

Testimony of John Dilorio, HB 6495 is duplicitous. We simply need the Banking Department to enforce the laws and regulations in place, fairly and in good faith.

Considering current regulatory guidance, I don't understand how this use of the legislative process will curb racist lending activities. It is already clearly codified in regulation.

The regs in their entirety are available below.

https://portal.ct.gov/-/media/DOB/legal_nonHTML/RegulationCompilationdoc.doc

The applicable sections are:

Sec. 36a-1-3. Basic organization

The commissioner, assisted by a deputy commissioner, heads the department, which consists of the following operating divisions:

(1) **The Financial Institutions Division examines and supervises Connecticut banks** and state branches and state agencies established and maintained by foreign banks in Connecticut. The division analyzes and processes various applications including applications for the establishment of new banks, bank branches, mergers and consolidations, acquisitions, conversions and holding company formations. The division licenses and regulates business and industrial development corporations and certain nonbanking corporations that exercise fiduciary powers. The division also examines and supervises Connecticut credit unions and analyzes and processes applications for the organization of new credit unions, credit union branches, mergers, acquisitions, conversions and field of membership changes or expansions.

Home Mortgage Disclosure Act

Sec. 36a-744-1. Authority, scope, purpose

(a) Sections 36a-744-1 to 36a-744-8, inclusive, comprise the regulations adopted by the commissioner pursuant to the Home Mortgage Disclosure Act, Part IX of Chapter 669 of the Connecticut General Statutes.

(b) Sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies apply to all financial institutions except as otherwise provided in sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies. Sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies require a financial institution that makes home purchase loans, home improvement loans or other mortgage loans to disclose loan data at certain of its offices and to report the data to the commissioner.

(c) The purpose of sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies is (1) to prohibit the arbitrary denial of home purchase loans, home improvement loans or other mortgage loans on the basis of the location of the property to be mortgaged; (2) to encourage an increase in the availability of mortgage capital to neighborhoods to which such investment capital has generally been denied; (3) to provide the citizens and public officials of the state with sufficient information to enable them to determine which financial institutions are fulfilling their obligations to serve the housing needs of the communities and neighborhoods in which they are located; and (4) to assist public officials at both state and local levels in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment and to aid state and local interests and priorities.

(d) Nothing in sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies is intended to, nor shall those sections be construed to, encourage unsound lending practices or the allocation of credit.

(Effective January 30, 1996)

Sec. 36a-744-2. Definitions

As used in sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies, unless the context otherwise requires:

(1) “Act” means the Home Mortgage Disclosure Act (Part IX of Chapter 669 of the Connecticut General Statutes).

(2) “Applicant” means any person who applies for a home purchase loan, home improvement loan or other mortgage loan whether or not the loan is granted.

(3) “Application” means an oral or written request for a home purchase loan, home improvement loan or other mortgage loan that is made in accordance with procedures established by a financial institution.

(4) “Branch office” means any office approved as a branch of a financial institution by the commissioner, and any office of a majority-owned for-profit mortgage-lending subsidiary of a financial institution which comes within the definition of “branch office” under the federal Home Mortgage Disclosure Act, but shall not include free-standing electronic terminals such as satellite devices.

(5) “Commissioner” means the commissioner of banking. With respect to any function of the commissioner, “commissioner” includes any person authorized or designated by the commissioner to carry out that function.

(6) “Dwelling” shall have the same meaning as provided in the federal Home Mortgage Disclosure Act.

(7) “Federal Home Mortgage Disclosure Act” means the Home Mortgage Disclosure Act of 1975, 12 U.S.C. Section 2801 et seq., as from time to time amended, and any regulations promulgated by the Federal Reserve Board pursuant to that act, as from time to time amended, except, for purposes of Part IX of Chapter 669 of the Connecticut General Statutes and sections 36a-744-1 to 36a-744-8, inclusive, of the Regulations of Connecticut State Agencies, the supervisory agency shall be the commissioner.

(8) “Fair market value” means the highest price in terms of money which a residential real property will bring in a competitive and open market, the buyer and seller each acting prudently and knowledgeably.

(9) “Financial institution” means any Connecticut bank or Connecticut credit union which makes home purchase loans or home improvement loans or any for-profit mortgage lending institution other than a Connecticut bank or Connecticut credit union, whose home purchase loan originations equaled or exceeded ten per cent of its loan origination volume, measured in dollars, in the preceding calendar year, if such mortgage lending institution is licensed under sections 36a-485 to 36a-498, inclusive, or 36a-510 to 36a-524, inclusive, of the Connecticut General Statutes. Any majority-owned for-profit mortgage-lending subsidiary of a financial institution which subsidiary is not itself a financial institution is deemed to be part of its parent financial institution. However, for purposes of complying with the compilation of data and disclosure requirements of Sections 36a-744-4 and 36a-744-5 of the Regulations of Connecticut State Agencies, any such subsidiary shall be treated as a distinct entity.

(10) “Home improvement loan” shall have the same meaning as provided in the federal Home Mortgage Disclosure Act.

(11) “Home purchase loan” shall have the same meaning as provided in the Federal Home Mortgage Disclosure Act.

(12) “Mortgage loan” means a loan which is secured by residential real property.

(13) “Residential real property” means improved real property used or to be used for residential purposes, including single-family homes, dwellings for from two to four families, multi-family dwellings, and individual units of condominiums and cooperatives.

(Effective January 30, 1996)

Sec. 36a-744-3. Prohibited practices

(a) No financial institution and no federal bank shall discriminate, on a basis that is arbitrary or unsupported by a reasonable analysis of the lending risks associated with the applicant for a given loan or the condition of the property to secure it, in the granting, withholding, extending, modifying, renewing or in the fixing of the rates, terms, conditions or provisions of any home purchase loan, home improvement loan or other mortgage loan on one to four family owner-occupied residential real property, solely because such property is located in a low-income or moderate-income neighborhood or geographical area. The following factors shall be included in the determination of the disposition of the application: (1) The willingness and the financial ability of the applicant to repay the loan, and (2) the fair market value and condition of any residential real property proposed as security for the loan.

(b) It shall be a discriminatory practice for a financial institution or a federal bank to make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage a reasonable person from making or pursuing an application on one to four family owner-occupied residential real property solely because the secured property is located in a low-income or moderate-income neighborhood or geographical area. Any such statement constitutes a prohibited practice under Section 36a-737 of the act. Written or oral statements of underwriting criteria that are used which do not conflict with the Connecticut General Statutes shall not be construed to be a violation of this subsection.

(c) No financial institution and no federal bank shall utilize arbitrary policies which are discriminatory in effect with regard to any home purchase loan, home improvement loan or other mortgage loan on one to four family owner-occupied residential real property unless the financial institution or federal bank can demonstrate that such policies are necessary to avoid unsafe or unsound lending practices. Such arbitrary policies include, but are not limited to, the refusal to lend on two, three or four family owner-occupied dwellings, and the refusal to lend on dwellings on the basis of age. Such policies represent underwriting criteria that do not conform to the requirements of Section 36a-737 of the act.

(d) No financial institution and no federal bank shall discriminate on the basis of arbitrary or unsupported assertions or assumptions regarding the effect of a trend in the neighborhood or geographic area on the present or future value of secured property consisting of one to four family owner-occupied residential real property so as to avoid contributing to the deterioration of the neighborhood unless the financial institution or federal bank can demonstrate that such considerations in the particular case are necessary to avoid unsafe or unsound lending practices.

(e) No financial institution and no federal bank shall discriminate on the basis of racial or ethnic composition of a neighborhood, or trends in the racial or ethnic composition of a neighborhood. Such considerations do not constitute a reasonable analysis of the lending risks associated with the applicant for a given loan, or the condition of secured property consisting of one to four family owner-occupied residential real property.

(f) As used in this section, "federal bank" shall have the same meaning as set forth in section 36a-2 of the Connecticut General Statutes.

(Effective January 30, 1996)

Regards,
John