OLR Bill Analysis
sHB 6993

AN ACT CONCERNING TEMPORARY AUTHORITY TO ACT AS A MORTGAGE LOAN ORIGINATOR AND DEFINING THE CIRCUMSTANCES CONSTITUTING A CHANGE OF CONTROL PERSON.

SUMMARY
This bill codifies a federal law that allows an individual to temporarily act as a mortgage loan originator while applying to the state Department of Banking (DOB) for a Connecticut license (P.L. 115-174, sec. 106). By law, mortgage loan originators take mortgage loan applications or offer or negotiate the terms of these loans.

Under federal law and the bill, to qualify for the temporary authority, an applicant must be (1) employed by a Connecticut-licensed mortgage lender, correspondent lender, or broker or (2) employed by these professionals and licensed as a mortgage loan originator in another state with a unique identifier from the Nationwide Mortgage Licensing System and Registry (NMLS, see BACKGROUND).

Aligned with federal law, the bill allows eligible individuals to exercise this temporary authority starting November 24, 2019, which is 18 months after the federal law took effect.

The bill also (1) specifies the meaning of a “change of control” related to certain DOB-issued consumer credit licenses and (2) makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2019

TEMPORARY AUTHORITY

Application Requirements
Under the bill, a licensure applicant may temporarily act as a
mortgage loan originator while in the process of obtaining a Connecticut license if he or she is:

1. employed by a Connecticut-licensed mortgage lender, correspondent lender, or broker and was registered in the NMLS as a loan originator during the year immediately preceding the licensure application date or

2. employed by these professionals and licensed in another state as a mortgage loan originator during the 30 days immediately preceding the licensure application date and maintains a unique identifier from the NMLS.

Under the bill and existing law, licensure applicants must submit information on their personal history and experience; authorizations for credit and criminal background checks; and information on administrative, civil, or criminal findings.

Additional Requirements for Exercising Temporary Authority

The bill prohibits a licensure applicant from exercising temporary authority as a mortgage loan originator if he or she:

1. had a license application denied, or a license revoked or suspended in another jurisdiction;

2. was subject to or served with a cease and desist order in another jurisdiction or by the federal Bureau of Consumer Financial Protection regarding compliance related to the NMLS system; or

3. was convicted of a crime that would prohibit state licensure under existing law, such as fraud or money laundering (CGS § 36a-489).

Duration of Temporary Authority

Under the bill, temporary authority to act as a mortgage loan originator begins when an eligible individual submits his or her Connecticut license application and lasts until the earlier of:

1. the date the applicant withdraws the application or the DOB
commissioner denies it;

2. the date the DOB commissioner issues the license; or

3. 120 days after the date the application was submitted, if the application is incomplete.

Compliance with State Law

Under the bill, anyone who acts with temporary authority as a mortgage loan originator, or employs such an individual, is subject to state laws to the same extent as if the person or employee is a licensed mortgage loan originator in the state.

CHANGE OF CONTROL

By law, DOB-issued consumer credit licenses are not transferable or assignable. Licensees must file an advance change notice and receive the commissioner’s approval before changing a control person, but not a director, general partner, or executive officer, due to an acquisition or other change of control.

The bill specifies that for certain licenses a “change of control” is a change that causes a licensee’s majority ownership, voting rights, or control to be held by a different control person or group of control persons. Consequently, it does not involve minor ownership changes. The definition applies to the following license categories: mortgage lender, correspondent lender, broker, or servicer; lead generator; sales finance; small loan; check cashing; money transmission; debt adjuster or negotiator; consumer collection; and student loan servicer.

BACKGROUND

NMLS

NMLS is a license and registration system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the mortgage and other finance services industry. It (1) may be also referred to as NMLSR or any other name or acronym as may be assigned and (2) is owned and operated by the State Regulatory
Registry, LLC, or any successor or affiliated entity (CGS § 36a-2).

**COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute
 Yea 15  Nay 0  (03/12/2019)