OLR Bill Analysis

sHB 6995

AN ACT CONCERNING SHARED APPRECIATION AGREEMENTS AND CERTAIN START-UP COMPANIES ENGAGED IN THE ACTIVITY OF MONEY TRANSMISSION.

SUMMARY

This bill makes "shared appreciation agreements" residential mortgage loans, thus (1) subjecting the agreements to existing law's residential mortgage requirements and (2) generally requiring individuals making or offering these agreements to be licensed and regulated by the Banking Department (see BACKGROUND).

Under the bill, a shared appreciation agreement is a nonrecourse obligation in which money is advanced to a consumer in exchange for (1) an equity interest in their residential real estate or (2) a future obligation to repay under certain circumstances, including a transfer of ownership, maturity date, borrower's death, or another circumstance outlined and explicitly agreed to.

The bill also requires the banking commissioner to submit a report to the Banking Committee by January 1, 2021, on (1) the number of licensees making or offering shared appreciation agreements and any associated enforcement actions, and (2) any shared appreciation agreement policy recommendations.

The bill also exempts an applicant for a money transmitter license from the requirement to submit audited financial statements to the commissioner if the applicant or its parent company (if it is a wholly-owned subsidiary), has operated for one year or less. Instead, such an applicant is only required to submit an initial statement of condition.

EFFECTIVE DATE: October 1, 2019

BACKGROUND

Residential Mortgage Loans

By law, the banking department licenses and regulates several entities that offer or conduct business involving residential mortgages, including mortgage lenders, correspondent lenders, originators, servicers, brokers, and lead generators. With respect to residential mortgage loans, these licensees are subject to reporting, oversight, advertising, and bond requirements, among others. Licensees are generally subject to the banking commissioner's investigation and examination authority, and may be subject to penalties for violating the provisions of Title 36a.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute				
Yea	9	Nay	6	(03/12/2019)