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## **OLR Bill Analysis**

### **HB 5218**

#### ***AN ACT CONCERNING CARD ACCESS TO HOME EQUITY LINES OF CREDIT.***

#### **SUMMARY**

The law allows a mortgagee (lender) to advance money to the original mortgagor (borrower), or his or her assignee, through a consumer revolving loan under an open-end mortgage. By law, a “consumer revolving loan” (e.g., home equity line of credit) is generally a loan secured by a mortgage on residential real property, the proceeds of which are intended to be used for personal, family, and household purposes.

Under current law, in the case of an open-end mortgage securing a consumer revolving loan, the lender can make the advancement so long as, among other things, it does not authorize the borrower to access the loan proceeds by a credit card or any similar instrument or device used to obtain money, goods, services, or anything else of value on credit. The bill removes this limitation and, in doing so, allows state-chartered financial institutions to offer consumer revolving loans that provide access to loan proceeds by credit card, credit plate, or any similar payment methods.

As with other types of open-ended mortgages under existing law, consumer revolving loans have similar priority as initial mortgages during a foreclosure if certain conditions are met (e.g., the heading of the mortgage deed says, “Open-End Mortgage,” and the deed contains specific provisions that allow these types of advancements).

EFFECTIVE DATE: October 1, 2022

#### **COMMITTEE ACTION**

Banking Committee

Joint Favorable

Yea 15 Nay 2 (03/08/2022)