

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5490

Title: AN ACT CONCERNING CONSUMER CREDIT LICENSES.

Vote Date: 3/20/2018

Vote Action: Joint Favorable Substitute

PH Date: 3/15/2018

File No.:

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SPONSORS OF BILL:

Banking Committee

REASONS FOR BILL:

This bill makes various changes to Connecticut's consumer credit licensing statutes.

SUBSTITUTE LANGUAGE:

The substitute language makes technical changes and adds the following language:

- Language regarding the acquisition of records by sales finance companies (originally HB 5499).
- Language regarding credit union service organizations and Connecticut uninsured banks (originally HB 5502).

RESPONSE FROM ADMINISTRATION/AGENCY:

IN RESPONSE TO HB 5490 AND 5502:

Matthew Smith, Director Government Relations and Consumer Affairs

HB 5490 will modernize and update consumer credit statutes that govern the licensing of several industries under the jurisdiction of the Banking Commissioner. After the 2008 financial crisis, Congress enacted the Secure and Fair Enforcement for Mortgage Licensing Act, or the SAFE Act. The National Mortgage Licensing System was also created to be the mechanism by which Connecticut and other states complied with federal law. "As the NMLS system grew, it was adopted to be used with other consumer credit license types and is now known as the Nationwide Multi-state Licensing System. In 2015 as one of his first actions

Page 2 of 3 to better serve both our regulated entities and Connecticut consumers our current Commissioner ordered all license types in our Consumer Credit Division to begin using the NMLS and they are now all required to use the System. This bill codifies this into statute”.

HB 5502 clarifies that the Banking Commissioner has authority over Credit Union Service Organizations that convert from a national charter to a state charter, and gives flexibility concerning assessments and license fees on uninsured banks.

IN RESPONSE TO HB 5499:

Subira Gordon, Executive Director of the Commission on Equity and Opportunity

“The National Fair Housing Alliance (NFHA) released an investigative report detailing ongoing racially discriminatory practices in the auto lending market”. Connecticut does not have specific data on discrimination, and this bill would allow the state to collect this data to determine whether auto lenders in Connecticut are also discriminating against borrowers who are non-white.

NATURE AND SOURCES OF SUPPORT:

IN RESPONSE TO HB 5490:

Raphael Podolsky, Attorney, Connecticut Legal Services

Mr. Podolsky offered the following amendment:

Modify CGS 36a-558(d)(1) to read:

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

This amendment will assure that borrowers of small loans retain the protection that they have had in Connecticut for decades.

Joanne S. Faulkner, Attorney

Ms. Faulkner suggested that there is no reason for a legitimate company to conceal its true name from the public, and suggested that line 5813 be amended to delete the reference to “fictitious names”.

NATURE AND SOURCES OF OPPOSITION:

IN RESPONSE TO HB 5490, HB 5499 AND HB 5502:

None submitted.

ADDITIONAL TESTIMONY SUBMITTED:

IN RESPONSE TO HB 5490:

American Express

American Express offered the following testimony to amend the Connecticut Money Transmission Act:

- 1 Sect. 36a-597(d)(1) A 60 day advance notice and approval for “any change in any control person” with the commissioner given authority to automatically suspend any license that fails to comply. Requiring advance notices of these types of governance changes creates significant challenges and operational risks for American Express. This makes succession planning difficult, and makes it difficult for them to act promptly in the event of resignations or other sudden changes. No state requires advance notice and approval of new directors.
- 2 Sect. 36a-608(b) The Commissioner would be granted authority to “suspend, revoke or refuse to renew a license for any violation by the licensee, its control person or qualified individual, trustee, employee or agent, including but not limited to its authorized delegates... American Express is concerned about the scope and potential application of this section. They would support narrowing the Commissioner’s proposed powers and focus on violations of the CMTA and applicable regulations
- 3 36a-608(e) The Commissioner would be granted authority to remove independent contractors from office or employment. American Express asks that this authority be limited to removing only an officer or director of the licensee and not another entity over which the licensee does not have the ability to control personnel decisions.
- 4 Sect. 36a-611(c) Requiring money transmitter licensed by the state to include the licensee’s account number with the Nationwide Multistate Licensing System in its written and audio advertising material. American Express’s business operates nationwide and uses similar advertising materials in multiple states. This proposal would impose a new national requirement for American Express with little benefit to consumers. They are not aware of similar requirements in other states.

Reported by: Pamela Bianca

Date: 03/29/2018