 36a-485, 36a-705 and 36a-760.
- T167 "Mortgage correspondent lender". Section 36a-485.
- T168 "Mortgage insurance". Section 36a-725.
- T169 "Mortgage lender". Sections 36a-485, 36a-705 and 36a-725.
- T170 "Mortgage loan". Sections 36a-261, 36a-265, 36a-457b and 36a-736.
- T171 "Mortgage loan originator". Section 36a-485.
- T172 "Mortgage rate lock-in". Section 36a-705.
- T173 "Mortgage servicer". Section 36a-715.
- T174 "Mortgagee". [Section] Sections 36a-671, as amended by this act,
T175 and 36a-715.
- T176 "Mortgagor". [Section] Sections 36a-671, as amended by this act,
T177 and 36a-715.
- T178 "Motor vehicle". Section 36a-770.
- T179 "Multiple common bond membership". Section 36a-435b.
- T180 "Municipality". Section 36a-800.
- T181 "Net outstanding member business loan balance". Section 36a-458a.
- T182 "Net worth". Sections 36a-441a and 36a-458a.
- T183 "Network". Section 36a-155.
- T184 "Nonprime home loan". Section 36a-760.
- T185 "Nonrefundable". Section 36a-498.

- T186 "Nontraditional mortgage product". Section
T187 36a-489a, as amended by this act.
- T188 "Note account". Sections 36a-301 and 36a-456b.
- T189 "Office". Sections 36a-23, 36a-316 and 36a-485.
- T190 "Officer". Section 36a-435b.
- T191 "Open-end line of credit". Section 36a-760.
- T192 "Open-end loan". Section 36a-565.
- T193 "Organization". Section 36a-800.
- T194 "Out-of-state holding company". Section 36a-410.
- T195 "Outstanding". Section 36a-596, as amended by this act.
- T196 "Passbook savings account". Section 36a-316.
- T197 "Payment instrument". Section 36a-596, as amended by this act.
- T198 "Periodic statement". Section 36a-316.
- T199 "Permissible investment". Section 36a-596, as amended by this act.
- T200 "Person". Sections 36a-184, [and] 36a-485, 36a-535, as amended by this act,
T201 36a-596, as amended by this act, 36a-655, as amended by this act,
T202 36a-671, as amended by this act, and 36a-846, as amended by this act.
- T203 "Post". Section 36a-316.
- T204 "Prepaid finance charge". Section 36a-746a.
- T205 "Prime quality". Section 36a-596, as amended by this act.
- T206 "Principal amount of the loan". Section 36a-485.
- T207 "Processor". Section 36a-155.
- T208 "Public deposit". Section 36a-330.
- T209 "Purchaser". Section 36a-596, as amended by this act.
- T210 "Qualified financial contract". Section 36a-428n.
- T211 "Qualified public depository" and "depository". Section 36a-330.
- T212 "Real estate". Section 36a-457b.
- T213 "Real estate brokerage activity". Section 36a-485.
- T214 "Records". Section 36a-17.
- T215 "Registered mortgage loan originator". Section 36a-485.
- T216 "Related person". Section 36a-53.
- T217 "Relocate". Sections 36a-145 and 36a-462a.
- T218 "Residential mortgage loan". Section 36a-485.
- T219 "Residential property". Section 36a-671, as amended by this act.
- T220 "Residential real estate". Section 36a-485.

- T221 "Resulting entity". Section 36a-34.
- T222 "Retail buyer". Sections 36a-535, as amended by this act, and 36a-770.
- T223 "Retail credit transaction". Section 42-100b.
- T224 "Retail installment contract". Sections 36a-535, as amended by this act,
- T225 and 36a-770.
- T226 "Retail installment sale". Sections 36a-535, as amended by this act,
- T227 and 36a-770.
- T228 "Retail seller". Sections 36a-535, as amended by this act, and 36a-770.
- T229 "Reverse annuity mortgage loan". Section 36a-265.
- T230 "Sales finance company". Sections 36a-535, as amended by this act,
- T231 and 36a-770.
- T232 "Savings department". Section 36a-285.
- T233 "Savings deposit". Section 36a-316.
- T234 "Secondary mortgage loan". Section 36a-485.
- T235 "Security convertible into a voting security". Section 36a-184.
- T236 "Senior management". Section 36a-435b.
- T237 "Servicing". Section 36a-846, as amended by this act.
- T238 "Settlement agent". Section 36a-494.
- T239 "Share". Section 36a-435b.
- T240 "Short sale". Section 36a-671, as amended by this act.
- T241 "Simulated check". Section 36a-485.
- T242 "Single common bond membership". Section 36a-435b.
- T243 "Special mortgage". Section 36a-760c.
- T244 "Social purpose investment". Section 36a-277.
- T245 "Sponsored". Section 36a-485.
- T246 "Standard mortgage loan". Section 36a-265.
- T247 "Stored value". Section 36a-596.
- T248 "Student education loan". Section 36a-846, as amended by this act.
- T249 "Student loan borrower". Section 36a-846, as amended by this act.
- T250 "Student loan servicer". Section 36a-846, as amended by this act.
- T251 "Table funding agreement". Section 36a-485.
- T252 "Tax and loan account". Sections 36a-301 and 36a-456b.
- T253 "The Savings Bank Life Insurance Company". Section 36a-285.
- T254 "Time account". Section 36a-316.
- T255 "Travelers check". Section 36a-596, as amended by this act.

T256 "Troubled Connecticut credit union". Section 36a-448a.
T257 "Unique identifier". Section 36a-485.
T258 "Unsecured loan". Section 36a-615.
T259 "Value". Section 36a-603, as amended by this act.
T260 "Virtual banking". Section 36a-170.
T261 "Warehouse agreement". Section 36a-485.

5 Sec. 2. Section 36a-24b of the general statutes is repealed and the
6 following is substituted in lieu thereof (*Effective October 1, 2017*):

7 (a) In addition to any other duties imposed upon the [Banking
8 Commissioner] commissioner by law, the commissioner is authorized
9 to require persons engaged in a financial services industry subject to
10 the commissioner's jurisdiction to be licensed or registered through the
11 system, as defined in section 36a-2.

12 (b) In the event the commissioner elects to require system-based
13 licensure for persons engaged in a financial services industry subject to
14 the commissioner's jurisdiction, the commissioner shall require all
15 initial or renewal applications for such licenses or registrations in this
16 state to be made and processed through the system in such form as the
17 commissioner may prescribe, and the system shall be authorized to
18 receive and maintain records related to such licenses or registrations to
19 the same extent allowed or required to be maintained by the
20 commissioner. For this purpose, the commissioner may establish
21 requirements by order as necessary for participation in the system,
22 including, but not limited to: (1) Background checks, including in the
23 case of any form of business organization, checks on the individuals
24 comprising the ownership or management of such organization, for
25 criminal history through (A) fingerprint submission to the Federal
26 Bureau of Investigation or other state, national or international
27 criminal databases, (B) civil, criminal or administrative records from
28 any governmental jurisdiction, (C) credit history, including an
29 independent credit report obtained from a consumer reporting agency
30 described in Section 603(p) of the Fair Credit Reporting Act, 15 USC
31 1681a, or (D) any other information as deemed necessary by the

32 system; (2) the payment of fees to apply for or renew licenses or
33 registrations through the system; (3) the setting or resetting of license
34 expiration, renewal or transition dates or reporting dates or forms;
35 [and] (4) the requirements for amending or surrendering a license or
36 any other such activities as the commissioner deems necessary for
37 participation in the system; and (5) the use of electronic bonds. Such
38 information may thereafter be used by the commissioner to determine
39 an applicant's eligibility for licensing under applicable law and any
40 order issued by the commissioner pursuant to this section. For the
41 purpose of participating in the system, the commissioner may by order
42 waive or modify, in whole or in part, any applicable requirement of
43 this title and establish new requirements as reasonably necessary. For
44 the purpose of implementing an orderly and efficient licensing
45 process, the commissioner may adopt licensing regulations, in
46 accordance with the provisions of chapter 54, and interim procedures
47 for licensing and acceptance of applications.

48 (c) In the event the commissioner elects to require system-based
49 licensure for persons engaged in financial services industries subject to
50 the commissioner's jurisdiction, the commissioner may report
51 regularly to the system violations of and enforcement actions under
52 applicable law and other relevant information. The commissioner may
53 establish relationships or enter into contracts with the system or other
54 entities designated by the system to collect and maintain records and
55 process transaction fees or other fees related to licensees or other
56 persons required or permitted to be licensed or registered on the
57 system.

58 (d) To reduce the points of contact that the commissioner or the
59 Federal Bureau of Investigation may have to maintain for purposes of
60 this title, the commissioner may use the system as a channeling agent
61 for requesting information from and distributing information to the
62 United States Department of Justice, any governmental agency or any
63 other source as directed by the commissioner.

64 (e) A person required or permitted to be licensed or registered on

65 the system may challenge information entered into the system by the
66 commissioner. Such challenge shall (1) be made in writing to the
67 commissioner, (2) set forth the specific information being challenged,
68 and (3) include any evidence which supports the challenge. A
69 challenge shall be limited to the factual accuracy of information within
70 the system. If the commissioner determines that the information
71 entered into the system is factually inaccurate, the commissioner shall
72 take prompt action to correct such information. Nothing in this
73 subsection shall be construed to permit a challenge under this section
74 to the merits or factual basis of any administrative action taken by the
75 commissioner pursuant to this title.

76 (f) A person making any filing or submission of any information on
77 the system shall do so in accordance with the procedures and
78 requirements of the system and shall pay applicable fees or charges to
79 the system. Each person required to obtain registration or licensure
80 through the system shall timely submit to the system accurate reports
81 that shall be in such form and contain such information as the system
82 may require.

83 (g) All fees paid for any initial application for a license or
84 registration or for a renewal application for a license or registration,
85 including, but not limited to, fees paid in connection with an
86 application that is denied or withdrawn prior to the issuance of the
87 license or registration, shall be nonrefundable. No fee shall be prorated
88 if the license or registration is surrendered, revoked or suspended
89 prior to the expiration of the period for which it was approved.

90 (h) The commissioner may automatically suspend a license or
91 registration of a person on the system if such person receives a
92 deficiency on the system indicating that a required payment was
93 Returned-ACH or returned pursuant to any other term as may be
94 utilized by the system to indicate that payment was not accepted. After
95 a license or registration has been automatically suspended pursuant to
96 this subsection, the commissioner shall give such licensee or registrant
97 notice of the automatic suspension, pending proceedings for

98 revocation or refusal to renew and an opportunity for a hearing on
99 such action in accordance with section 36a-51 and require such licensee
100 to take or refrain from taking such action that, in the opinion of the
101 commissioner, will effectuate the purposes of this subsection.

102 (i) The commissioner may deem an application for a license or
103 registration on the system abandoned if the applicant fails to respond
104 to any request for required information. The commissioner shall notify
105 the applicant on the system that if such information is not submitted
106 within sixty days of the date of such request the application shall be
107 deemed abandoned. An application filing fee paid prior to the date an
108 application is deemed abandoned pursuant to this subsection shall not
109 be refunded. Abandonment of an application pursuant to this
110 subsection shall not preclude the applicant from submitting a new
111 application for a license or registration.

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

120 Sec. 3. Section 36a-489a of the general statutes is repealed and the
121 following is substituted in lieu thereof (*Effective October 1, 2017*):

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

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

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

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

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

149 (6) (A) An individual previously licensed under section 36a-489,
150 subsequent to the applicable effective date of the prelicensing and
151 testing requirements referred to in section 36a-489, who is applying to
152 be relicensed shall prove that such individual has completed all of the
153 continuing education requirements for the year in which the license
154 was last held, except that an individual required to retake prelicensing
155 education pursuant to subparagraph (B) of subdivision (7) and
156 subparagraph (B) of subdivision (8) of this subsection shall not be
157 required to complete any continuing education requirements.

158 (B) An individual who previously held a position as a qualified
159 individual or branch manager subsequent to the applicable effective
160 date of the prelicensing and testing requirements referred to in section
161 36a-488, at a time when such individual was not required to be
162 licensed as a mortgage loan originator, may not hold such position

163 again until such individual has completed all of the continuing
164 education requirements for the year in which such individual last held
165 such position and, effective November 1, 2012, has obtained the
166 required mortgage loan originator license.

167 (7) (A) If an individual has not obtained a mortgage loan originator
168 license in any state or an active federal registration by the date that is
169 three years from the date such individual completed twenty-one hours
170 of prelicensing education pursuant to subdivision (1) of this
171 subsection, such individual shall be required to retake prelicensing
172 education in accordance with subdivision (1) of this subsection prior to
173 being licensed as either a mortgage loan originator or a loan processor
174 or underwriter.

175 (B) If an individual previously held but no longer holds an
176 approved mortgage loan originator license in any state or an active
177 federal registration, such individual shall obtain a mortgage loan
178 originator license in any state or an active federal registration not later
179 than three years from the date such individual last held such license or
180 registration, or such individual shall retake prelicensing education in
181 accordance with subdivision (1) of this subsection prior to being
182 licensed as a mortgage loan originator, loan processor or underwriter.

183 (8) (A) If an individual has not obtained a mortgage loan originator
184 license or a loan processor or underwriter license in this state by the
185 date that is three years from the date such individual completed one
186 hour of Connecticut specific prelicensing education pursuant to
187 subdivision (1) of this subsection, such individual shall retake one
188 hour of Connecticut specific prelicensing education prior to being
189 licensed as a mortgage loan originator, loan processor or underwriter.

190 (B) If an individual previously held but no longer holds an
191 approved mortgage loan originator license or loan processor or
192 underwriter license in this state, such individual shall obtain a
193 mortgage loan originator license or loan processor or underwriter
194 license in this state not later than three years from the date such
195 individual last held a such license, or such individual shall be required

196 to retake an hour of Connecticut specific prelicensing education in
197 accordance with subdivision (1) of this subsection prior to being
198 licensed as a mortgage loan originator, loan processor or underwriter.

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

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

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

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

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

224 (C) (i) An individual who was licensed subsequent to the applicable
225 effective date of the prelicensing and testing requirements referred to
226 in section 36a-489 who has not been licensed as a mortgage loan

227 originator within the five-year period preceding the date of the filing
228 of such individual's application for a mortgage loan originator license,
229 not taking into account any time during which such individual is a
230 registered mortgage loan originator, shall retake such test; and (ii)
231 effective October 1, 2011, an individual licensed as a loan processor or
232 underwriter who applies to be licensed again shall retake the test if
233 such individual has not been licensed as a loan processor or
234 underwriter within the five-year period preceding the date of the filing
235 of such application, not taking into account any time during which
236 such individual is engaged in loan processing or underwriting but not
237 required to be licensed under subdivision (3) of subsection (b) of
238 section 36a-486.

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

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

256 (3) Nothing in this subsection shall preclude any education course
257 approved by the system that is provided by the sponsor or employer
258 or an entity that is affiliated with the mortgage loan originator,
259 qualified individual or branch manager or, effective October 1, 2011,

260 loan processor or underwriter by an agency contract, or by any
261 subsidiary or affiliate of such sponsor, employer or entity.

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

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

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

278 (7) When education requirements described in subdivision (1) of
279 subsection (a) of this section are completed in another state, such out-
280 of-state education requirements shall be accepted as credit towards
281 completion of the education requirements of this state, provided such
282 out-of-state education requirements are approved by the system.

283 (8) A licensed mortgage loan originator and, effective October 1,
284 2011, a licensed loan processor or underwriter who subsequently
285 becomes unlicensed must complete the continuing education
286 requirements for the last year in which the license was held prior to
287 issuance of an initial or renewed license. A qualified individual or
288 branch manager who ceases to hold such position shall complete the
289 continuing education requirements for the last year in which such
290 individual or branch manager held such position prior to licensure as a
291 mortgage loan originator.

292 (9) A person who meets the requirements of subparagraphs (A)(i)
293 and (A)(iii) of subdivision (2) of subsection (a) or (b) of section 36a-489
294 may compensate for any deficiency in an individual's continuing
295 education requirements pursuant to regulations adopted by the
296 commissioner.

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

300 Sec. 4. Section 36a-535 of the general statutes is repealed and the
301 following is substituted in lieu thereof (*Effective October 1, 2017*):

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

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

307 (2) "Sales finance company" means any person engaging in this state
308 in the business, in whole or in part, of acquiring retail installment
309 contracts from retail sellers, or installment loan contracts from the
310 holders thereof, by purchase, discount or pledge, or by loan or advance
311 to the holder of either on the security thereof, or otherwise, but does
312 not include a bank, out-of-state bank, Connecticut credit union, federal
313 credit union, or out-of-state credit union, if so engaged;

314 (3) "Advertise" or "advertising" has the same meaning as provided
315 in section 36a-485;

316 (4) "Control person" has the same meaning as provided in section
317 36a-485;

318 (5) "Person" has the same meaning as provided in section 36a-485.

319 Sec. 5. Section 36a-539 of the general statutes is repealed and the
320 following is substituted in lieu thereof (*Effective October 1, 2017*):

321 (a) Each person applying to the commissioner for a sales finance
322 company license shall pay a license fee of eight hundred dollars,
323 provided if such application is filed not earlier than one year before the
324 date such license will expire, such person shall pay a license fee of four
325 hundred dollars. Each license issued pursuant to sections 36a-535 to
326 36a-546, inclusive, as amended by this act, shall expire at the close of
327 business on September thirtieth of the odd-numbered year following
328 its issuance unless such license is renewed, provided any license that is
329 renewed effective July 1, 2003, shall expire on September 30, 2005.
330 Whenever an application for a license is filed under this section by any
331 person who was a licensee under sections 36a-535 to 36a-546, inclusive,
332 as amended by this act, and whose license expired less than sixty days
333 prior to the date such application was filed, such application shall be
334 accompanied by a one-hundred-dollar processing fee in addition to the
335 application fee. Not more than one place of business shall be
336 maintained under the same license, but the commissioner may issue
337 more than one license to the same licensee upon receipt of an
338 application and the payment of the appropriate license fee.

339 (b) If the commissioner determines that a check filed with the
340 commissioner to pay a fee under subsection (a) of this section has been
341 dishonored, the commissioner shall automatically suspend the license.
342 The commissioner shall give the licensee notice of the automatic
343 suspension pending proceedings for revocation and an opportunity for
344 a hearing on such action in accordance with section 36a-51.

345 (c) No abatement of the license fee shall be made if the license is
346 surrendered, revoked or suspended prior to the expiration of the
347 period for which it was issued. All fees required by this section and
348 section 36a-542 shall be nonrefundable.

349 (d) No person who is required to be licensed and who is subject to
350 the provisions of sections 36a-535 to 36a-546, inclusive, as amended by
351 this act, and no control person shall directly or indirectly: (1) Employ
352 any scheme, device or artifice to defraud or mislead any person; (2)
353 engage in any unfair or deceptive practice toward any person; (3)

354 obtain property by fraud or misrepresentation; (4) solicit, advertise or
355 offer rates or other financing terms for a retail installment contract or a
356 retail installment loan unless those rates or terms are actually available
357 at the time of soliciting, advertising or offering such rates or terms; (5)
358 fail to comply with sections 36a-535 to 36a-546, inclusive, as amended
359 by this act, or the rules or regulations adopted under said sections, or
360 fail to comply with any other state or federal law, including the rules
361 and regulations thereunder; (6) make, in any manner, any false or
362 deceptive statement or representation, including with regard to rates
363 or other financing terms or conditions or engage in bait and switch
364 advertising; (7) negligently make any false statement or knowingly
365 and wilfully make any omission of material fact in connection with any
366 information or reports filed with a governmental agency, or in
367 connection with any investigation conducted by the commissioner or
368 another governmental agency; (8) make any payment, threat or
369 promise to any person for the purposes of influencing the independent
370 judgment of the person in connection with the business of a sales
371 finance company; (9) fail to truthfully account for moneys belonging to
372 a party to a retail installment contract or retail installment loan; or (10)
373 fail to supervise the operation of the business to ensure compliance
374 with all applicable law.

375 Sec. 6. Subsection (d) of section 36a-558 of the general statutes is
376 repealed and the following is substituted in lieu thereof (*Effective*
377 *October 1, 2017*):

378 (d) Small loans that are the subject of the activities set forth in
379 subsections (a) and (b) of this section shall not contain:

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

387 USC 987, et seq., as amended from time to time;]

388 (2) For other than an open-end small loan, a provision that increases
389 the interest rate due to payment default;

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

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

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

397 (6) A prepayment penalty;

398 (7) An adjustable rate provision;

399 (8) A waiver of participation in a class action or a provision
400 requiring a borrower, whether acting individually or on behalf of
401 others similarly situated, to assert any claim or defense in a nonjudicial
402 forum that: (A) Utilizes principles that are inconsistent with the law as
403 set forth in the general statutes or common law; or (B) limits any claim
404 or defense the borrower may have;

405 (9) A call provision that permits the lender, in its sole discretion, to
406 accelerate the indebtedness, except when repayment of the loan is
407 accelerated by a bona fide default pursuant to a due-on-sale clause;

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

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

412 Sec. 7. Section 36a-561 of the general statutes is repealed and the
413 following is substituted in lieu thereof (*Effective October 1, 2017*):

414 No person licensed or required to be licensed and no control person
415 shall, directly or indirectly:

416 (1) Assist or aid and abet any person in conduct prohibited by
417 sections 36a-555 to 36a-573, inclusive;

418 (2) Employ any scheme, device or artifice to defraud or mislead any
419 person in connection with a small loan;

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

423 (4) Engage in any unfair or deceptive practice toward any person or
424 misrepresent or omit any material information in connection with a
425 small loan; or

426 (5) Fail to supervise the operation of the business to ensure
427 compliance with all applicable laws.

428 Sec. 8. Section 36a-586 of the general statutes is repealed and the
429 following is substituted in lieu thereof (*Effective October 1, 2017*):

430 (a) Each check cashing licensee shall use and maintain at a general
431 facility in this state, in the form satisfactory to the commissioner, such
432 books, records and accounts as will enable the commissioner to
433 determine whether the licensee is complying with the provisions of
434 sections 36a-580 to 36a-589, inclusive. Each licensee shall retain such
435 books, records and accounts for not less than the periods of time
436 specified in regulations adopted by the commissioner in accordance
437 with section 36a-588.

438 (b) Before a licensee deposits with any financial institution a check,
439 draft or money order cashed by such licensee, the item shall be
440 endorsed with the actual name under which the licensee is doing
441 business and must have the words "licensed check cashing service"
442 legibly written or stamped immediately after or below such name.

443 (c) Each check cashing licensee shall comply with the applicable
444 provisions of the Currency and Foreign Transactions Reporting Act, 31
445 USC Section 5311 et seq., as from time to time amended, and any
446 regulations adopted under such provisions, as from time to time
447 amended.

448 (d) No person required to be licensed and who is subject to the
449 provisions of sections 36a-580 to 36a-589, inclusive, as amended by this
450 act, and no control person, as defined in section 36a-555, shall, directly
451 or indirectly: (1) Employ any scheme, device or artifice to defraud or
452 mislead any person; (2) engage in any unfair or deceptive practice
453 toward any person; (3) obtain property by fraud or misrepresentation;
454 (4) fail to comply with sections 36a-580 to 36a-589, inclusive, as
455 amended by this act, or the rules or regulations adopted under said
456 sections, or fail to comply with any other state or federal law,
457 including the rules and regulations thereunder; (5) make, in any
458 manner, any false or deceptive statement or representation or engage
459 in bait and switch advertising; (6) negligently make any false statement
460 or knowingly and wilfully make any omission of material fact in
461 connection with any investigation conducted by the commissioner or
462 another governmental agency; (7) collect, charge, attempt to collect or
463 charge or use or propose any agreement purporting to collect or charge
464 any fee prohibited by sections 36a-580 to 36a-589, inclusive, as
465 amended by this act; (8) fail to truthfully account for moneys
466 belonging to a party to a check cashing transaction; (9) fail to comply
467 with any demand or requirement made by the commissioner under
468 and within the authority of sections 36a-580 to 36a-589, inclusive, as
469 amended by this act; and (10) fail to supervise the operation of the
470 check cashing business to ensure compliance with all applicable laws.

471 Sec. 9. Section 36a-603 of the general statutes is repealed and the
472 following is substituted in lieu thereof (*Effective October 1, 2017*):

473 (a) Each licensee shall at all times maintain permissible investments
474 having a value, computed in accordance with generally accepted
475 accounting principles, at least equal to the aggregate amount of its

476 outstanding money transmissions in this state, provided the value of
477 receivables due from authorized delegates consisting of the proceeds
478 of the sale of payment instruments that are not past due or doubtful of
479 collection shall not exceed thirty per cent of the permissible
480 investments held by the licensee and receivables due from any one
481 person shall not exceed ten per cent of the value of permissible
482 investments held by the licensee.

483 (b) Each licensee that engages in the business of money transmission
484 in this state by receiving, transmitting, storing or maintaining custody
485 or control of virtual currency on behalf of another person shall at all
486 times hold virtual currency of the same type and amount owed or
487 obligated to such other person. As used in subsection (a) of this
488 section, outstanding money transmissions does not include any virtual
489 currency held pursuant to this subsection, and "value" means the lower
490 of book or market value, except that with regard to debt obligations
491 which the licensee as a matter of policy retains until maturity, "value"
492 means the greater of book or market value unless the commissioner
493 orders that for some or all investments of a particular licensee, "value"
494 means the lower of book or market value.

495 (c) Permissible investments and virtual currency held pursuant to
496 subsection (b) of this section, even if commingled with other assets of
497 the licensee, shall be deemed by operation of law to be held in trust for
498 the benefit of any claimants against the licensee to serve the faithful
499 performance of the obligations of the licensee and the licensee's
500 authorized delegates with respect to the licensee's money transmission
501 business in this state in the event of the bankruptcy of the licensee, and
502 shall be immune from attachment by creditors or judgment creditors.

503 Sec. 10. Section 36a-596 of the general statutes is repealed and the
504 following is substituted in lieu thereof (*Effective October 1, 2017*):

505 As used in sections 36a-595 to 36a-612, inclusive:

506 (1) "Advertise" or "advertising" has the same meaning as provided
507 in section 36a-485.

508 [(1)] (2) "Authorized delegate" means a person designated by a
509 person licensed pursuant to sections 36a-595 to 36a-612, inclusive, to
510 provide money transmission services on behalf of such licensed
511 person.

512 (3) "Control person" has the same meaning as provided in section
513 36a-485.

514 [(2)] (4) "Electronic payment instrument" means a card or other
515 tangible object for the transmission of money or monetary value or
516 payment of money which contains a microprocessor chip, magnetic
517 stripe, or other means for the storage of information, that is prefunded
518 and for which the value is decremented upon each use, but does not
519 include a card or other tangible object that is redeemable by the issuer
520 in the issuer's goods or services.

521 [(3)] (5) "Holder" means a person, other than a purchaser, who is
522 either in possession of a payment instrument and is the named payee
523 thereon or in possession of a payment instrument issued or endorsed
524 to such person or bearer or in blank. "Holder" does not include any
525 person who is in possession of a lost, stolen or forged payment
526 instrument.

527 [(4)] (6) "Licensee" means any person licensed or required to be
528 licensed pursuant to sections 36a-595 to 36a-612, inclusive.

529 [(5)] (7) "Monetary value" means a medium of exchange, whether or
530 not redeemable in money.

531 [(6)] (8) "Money transmission" means engaging in the business of
532 issuing or selling payment instruments or stored value, receiving
533 money or monetary value for current or future transmission or the
534 business of transmitting money or monetary value within the United
535 States or to locations outside the United States by any and all means
536 including, but not limited to, payment instrument, wire, facsimile or
537 electronic transfer.

538 [(7)] (9) "Outstanding" means (A) in the case of a payment

539 instrument or stored value, that: (i) It is sold or issued in the United
540 States; (ii) a report of it has been received by a licensee from its
541 authorized delegates; and (iii) it has not yet been paid by the issuer,
542 and (B) for all other money transmissions, the value reported to the
543 licensee for which the licensee or any authorized delegate has received
544 money or its equivalent value from the customer for transmission, but
545 has not yet completed the money transmission by delivering the
546 money or monetary value to the person designated by the customer.

547 [(8)] (10) "Payment instrument" means a check, draft, money order,
548 travelers check or electronic payment instrument that evidences either
549 an obligation for the transmission of money or monetary value or
550 payment of money, or the purchase or the deposit of funds for the
551 purchase of such check, draft, money order, travelers check or
552 electronic payment instrument.

553 [(9)] (11) "Permissible investment" means: (A) Cash in United States
554 currency; (B) time deposits, as defined in section 36a-2, or other debt
555 instruments of a bank; (C) bills of exchange or bankers acceptances
556 which are eligible for purchase by member banks of the Federal
557 Reserve System; (D) commercial paper of prime quality; (E) interest-
558 bearing bills, notes, bonds, debentures or other obligations issued or
559 guaranteed by: (i) The United States or any of its agencies or
560 instrumentalities, or (ii) any state, or any agency, instrumentality,
561 political subdivision, school district or legally constituted authority of
562 any state if such investment is of prime quality; (F) interest-bearing
563 bills or notes, or bonds, debentures or preferred stocks, traded on any
564 national securities exchange or on a national over-the-counter market,
565 if such debt or equity investments are of prime quality; (G) receivables
566 due from authorized delegates consisting of the proceeds of the sale of
567 payment instruments which are not past due or doubtful of collection;
568 (H) gold; and (I) any other investments approved by the
569 commissioner. Notwithstanding the provisions of this subdivision, if
570 the commissioner at any time finds that an investment of a licensee is
571 unsatisfactory for investment purposes, the investment shall not
572 qualify as a permissible investment.

573 (12) "Person" has the same meaning as provided in section 36a-485.

574 [(10)] (13) "Prime quality" of an investment means that it is within
575 the top four rating categories in any rating service recognized by the
576 commissioner unless the commissioner determines for any licensee
577 that only those investments in the top three rating categories qualify as
578 "prime quality".

579 [(11)] (14) "Purchaser" means a person who buys or has bought a
580 payment instrument or who has given money or monetary value for
581 current or future transmission.

582 [(12)] (15) "Stored value" means monetary value that is evidenced by
583 an electronic record. For the purposes of this subdivision, "electronic
584 record" means information that is stored in an electronic medium and
585 is retrievable in perceivable form.

586 [(13)] (16) "Travelers check" means a payment instrument for the
587 payment of money that contains a provision for a specimen signature
588 of the purchaser to be completed at the time of a purchase of the
589 instrument and a provision for a countersignature of the purchaser to
590 be completed at the time of negotiation.

591 [(14)] (17) "Virtual currency" means any type of digital unit that is
592 used as a medium of exchange or a form of digitally stored value or
593 that is incorporated into payment system technology. Virtual currency
594 shall be construed to include digital units of exchange that (A) have a
595 centralized repository or administrator; (B) are decentralized and have
596 no centralized repository or administrator; or (C) may be created or
597 obtained by computing or manufacturing effort. Virtual currency shall
598 not be construed to include digital units that are used (i) solely within
599 online gaming platforms with no market or application outside such
600 gaming platforms, or (ii) exclusively as part of a consumer affinity or
601 rewards program, and can be applied solely as payment for purchases
602 with the issuer or other designated merchants, but cannot be converted
603 into or redeemed for fiat currency.

604 Sec. 11. Section 36a-607 of the general statutes is repealed and the
605 following is substituted in lieu thereof (*Effective October 1, 2017*):

606 (a) A licensee may conduct its business at one or more locations
607 within this state as follows:

608 (1) The business may be conducted by the licensee or through or by
609 means of such authorized delegates as the licensee may periodically
610 designate or appoint. The licensee shall notify the commissioner of all
611 authorized delegates that act on its behalf. An authorized delegate may
612 not engage in the business of money transmission in this state on
613 behalf of a licensee through or by means of any person who is not an
614 authorized delegate of the licensee.

615 (2) No license under sections 36a-595 to 36a-612, inclusive, shall be
616 required of any authorized delegate.

617 (3) Each authorized delegate shall, from the moment of receipt, hold
618 the proceeds of a sale or delivery of a licensee's money transmissions
619 in this state in trust for the benefit of such licensee.

620 (4) A licensee shall be liable for the loss caused to any purchaser or
621 holder of the licensee's payment instruments or stored value sold in
622 this state by the failure of an authorized delegate to forward to the
623 licensee the amount due from the proceeds of a sale or delivery of the
624 licensee's payment instruments or stored value, or money or monetary
625 value received for transmission.

626 (5) The licensee shall enter into a contract with each of its authorized
627 delegates that requires the authorized delegate to operate in full
628 compliance with sections 36a-595 to 36a-612, inclusive, and provides
629 that appointment of the authorized delegate is not effective during any
630 period when the license of the licensee has been suspended. The
631 licensee shall provide each authorized delegate with policies and
632 procedures sufficient to ensure compliance with sections 36a-595 to
633 36a-612, inclusive.

634 (6) An authorized delegate shall remit all money owing to the

635 licensee in accordance with the terms of the contract between the
636 licensee and the authorized delegate.

637 (7) An authorized delegate shall not provide money transmission
638 services in this state outside the scope of activity permissible under the
639 contract between the authorized delegate and the licensee.

640 (b) For purposes of subsection (a) of this section, "licensee" means
641 any person that has obtained a license from the commissioner as
642 provided in section 36a-600.

643 (c) No person who is required to be licensed and who is subject to
644 the provisions of sections 36a-595 to 36a-612, inclusive, and no control
645 person shall, directly or indirectly: (1) Employ any scheme, device or
646 artifice to defraud or mislead any person; (2) engage in any unfair or
647 deceptive practice toward any person; (3) obtain property by fraud or
648 misrepresentation; (4) fail to comply with sections 36a-595 to 36a-612,
649 inclusive, or the rules or regulations adopted under said sections, or
650 fail to comply with any other state or federal law, including the rules
651 and regulations thereunder; (5) make, in any manner, any false or
652 deceptive statement or representation or engage in bait and switch
653 advertising; (6) negligently make any false statement or knowingly
654 and wilfully make any omission of material fact in connection with any
655 information filed with a governmental agency, or in connection with
656 any investigation conducted by the commissioner or another
657 governmental agency; (7) fail to truthfully account for moneys
658 belonging to a party to a money transmission transaction; (8) fail to
659 comply with any demand or requirement made by the commissioner
660 under and within the authority of sections 36a-595 to 36a-612,
661 inclusive; and (9) fail to supervise the operation of the business to
662 ensure compliance with all applicable law.

663 (d) The advertising of a licensee: (1) Shall not include any statement
664 that such licensee is endorsed in any way by this state, except that the
665 advertising may include a statement that the licensee is licensed in this
666 state; (2) shall not include any statement or claim that is deceptive,
667 false or misleading; (3) shall be retained for two years from the date of

668 such advertising's use; and (4) shall otherwise conform to the
669 requirements of sections 36a-595 to 36a-612, inclusive, and any
670 regulations adopted thereunder.

671 (e) Each licensee shall remit any money or monetary value received
672 for transmission by the licensee or its authorized delegates to the
673 person designated by the purchaser of such transmission not later than
674 seven calendar days from the date of receipt of such money or
675 monetary value from the purchaser unless otherwise directed by the
676 purchaser.

677 Sec. 12. Section 36a-655 of the general statutes is repealed and the
678 following is substituted in lieu thereof (*Effective October 1, 2017*):

679 As used in sections 36a-655 to 36a-665, inclusive, as amended by this
680 act: ["bona fide nonprofit organization"]

681 (1) "Advertise" or "advertising" has the same meaning as provided
682 in section 36a-485.

683 (2) "Bona fide nonprofit organization" means any organization that
684 is exempt from taxation under Section 501(c)(3) of the Internal Revenue
685 Code of 1986, or any subsequent corresponding internal revenue code
686 of the United States, as amended from time to time. [amended; "debt
687 adjustment"]

688 (3) "Control person" has the same meaning as provided in section
689 36a-485.

690 (4) "Debt adjustment" means, for or with the expectation of a fee,
691 commission or other valuable consideration, receiving, as agent of a
692 debtor, money or evidences thereof for the purpose of distributing
693 such money or evidences thereof among creditors in full or partial
694 payment of obligations of the debtor. [; and "debtor"]

695 (5) "Debtor" means any individual who has incurred indebtedness
696 or owes a debt for personal, family or household purposes.

697 (6) "Person" has the same meaning as provided in section 36a-485.

698 Sec. 13. Section 36a-661 of the general statutes is repealed and the
699 following is substituted in lieu thereof (*Effective October 1, 2017*):

700 No [licensee shall] person who is required to be licensed and who is
701 subject to the provisions of sections 36a-655 to 36a-665, inclusive, as
702 amended by this act, and no control person shall, directly or indirectly:
703 (1) Purchase from a creditor any obligation of a debtor; (2) operate as a
704 collection agent and as a licensee as to the same debtor's account; (3)
705 execute any contract or agreement to be signed by the debtor unless
706 the contract or agreement is fully and completely filled in and finished;
707 (4) [directly or indirectly] require the debtor to purchase other services
708 or materials as a condition to enter into a written agreement for
709 services; (5) pay any bonus or other consideration to any person for the
710 referral of a debtor to the licensee's business or accept or receive any
711 bonus, commission or other consideration for referring any debtor to
712 any person for any reason; [, or (6) advertise, display, distribute,
713 broadcast or televise or permit to be displayed, advertised, distributed,
714 broadcast or televised the licensee's services, rates or terms in any
715 manner whatsoever wherein any false, misleading or deceptive
716 statement or representation is made with regard to the services to be
717 performed by the licensee or the charges to be made therefor] (6)
718 employ any scheme, device or artifice to defraud or mislead any
719 person; (7) engage in any unfair or deceptive practice toward any
720 person; (8) obtain property by fraud or misrepresentation; (9) fail to
721 comply with sections 36a-655 to 36a-665, inclusive, as amended by this
722 act, or regulations adopted under said sections, or any other state or
723 federal law, including the rules and regulations thereunder; (10)
724 negligently make any false statement or knowingly and wilfully make
725 any omission of material fact in connection with any information or
726 reports filed with a governmental agency or the system, or in
727 connection with any investigation conducted by the commissioner or
728 another governmental agency; (11) fail to truthfully account for
729 moneys belonging to a debtor; (12) fail to comply with any demand or
730 requirement made by the commissioner under and within the

731 authority of sections 36a-655 to 36a-665, inclusive, as amended by this
732 act; (13) collect any fee or charge or receive money or payment
733 projected by section 36a-661a; or (14) fail to supervise the operation of
734 the business to ensure compliance with all applicable law.

735 Sec. 14. Section 36a-671 of the general statutes is repealed and the
736 following is substituted in lieu thereof (*Effective October 1, 2017*):

737 (a) As used in this section and sections 36a-671a to 36a-671e,
738 inclusive, as amended by this act, [(1) "debt negotiation"] and section
739 15 of this act:

740 (1) "Advertise" or "advertising" has the same meaning as provided
741 in section 36a-485.

742 (2) "Control person" has the same meaning as provided in section
743 36a-485.

744 (3) "Debt negotiation" means, for or with the expectation of a fee,
745 commission or other valuable consideration, assisting a debtor in
746 negotiating or attempting to negotiate on behalf of a debtor the terms
747 of a debtor's obligations with one or more mortgagees or creditors of
748 the debtor, including the negotiation of short sales of residential
749 property or foreclosure rescue services. [; (2) "debtor"]

750 (4) "Debtor" means any individual who has incurred indebtedness
751 or owes a debt for personal, family or household purposes. [; (3)
752 "mortgagee"]

753 (5) "Foreclosure rescue services" means services related to or
754 promising assistance in connection with (A) avoiding or delaying
755 actual or anticipated foreclosure proceedings concerning residential
756 property, or (B) curing or otherwise addressing a default or failure to
757 timely pay with respect to a mortgage loan secured by residential
758 property, and includes, but is not limited to, the offer, arrangement or
759 placement of a mortgage loan secured by residential property or other
760 extension of credit when those services are advertised, offered or
761 promoted in the context of foreclosure related services.

762 (6) "Mortgagee" means the original lender under a mortgage loan
763 secured by residential property or its agents, successors or assigns. [;
764 (4) "mortgagor"]

765 (7) "Mortgagor" means a debtor who is an owner of residential
766 property, including, but not limited to, a single-family unit in a
767 common interest community, who is also the borrower under a
768 mortgage encumbering such residential property. [; (5) "short sale"]

769 (8) "Person" means a natural person, corporation, company, limited
770 liability company, partnership or association.

771 (9) "Residential property" means a one-to-four family owner-
772 occupied real property.

773 (10) "Short sale" means the sale of residential property by a
774 mortgagor for an amount less than the outstanding balance owed on
775 the loan secured by such property where, prior to the sale, the
776 mortgagee or an assignee of the mortgagee agrees to accept less than
777 the outstanding loan balance in full or partial satisfaction of the
778 mortgage debt and the proceeds of the sale are paid to the mortgagee
779 or an assignee of the mortgagee. [; (6) "foreclosure rescue services"
780 means services related to or promising assistance in connection with
781 (A) avoiding or delaying actual or anticipated foreclosure proceedings
782 concerning residential property, or (B) curing or otherwise addressing
783 a default or failure to timely pay with respect to a mortgage loan
784 secured by residential property, and includes, but is not limited to, the
785 offer, arrangement or placement of a mortgage loan secured by
786 residential property or other extension of credit when those services
787 are advertised, offered or promoted in the context of foreclosure
788 related services; and (7) "residential property" means one-to-four
789 family owner-occupied real property.]

790 (b) No person shall engage or offer to engage in debt negotiation in
791 this state without a license issued under this section for each location
792 where debt negotiation will be conducted. Any person desiring to
793 obtain such a license shall file with the commissioner an application

794 under oath, setting forth such information as the commissioner may
795 require. Each applicant for a license and each licensee shall notify the
796 commissioner of any change in the applicant's business from that
797 stated in the application for the license. A person is engaging in debt
798 negotiation in this state if such person: (1) Has a place of business
799 located within this state; (2) has a place of business located outside of
800 this state and the debtor is a resident of this state who negotiates or
801 agrees to the terms of the services in person, by mail, by telephone or
802 via the Internet; or (3) has its place of business located outside of this
803 state and the services concern a debt that is secured by property
804 located within this state.

805 (c) An application for an original or renewal debt negotiation license
806 shall be in writing on a form provided by the commissioner and shall
807 include (1) the history of criminal convictions of the (A) applicant, (B)
808 partners, if the applicant is a partnership, (C) members, if the applicant
809 is a limited liability company or association, or (D) officers, directors
810 and principal employees, if the applicant is a corporation; and (2)
811 sufficient information pertaining to the history of criminal convictions,
812 in a form acceptable to the commissioner, on such applicant, partners,
813 members, officers, directors and principal employees as the
814 commissioner deems necessary to make the findings under subsection
815 (d) of this section. The commissioner, in accordance with section 29-
816 17a, may conduct a state and national criminal history records check of
817 the applicant and of each partner, member, officer, director and
818 principal employee of the applicant. The commissioner may deem an
819 application for a debt negotiation license abandoned if the applicant
820 fails to respond to any request for information required under sections
821 36a-671 to 36a-671e, inclusive, as amended by this act, or any
822 regulations adopted pursuant to said sections 36a-671 to 36a-671e,
823 inclusive, as amended by this act. The commissioner shall notify the
824 applicant, in writing, that if the applicant fails to submit such
825 information not later than sixty days after the date on which such
826 request for information was made, the application shall be deemed
827 abandoned. An application filing fee paid prior to the date an
828 application is deemed abandoned pursuant to this subsection shall not

829 be refunded. Abandonment of an application pursuant to this
830 subsection shall not preclude the applicant from submitting a new
831 application for a license under sections 36a-671 to 36a-671e, inclusive,
832 as amended by this act.

833 (d) If the commissioner finds, upon the filing of an application for a
834 debt negotiation license, that: (1) The financial responsibility, character,
835 reputation, integrity and general fitness of the (A) applicant, (B)
836 partners thereof, if the applicant is a partnership, (C) members, if the
837 applicant is a limited liability company or association, and (D) officers,
838 directors and principal employees, if the applicant is a corporation, are
839 such as to warrant belief that the business will be operated soundly
840 and efficiently, in the public interest and consistent with the purposes
841 of sections 36a-671 to 36a-671e, inclusive, as amended by this act, and
842 section 15 of this act; and (2) the applicant is solvent and no proceeding
843 in bankruptcy, receivership or assignment for the benefit of creditors
844 has been commenced against the applicant, the commissioner may
845 thereupon issue the applicant a debt negotiation license. Such debt
846 negotiation license shall not be transferable. Any change of location of
847 a licensee shall require prior written notice to the commissioner. No
848 licensee shall use any name unless such name has been approved by
849 the commissioner. If the commissioner fails to make such findings, the
850 commissioner shall not issue a license and shall notify the applicant of
851 the reasons for such denial. The commissioner may deny an
852 application if the commissioner finds that the applicant or any partner,
853 member, officer, director or principal employee of the applicant has
854 been convicted of any misdemeanor involving any aspect of the debt
855 negotiation business or any felony. Any denial of an application by the
856 commissioner shall, when applicable, be subject to the provisions of
857 section 46a-80. Withdrawal of an application for a license shall become
858 effective upon receipt by the commissioner of a notice of intent to
859 withdraw such application. The commissioner may deny a license up
860 to the date one year after the effective date of withdrawal.

861 (e) Each applicant for an original or renewal debt negotiation license
862 shall, at the time of making such application, pay to the commissioner

863 an application fee of one thousand six hundred dollars, provided, if
864 such application is filed not earlier than one year before the date such
865 license will expire, such person shall pay a license fee of eight hundred
866 dollars. Each such license shall expire at the close of business on
867 September thirtieth of the odd-numbered year following its issuance
868 unless such license is renewed. Each licensee shall, on or before
869 September first of the year in which the license expires, file such
870 renewal application as the commissioner may require. Whenever an
871 application for a license is filed under this section by any person who
872 was a licensee under this section and whose license expired less than
873 sixty days prior to the date such application was filed, such application
874 shall be accompanied by a one-hundred-dollar processing fee in
875 addition to the application fee.

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

883 (g) No abatement of the license fee shall be made if the license is
884 surrendered, revoked or suspended prior to the expiration of the
885 period for which it was issued. The fee required by subsection (e) of
886 this section shall be nonrefundable.

887 Sec. 15. (NEW) (*Effective October 1, 2017*) No person who is required
888 to be licensed and who is subject to the provisions of sections 36a-671
889 to 36a-671e, inclusive, of the general statutes, as amended by this act,
890 and this section and no control person, shall, directly or indirectly: (1)
891 Employ any scheme, device or artifice to defraud or mislead any
892 person; (2) engage in any unfair or deceptive practice toward any
893 person; (3) obtain property by fraud or misrepresentation; (4) fail to
894 comply with sections 36a-671 to 36a-671e, inclusive, of the general
895 statutes, as amended by this act, or regulations adopted under said

896 sections, or any other state or federal law, including the rules and
897 regulations thereunder; (5) negligently make any false statement or
898 knowingly and wilfully make any omission of material fact in
899 connection with any information or reports filed with a governmental
900 agency, or in connection with any investigation conducted by the
901 commissioner or another governmental agency; (6) fail to truthfully
902 account for moneys belonging to a debtor; (7) fail to comply with any
903 demand or requirement made by the commissioner under and within
904 the authority of sections 36a-671 to 36a-671e, inclusive, of the general
905 statutes, as amended by this act; or (8) fail to supervise the operation of
906 the business to ensure compliance with all applicable law.

907 Sec. 16. Section 36a-719h of the general statutes is repealed and the
908 following is substituted in lieu thereof (*Effective October 1, 2017*):

909 No mortgage servicer shall:

910 (1) Directly or indirectly employ any scheme, device or artifice to
911 defraud or mislead mortgagors or mortgagees or to defraud any
912 person;

913 (2) Engage in any unfair or deceptive practice toward any person or
914 misrepresent or omit any material information in connection with the
915 servicing of the residential mortgage loan, including, but not limited
916 to, misrepresenting the amount, nature or terms of any fee or payment
917 due or claimed to be due on a residential mortgage loan, the terms and
918 conditions of the servicing agreement or the mortgagor's obligations
919 under the residential mortgage loan;

920 (3) Obtain property by fraud or misrepresentation;

921 (4) Recklessly apply residential mortgage loan payments or
922 knowingly misapply residential mortgage loan payments to the
923 outstanding balance of a residential mortgage loan;

924 (5) Recklessly apply payments or knowingly misapply payments to
925 escrow accounts;

926 (6) Place hazard, homeowners or flood insurance on the mortgaged
927 property when the mortgage servicer knew or should have known that
928 the mortgagor has an effective policy for such insurance;

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

930 (8) Knowingly or recklessly provide inaccurate information to a
931 credit bureau that results in harm to a mortgagor's creditworthiness;

932 (9) Fail to report both the favorable and unfavorable payment
933 history of the mortgagor to a nationally recognized consumer credit
934 bureau at least annually if the mortgage servicer regularly reports
935 information to a credit bureau;

936 (10) Collect private mortgage insurance beyond the date for which
937 private mortgage insurance is required;

938 (11) Fail to issue a release of mortgage in accordance with section
939 49-8;

940 (12) Fail to provide written notice to a mortgagor upon taking action
941 to place hazard, homeowners or flood insurance on the mortgaged
942 property, including a clear and conspicuous statement of the
943 procedures by which the mortgagor may demonstrate that he or she
944 has the required insurance coverage and by which the mortgage
945 servicer shall terminate the insurance coverage placed by it and refund
946 or cancel any insurance premiums and related fees paid by or charged
947 to the mortgagor;

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

952 (14) Fail to provide to the mortgagor a refund of unearned
953 premiums paid by a mortgagor or charged to the mortgagor for
954 hazard, homeowners or flood insurance placed by a mortgagee or the
955 mortgage servicer if the mortgagor provides reasonable proof that the

956 mortgagor has obtained coverage such that the forced placement
957 insurance is no longer necessary and the property is insured. If the
958 mortgagor provides reasonable proof that no lapse in coverage
959 occurred such that the forced placement was not necessary, the
960 mortgage servicer shall promptly refund the entire premium;

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

964 (16) Refuse to communicate with an authorized representative of the
965 mortgagor who provides a written authorization signed by the
966 mortgagor, provided the mortgage servicer may adopt procedures
967 reasonably related to verifying that the representative is in fact
968 authorized to act on behalf of the mortgagor;

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

973 (18) Negligently make any false statement or knowingly and
974 wilfully make any omission of a material fact in connection with any
975 information or reports filed with a governmental agency or the system
976 or in connection with any investigation conducted by the Banking
977 Commissioner or another governmental agency; [or]

978 (19) Collect, charge, attempt to collect or charge or use or propose
979 any agreement purporting to collect or charge any fee prohibited by
980 sections 36a-485 to 36a-498f, inclusive, 36a-534a and 36a-534b; or

981 (20) Fail to supervise the operation of the business to ensure
982 compliance with all applicable law.

983 Sec. 17. Section 36a-805 of the general statutes is repealed and the
984 following is substituted in lieu thereof (*Effective October 1, 2017*):

985 (a) No consumer collection agency shall: (1) Furnish legal advice or

986 perform legal services or represent that it is competent to do so, or
987 institute judicial proceedings on behalf of others; (2) communicate with
988 consumer debtors, property tax debtors or federal income tax debtors
989 in the name of an attorney or upon the stationery of an attorney, or
990 prepare any forms or instruments which only attorneys are authorized
991 to prepare; (3) receive assignments as a third party of claims for the
992 purpose of collection or institute suit thereon in any court; (4) assume
993 authority on behalf of a creditor to employ or terminate the services of
994 an attorney unless such creditor has authorized such agency in writing
995 to act as such creditor's agent in the selection of an attorney to collect
996 the creditor's accounts; (5) demand or obtain in any manner a share of
997 the proper compensation for services performed by an attorney in
998 collecting a claim, whether or not such agency has previously
999 attempted collection thereof; (6) solicit claims for collection under an
1000 ambiguous or deceptive contract; (7) refuse to return any claim or
1001 claims upon written request of the creditor, claimant or forwarder,
1002 which claims are not in the process of collection after the tender of
1003 such amounts, if any, as may be due and owing to the agency; (8)
1004 advertise or threaten to advertise for sale any claim as a means of
1005 forcing payment thereof, unless such agency is acting as the assignee
1006 for the benefit of creditors; (9) refuse or fail to account for and remit to
1007 its clients all money collected which is not in dispute within sixty days
1008 from the last day of the month in which said money is collected; (10)
1009 refuse or intentionally fail to return to the creditor all valuable papers
1010 deposited with a claim when such claim is returned; (11) refuse or fail
1011 to furnish at intervals of not less than ninety days, upon the written
1012 request of the creditor, claimant or forwarder, a written report upon
1013 claims received from such creditor, claimant or forwarder; (12) add
1014 any post charge-off charge or fee for cost of collection, unless such cost
1015 is a court cost, to the amount of any claim which it receives for
1016 collection or knowingly accept for collection any claim to which any
1017 such charge or fee has already been added to the amount of the claim
1018 unless (A) the consumer debtor is legally liable for such charge or fee
1019 as determined by the contract or other evidence of an agreement
1020 between the consumer debtor and creditor, a copy of which shall be

1021 obtained by or available to the consumer collection agency from the
1022 creditor and maintained as part of the records of the consumer
1023 collection agency or the creditor, or both, and (B) the total charge or fee
1024 for cost of collection does not exceed fifteen per cent of the total
1025 amount actually collected and accepted as payment in full satisfaction
1026 of the debt; (13) use or attempt to use or make reference to the term
1027 "bonded by the state of Connecticut", "bonded" or "bonded collection
1028 agency" or any combination of such terms or words, except the word
1029 "bonded" may be used on the stationery of any such agency in type not
1030 larger than twelve-point; (14) when the debt is beyond the statute of
1031 limitations, fail to provide the following disclosure in type not less
1032 than ten-point informing the consumer debtor in its initial
1033 communication with such consumer debtor that (A) when collecting
1034 on debt that is not past the date for obsolescence provided for in
1035 Section 605(a) of the Fair Credit Reporting Act, 15 USC 1681c: "The law
1036 limits how long you can be sued on a debt. Because of the age of your
1037 debt, (INSERT OWNER NAME) will not sue you for it. If you do not
1038 pay the debt, (INSERT OWNER NAME) may report or continue to
1039 report it to the credit reporting agencies as unpaid"; and (B) when
1040 collecting on debt that is past the date for obsolescence provided for in
1041 Section 605(a) of the Fair Credit Reporting Act, 15 USC 1681c: "The law
1042 limits how long you can be sued on a debt. Because of the age of your
1043 debt, (INSERT OWNER NAME) will not sue you for it and (INSERT
1044 OWNER NAME) will not report it to any credit reporting agencies.";
1045 [or] (15) engage in any activities prohibited by sections 36a-800 to 36a-
1046 812, inclusive, as amended by this act; or (16) fail to supervise any
1047 aspect of its consumer collection agency business in accordance with
1048 applicable law.

1049 (b) No consumer collection agency shall impose a charge or fee for
1050 any child support payments collected through the efforts of a
1051 governmental agency. If the imposition of a charge or fee is permitted
1052 under section 36a-801b, no consumer collection agency shall impose a
1053 charge or fee for the collection of any child support overdue at the time
1054 of the contract in excess of twenty-five per cent of overdue support
1055 actually collected.

1056 (c) (1) No consumer collection agency shall receive any property tax
1057 on behalf of a creditor that is a municipality, unless the consumer
1058 collection agency has procured from an insurer authorized to transact
1059 business in this state an insurance policy providing coverage against
1060 loss of money, securities or other property, including loss arising from
1061 any fraudulent or dishonest act of any employee, officer or director of
1062 the consumer collection agency, with limits of at least two million
1063 dollars. It shall be the obligation of the municipality to ensure
1064 compliance with the requirements of this subdivision.

1065 (2) A municipality that enters into an agreement with a consumer
1066 collection agency to collect and receive for payment property tax on
1067 behalf of the municipality may also require such consumer collection
1068 agency to file a bond with the municipality in an amount not
1069 exceeding the total amount of the property tax to be collected on behalf
1070 of the municipality. Such bond, the form of which shall be approved
1071 by the municipality, shall be written by a surety authorized to write
1072 bonds in this state and shall contain a provision requiring the surety to
1073 provide the municipality with written notice of cancellation of such
1074 bond. Such notice shall be sent by certified mail to the municipality at
1075 least thirty days prior to the date of cancellation. The bond shall be
1076 conditioned that such consumer collection agency shall well, truly and
1077 faithfully account for all funds collected and received by the consumer
1078 collection agency for the municipality pursuant to such agreement. If
1079 the municipality is damaged by the wrongful conversion of any
1080 property tax debtor funds received by the consumer collection agency,
1081 the municipality may proceed on such bond against the principal or
1082 surety on the bond, or both, to recover damages. The proceeds of the
1083 bond, even if commingled with the other assets of the consumer
1084 collection agency, shall be deemed by operation of law to be held in
1085 trust for the benefit of the municipality in the event of bankruptcy of
1086 the consumer collection agency and shall be immune from attachment
1087 by creditors and judgment creditors.

1088 Sec. 18. Section 36a-846 of the general statutes is repealed and the
1089 following is substituted in lieu thereof (*Effective October 1, 2017*):

1090 As used in this section and sections 36a-847 to 36a-854:

1091 (1) "Advertise" or "advertising" has the same meaning as provided
1092 in section 36a-485;

1093 (2) "Control person" has the same meaning as provided in section
1094 36a-485;

1095 (3) "Person" has the same meaning as provided in section 36a-485;

1096 [(1)] (4) "Student loan borrower" means (A) any resident of this state
1097 who has received or agreed to pay a student education loan; or (B) any
1098 person who shares responsibility with such resident for repaying the
1099 student education loan; [.]

1100 [(2)] (5) "Student loan servicer" means any person, wherever located,
1101 responsible for the servicing of any student education loan to any
1102 student loan borrower; [.]

1103 [(3)] (6) "Servicing" means (A) receiving any scheduled periodic
1104 payments from a student loan borrower pursuant to the terms of a
1105 student education loan; (B) applying the payments of principal and
1106 interest and such other payments with respect to the amounts received
1107 from a student loan borrower, as may be required pursuant to the
1108 terms of a student education loan; [and] or (C) performing other
1109 administrative services with respect to a student education loan; [.]

1110 [(4)] (7) "Student education loan" means any loan primarily for
1111 personal use to finance education or other school-related expenses.

1112 Sec. 19. Section 36a-850 of the general statutes is repealed and the
1113 following is substituted in lieu thereof (*Effective October 1, 2017*):

1114 No [student loan servicer licensee shall] person who is required to
1115 be licensed and who is subject to the provisions of sections 36a-846 to
1116 36a-854, inclusive, as amended by this act, and no control person,
1117 qualified individual, branch manager, trustee, employee or agent of
1118 such person shall, directly or indirectly:

1119 (1) [Directly or indirectly employ] Employ any scheme, device or
1120 artifice to defraud or mislead student loan borrowers;

1121 (2) Engage in any unfair or deceptive practice toward any person or
1122 misrepresent or omit any material information in connection with the
1123 servicing of a student education loan, including, but not limited to,
1124 misrepresenting the amount, nature or terms of any fee or payment
1125 due or claimed to be due on a student education loan, the terms and
1126 conditions of the loan agreement or the borrower's obligations under
1127 the loan;

1128 (3) Obtain property by fraud or misrepresentation;

1129 (4) Knowingly misapply or recklessly apply student education loan
1130 payments to the outstanding balance of a student education loan;

1131 (5) Knowingly or recklessly provide inaccurate information to a
1132 credit bureau, thereby harming a student loan borrower's
1133 creditworthiness;

1134 (6) Fail to report both the favorable and unfavorable payment
1135 history of the student loan borrower to a nationally recognized
1136 consumer credit bureau at least annually if the student loan servicer
1137 licensee regularly reports information to a credit bureau;

1138 (7) Refuse to communicate with an authorized representative of the
1139 student loan borrower who provides a written authorization signed by
1140 the student loan borrower, provided the student loan servicer licensee
1141 may adopt procedures reasonably related to verifying that the
1142 representative is in fact authorized to act on behalf of the student loan
1143 borrower; [or]

1144 (8) Negligently make any false statement or knowingly and wilfully
1145 make any omission of a material fact in connection with any
1146 information or reports filed with a governmental agency or in
1147 connection with any investigation conducted by the Banking
1148 Commissioner or another governmental agency; or

1149 (9) Fail to supervise the operation of the business to ensure
1150 compliance with all applicable law.

1151 Sec. 20. Subsection (e) of section 36a-581 of the general statutes is
1152 repealed and the following is substituted in lieu thereof (*Effective*
1153 *October 1, 2017*):

1154 (e) Upon the filing of the required application and the applicable
1155 license and location fees, the commissioner shall investigate the facts
1156 and may issue a license if the commissioner finds that (1) the applicant
1157 is in all respects properly qualified and of good character, (2) if the
1158 applicant is a firm or partnership, each member of the firm or
1159 partnership is in all respects properly qualified and of good character,
1160 (3) if the applicant is a corporation, each officer, director, authorized
1161 agent and each shareholder owning ten per cent or more of the
1162 outstanding stock of such corporation is in all respects properly
1163 qualified and of good character, (4) if the applicant is a limited liability
1164 company, each member and authorized agent is in all respects
1165 properly qualified and of good character, (5) granting such license
1166 would not be against the public interest, (6) the applicant has a feasible
1167 plan for conducting business, [and] (7) the applicant has available and
1168 shall continuously maintain liquid assets of at least ten thousand
1169 dollars for each general facility location and at least two thousand five
1170 hundred dollars for each limited facility location specified in the
1171 application, and (8) the name of the applicant is not likely to cause a
1172 consumer to reasonably believe that such applicant is in any way
1173 endorsed by or affiliated with this state. The commissioner may deny
1174 an application if the commissioner finds that the applicant or any
1175 member, officer, director or authorized agent or shareholder owning
1176 ten per cent or more of the outstanding stock of the applicant has been
1177 convicted of any misdemeanor involving any aspect of the check
1178 cashing services business, or any felony. Any denial of an application
1179 by the commissioner shall, when applicable, be subject to the
1180 provisions of section 46a-80.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2017</i>	36a-3
Sec. 2	<i>October 1, 2017</i>	36a-24b
Sec. 3	<i>October 1, 2017</i>	36a-489a
Sec. 4	<i>October 1, 2017</i>	36a-535
Sec. 5	<i>October 1, 2017</i>	36a-539
Sec. 6	<i>October 1, 2017</i>	36a-558(d)
Sec. 7	<i>October 1, 2017</i>	36a-561
Sec. 8	<i>October 1, 2017</i>	36a-586
Sec. 9	<i>October 1, 2017</i>	36a-603
Sec. 10	<i>October 1, 2017</i>	36a-596
Sec. 11	<i>October 1, 2017</i>	36a-607
Sec. 12	<i>October 1, 2017</i>	36a-655
Sec. 13	<i>October 1, 2017</i>	36a-661
Sec. 14	<i>October 1, 2017</i>	36a-671
Sec. 15	<i>October 1, 2017</i>	New section
Sec. 16	<i>October 1, 2017</i>	36a-719h
Sec. 17	<i>October 1, 2017</i>	36a-805
Sec. 18	<i>October 1, 2017</i>	36a-846
Sec. 19	<i>October 1, 2017</i>	36a-850
Sec. 20	<i>October 1, 2017</i>	36a-581(e)

BA *Joint Favorable Subst.*

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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$
Banking Dept.	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes various statutory changes to increase uniformity with regard to all Department of Banking license types. To the extent that this results in additional penalties from licensees engaging in fraudulent and deceptive practices, the bill may result in a revenue gain to the General Fund.

The Out Years

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

OLR Bill Analysis**sHB 7141*****AN ACT CONCERNING SECURED AND UNSECURED LENDING.*****SUMMARY**

This bill makes various changes to the banking laws. Among other things, it:

1. applies certain mortgage servicers' and student loan servicers' prohibited acts to other licensees;
2. requires nondepository licensees to supervise the operation of their businesses to ensure compliance with all applicable laws;
3. allows the banking commissioner to require the use of electronic bonds as a requirement for participation in the Nationwide Mortgage Licensing System ("system");
4. establishes when a mortgage loan originator or loan processor or underwriter must retake the prelicensing education; and
5. sets limits for money transmitters regarding virtual currency transactions, advertising material, and timeframes for remitting money.

The bill also makes minor, technical, and conforming changes, including updating where defined terms are used within the banking statutes and referencing certain defined terms throughout for consistency (§§ 1, 4, 10, 12, 14 & 18).

EFFECTIVE DATE: October 1, 2017

§§ 5, 8, 11, 13 - 17 & 19 – LICENSEES' PROHIBITED ACTS***General Prohibited Acts***

The bill applies certain mortgage servicers' and student loan servicers' prohibited acts to other licensees. Under the bill, sales finance companies, check cashers, money transmitters, debt adjusters, and debt negotiators, and their control persons (e.g., directors) are prohibited from directly or indirectly:

1. employing any scheme, device, or artifice to defraud or mislead;
2. engaging in any unfair or deceptive practice;
3. obtaining property by fraud or misrepresentation;
4. failing to comply with any state or federal laws, rules, or regulations; and
5. negligently making any false statement or knowingly and wilfully making any omission of material fact in connection with any investigation conducted by the commissioner or another governmental agency.

The bill generally prohibits nondepository licensees and their control persons from failing to comply with any demand or requirement made by the commissioner within his authority.

It also expressly prohibits sales finance companies, small loan licensees, check cashers, money transmitters, debt adjusters, debt negotiators, mortgage servicers, consumer collection agencies, and student loan servicers and their control persons from failing to supervise the operation of the business to ensure compliance with all applicable laws. (This also applies to a student loan servicer's qualified individual, branch manager, employee, and agent.)

Sales Finance Companies (§ 5)

The bill additionally prohibits sales finance companies and their control persons from:

1. soliciting, advertising, or offering rates or other financing terms for a retail installment contract or a retail installment loan unless

those rates or terms are actually available at the time;

2. making, in any manner, any false or deceptive statement or representation, including with regard to rates or other financing terms or conditions, or engaging in bait and switch advertising;
3. negligently making any false statement or knowingly and wilfully making any omission of material fact in connection with any information or reports filed with a governmental agency;
4. making any payment, threat, or promise to influence the independent judgment of anyone in connection with the business of a sales finance company; and
5. failing to truthfully account for money that belongs to a party to a retail installment contract or retail installment loan.

Check Cashers (§ 8)

In addition to the generally prohibited acts above, the bill also prohibits check cashers and their control persons from:

1. making, in any manner, any false or deceptive statement or representation or engaging in bait and switch advertising;
2. failing to truthfully account for moneys belonging to a party to a check cashing transaction; and
3. collecting, charging, attempting to collect or charge, or using or proposing any agreement purporting to collect or charge any fee prohibited by the check casher laws.

Money Transmitters (§ 11)

The bill additionally prohibits money transmitters and their control persons from (1) making any false or deceptive statement or representation or engaging in bait and switch advertising (see below) and (2) negligently making any false statement or knowingly and wilfully making any omission of material fact in connection with any information filed with a governmental agency.

Debt Adjusters and Debt Negotiators (§§ 13 & 15)

In addition to the generally prohibited acts above, the bill also prohibits debt adjusters and debt negotiators and their control persons from:

1. failing to truthfully account for money that belongs to a debtor;
2. collecting any fee or charge or receiving money or payment not specified in the written agreement with the debtor (debt adjusters only); and
3. negligently making any false statement or knowingly and wilfully making any omission of material fact in connection with any information or reports filed with a governmental agency or the system.

The bill also specifies that existing prohibited acts that apply to debt adjusters and debt negotiators also apply to their control persons.

§ 2 – SYSTEM-BASED LICENSURE AND ELECTRONIC BONDS

Existing law allows the commissioner to (1) require system-based licensure for persons engaged in the financial services industry and (2) establish, by order, the necessary requirements for them to participate in the system.

Under existing law, the commissioner may require things like background checks and payment of fees through the system. Under the bill, the commissioner may also require the use of electronic bonds for participation in the system.

§ 3 – EDUCATION FOR MORTGAGE LOAN ORIGINATORS, LOAN PROCESSORS, AND UNDERWRITERS***Continuing Education***

By law, an individual who is applying to be relicensed as a mortgage loan originator or loan processor or underwriter must meet a continuing education requirement. Under the bill, an individual who is required to retake preclicensing education, as outlined below, is not

required to complete any continuing education requirement.

Prelicensing Education

The law requires a minimum of 21 hours of prelicensing education for mortgage loan originators, loan processors, and underwriters. This includes one hour of relevant Connecticut law.

21-Hour Prelicensing Education Retake

The bill specifies when the required 21-hour prelicensing education must be retaken before an individual may be licensed as a mortgage loan originator, loan processor, or underwriter.

The 21-hour prelicensing education must be retaken if the person:

1. does not obtain a mortgage loan originator license in any state or an active federal registration within three years after first completing the 21-hour prelicensing education or
2. previously held but no longer holds an approved mortgage loan originator license in any state or an active federal registration, and does not obtain a mortgage loan originator license in any state or an active federal registration within three years after the date he or she last held such license or registration.

One-Hour Connecticut Specific Prelicensing Education Retake

The bill also establishes when the one-hour Connecticut specific prelicensing education must be retaken before an individual may be licensed as a mortgage loan originator, loan processor, or underwriter.

Specifically, it must be retaken if the person:

1. does not obtain a license in Connecticut within three years after first completing the one-hour Connecticut specific prelicensing education; or
2. previously held but no longer holds an approved license in Connecticut and does not obtain a license within three years after the date he or she last held such license.

§ 20 – CHECK CASHER LICENSE

The bill expands the prerequisites for a check casher license by prohibiting the commissioner from issuing such a license if the applicant's name is likely to cause a consumer to reasonably believe that the applicant is in any way endorsed by or affiliated with this state.

§ 6 – SMALL LOAN LENDERS

By law, small loan lenders engage in loan-related activities that involve making; offering; soliciting; brokering; arranging; placing; finding; assisting with; receiving payments for; purchasing; advertising; or acceptance of leads, referrals, or applications of small loans.

Under existing law, small loans between \$5,000 and \$15,000 issued by small loan lenders must not contain an APR that exceeds 25%. The bill removes an erroneous reference to the federal Military Lending Act.

The bill also specifies that existing prohibited acts that apply to small loan lenders also apply to their control persons.

§ 9 - 11 – MONEY TRANSMISSION AND VIRTUAL CURRENCY***Virtual Currency***

Under existing law money transmitters must generally maintain permissible investments (e.g., cash) at least equal to the aggregate amount of its outstanding money transmissions in Connecticut. The bill creates a different requirement specific to transmissions involving virtual currency (e.g., bitcoins).

The bill requires licensed money transmitters engaged in receiving, transmitting, storing, or maintaining custody or control of virtual currency in Connecticut on behalf of someone else to hold the same type and amount of virtual currency owed or obligated to that person at all times.

Advertising

The bill prohibits a money transmitter’s advertising from including any (1) statement that the money transmitter is endorsed in any way by the state, but may include a statement that the licensee is licensed in the state or (2) statement or claim that is deceptive, false, or misleading.

It requires (1) the money transmitter to retain its advertising for two years from the date it was used and (2) advertising to conform to the state’s money transmitter laws and regulations.

Timeframe for Remitting Money

It also requires a money transmitter to remit any money or monetary value to the person designated by the purchaser within seven calendar days after receiving it, unless otherwise directed by the purchaser.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/07/2017)