



House of Representatives

File No. 853

General Assembly

January Session, 2023

(Reprint of File No. 137)

House Bill No. 6691
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
June 2, 2023

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

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subsection (c) of section 49-2 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective October*
3 *1, 2023*):

4 (c) Advancements may also be made by a mortgagee, or the assignee
5 of any mortgagee, under an open-end mortgage to the original
6 mortgagor, or to the assign or assigns of the original mortgagor who
7 assume the existing mortgage, or any of them, and any such mortgage
8 debt and future advances shall, from the time such mortgage deed is
9 recorded, without regard to whether the terms and conditions upon
10 which such advances will be made are contained in the mortgage deed
11 and, in the case of an open-end mortgage securing a commercial future
12 advance loan, a consumer revolving loan or a letter of credit, without
13 regard to whether the authorized amount of indebtedness shall at that

14 time or any time have been fully advanced, be a part of the debt due
15 such mortgagee and be secured by such mortgage equally with the debts
16 and obligations secured thereby at the time of recording the mortgage
17 deed and have the same priority over the rights of others who may
18 acquire any rights in, or liens upon, the mortgaged real estate
19 subsequent to the recording of such mortgage deed, provided: (1) The
20 heading of any such mortgage deed shall be clearly entitled "Open-End
21 Mortgage"; (2) the mortgage deed shall contain specific provisions
22 permitting such advancements and, if applicable, shall specify that such
23 advancements are made pursuant to a commercial future advance loan
24 agreement, a consumer revolving loan agreement or a letter of credit; (3)
25 the mortgage deed shall state the full amount of the loan therein
26 authorized; (4) the terms of repayment of such advancements shall not
27 extend the time of repayment beyond the maturity of the original
28 mortgage debt, provided this subdivision shall not be applicable where
29 such advancements are made or would be made pursuant to a
30 commercial future advance loan agreement, a consumer revolving loan
31 agreement or a letter of credit, and the mortgage deed specifies that such
32 advancements are repayable upon demand or by a date which shall not
33 be later than thirty years from the date of the mortgage; (5) such
34 advancements shall be secured or evidenced by a note or notes signed
35 by the original mortgagor or mortgagors or any assign or assigns of the
36 original mortgagor or mortgagors who assume the existing mortgage,
37 or any of them, but no note shall be required with respect to any
38 advancements made pursuant to a commercial future advance loan
39 agreement, a consumer revolving loan agreement or a letter of credit as
40 long as such advancements are recorded in the books and records of the
41 original mortgagee or its assignee; (6) the original mortgage shall be
42 executed and recorded after October 1, 1955; (7) the original mortgagor
43 or mortgagors, or any assign or assigns of the original mortgagor or
44 mortgagors who assume the existing mortgage, or any of them, are
45 hereby authorized to record a written notice terminating the right to
46 make such optional future advances secured by such mortgage or
47 limiting such advances to not more than the amount actually advanced
48 at the time of the recording of such notice, provided a copy of such

49 written notice shall also be sent by registered or certified mail, postage
50 prepaid and return receipt requested, to the mortgagee, or a copy of
51 such written notice shall be delivered to the mortgagee by a proper
52 officer or an indifferent person and a receipt for the same received from
53 the mortgagee, and such notice, unless a later date is recorded or
54 specified in the notice, shall be effective from the time it is received by
55 the mortgagee; (8) except that if any such optional future advance or
56 advances are made by the mortgagee, or the assignee of any mortgagee,
57 to the original mortgagor or mortgagors, or any assign or assigns who
58 assume the existing mortgage, or any of them, after receipt of written
59 notice of any subsequent mortgage, lien, attachment, lis pendens, legal
60 proceeding or adjudication against such real property, then the amount
61 of any such advance, other than an advance made pursuant to a
62 commercial future advance loan agreement or a letter of credit, shall not
63 be a priority as against any such mortgage, lien, attachment, lis pendens
64 or adjudication of which such written notice was given; (9) any notice
65 given to the mortgagee under the terms of subdivision (8) of this
66 subsection shall be deemed valid and binding upon the original
67 mortgagee or any assignee of the original mortgagee, in the case of a
68 mortgagee other than a banking institution, on the next business day
69 following receipt by such mortgagee of such notice sent by registered or
70 certified mail, postage prepaid and return receipt requested, or by hand
71 delivery with a signed receipt, and in the case of a mortgagee which is a
72 banking institution, on the next business day following receipt at the
73 main office of such banking institution of such notice sent by registered
74 or certified mail, postage prepaid and return receipt requested, or by
75 hand delivery with a signed receipt. For the purposes of this subsection:
76 (A) "Banking institution" means a bank and trust company, a national
77 banking association having its main office in this state, a savings bank,
78 a federal savings bank having its main office in this state, a savings and
79 loan association, a federal savings and loan association having its main
80 office in this state, a credit union having assets of two million dollars or
81 more, or a federal credit union having its main office in this state and
82 having assets of two million dollars or more; (B) "commercial future
83 advance loan" means a loan to a foreign or domestic corporation,

84 partnership, limited liability company, sole proprietorship, association
85 or entity, or any combination thereof, the proceeds of which are not
86 intended primarily for personal, family or household purposes, which
87 loan entails advances of all or part of the loan proceeds and repayments
88 of all or part of the outstanding balance of the loan from time to time,
89 and includes (i) a commercial revolving loan wherein all or part of the
90 loan proceeds that have been repaid may be readvanced, and (ii) a
91 commercial nonrevolving loan wherein previously advanced loan
92 proceeds, once repaid, cannot be readvanced; and (C) "consumer
93 revolving loan" means a loan to one or more individuals, the proceeds
94 of which are intended primarily for personal, family or household
95 purposes, which is secured by a mortgage on residential real property,
96 and is made pursuant to an agreement between the mortgagor and
97 mortgagee which (i) provides for advancements of all or part of the loan
98 proceeds during a period of time which shall not exceed ten years from
99 the date of such agreement and for repayments of the loan from time to
100 time, (ii) provides for payments to be applied at least in part to the
101 unpaid principal balance not later than ten years from the date of the
102 loan, (iii) does not authorize access to the loan proceeds by single
103 advancements of less than one thousand dollars by a [credit]card or any
104 similar instrument or device, whether known as a credit card, credit
105 plate, or by any other name, issued with or without a fee by an issuer
106 for the use of the cardholder in obtaining money, goods, services, or
107 anything else of value on credit, and (iv) does not provide that such a
108 revolving loan to more than one mortgagor will be immediately due and
109 payable upon the death of fewer than all the mortgagors who signed the
110 revolving loan agreement. Nothing in this subsection shall affect the
111 validity or enforceability of any loan agreement which provides for
112 future advancements by a lender to a borrower as between such parties
113 or their heirs, successors or assigns, or shall affect the validity or
114 enforceability of any mortgage securing any such loan that would be
115 valid and enforceable without the provisions of this subsection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2023</i>	49-2(c)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill allows mortgagors to access the proceeds from consumer revolving loans by credit card, credit plate, or any similar payment methods, resulting in no fiscal impact to the state or municipalities.

House "A" limits the allowance for mortgagors to access consumer revolving loan proceeds by such payment methods to ones that have single advancements of at least \$1,000, resulting in no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

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)