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## OLR Bill Analysis

HB 6691 (as amended by House "A")\*

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

#### **SUMMARY**

State law allows a consumer revolving loan (e.g., home equity line of credit) secured by an open-end mortgage to have the same priority as the mortgage over the rights of others to a property the mortgage is attached to if specific conditions concerning the loan and mortgage are met. This bill changes current law's conditions on the consumer revolving loans to allow mortgagors (borrowers) to access the proceeds from these loans by certain credit cards, credit plates, or other similar payment methods, if offered by their mortgagees (lenders).

Under this property rights prioritization law, a "consumer revolving loan" must, among other things, be a loan secured by a mortgage on residential real property and its proceeds must be intended for personal, family, or household purposes. To be eligible under current law, the loan agreement between the lender and borrower must not authorize access to the loan proceeds by a credit card or any similar instrument or device that can be used to obtain money, goods, services, or anything else of value on credit. The bill limits this prohibition on these payment methods to ones that allow access to loan proceeds by single advancements under \$1,000. Consequently, it permits their use if they allow access, through a card or similar instrument, by single advancements of at least \$1,000.

\*House Amendment "A" limits the allowance for borrowers to access consumer revolving loan proceeds by card, credit plate, or any similar payment methods to ones that have single advancements of at least \$1,000.

EFFECTIVE DATE: October 1, 2023

**COMMITTEE ACTION**

Banking Committee

Joint Favorable

Yea 12 Nay 0 (03/07/2023)