House of Representatives

File No. 637

General Assembly

February Session, 2024 ***(Reprint of File No. 200)***

Substitute House Bill No. 5142
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 1, 2024

AN ACT CONCERNING CONSUMER CREDIT, CERTAIN BANK REAL ESTATE IMPROVEMENTS, THE CONNECTICUT UNIFORM SECURITIES ACT, SHARED APPRECIATION AGREEMENTS, INNOVATION BANKS, THE COMMUNITY BANK AND COMMUNITY CREDIT UNION PROGRAM AND TECHNICAL REVISIONS TO THE BANKING STATUTES.

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

Section 1. Subsection (c) of section 36a-492 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(c) The surety company shall have the right to cancel the bond at any time by a written notice to the principal stating the date cancellation shall take effect, provided the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. **[**If the bond is issued electronically on the system,**]** Such written notice of cancellation **[**may**]** shall be provided by the surety company to the principal and the commissioner through the system at

least thirty days prior to the date of cancellation. **[**Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation.**]** A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the principal of the date such bond cancellation shall take effect and such notice shall be deemed notice to each mortgage loan originator licensee sponsored by such principal. The commissioner shall automatically suspend the licenses of a mortgage lender, mortgage correspondent lender or mortgage broker on such date and inactivate the licenses of the mortgage loan originators sponsored by such lender, correspondent lender or broker. In the case of a cancellation of an exempt registrant's bond, the commissioner shall inactivate the licenses of the mortgage loan originators sponsored by such exempt registrant. No automatic suspension or inactivation shall occur if, prior to the date that the bond cancellation shall take effect, (1) the principal submits a letter of reinstatement of the bond from the surety company or a new bond, (2) the mortgage lender, mortgage correspondent lender or mortgage broker licensee has ceased business and has surrendered all licenses in accordance with subsection (a) of section 36a-490, or (3) in the case of a mortgage loan originator licensee, the sponsorship with the mortgage lender, mortgage correspondent lender or mortgage broker who was automatically suspended pursuant to this section or, with the exempt registrant who failed to provide the bond required by this section, has been terminated and a new sponsor has been requested and approved. After a mortgage lender, mortgage correspondent lender or mortgage broker license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494 and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this

section. The commissioner may provide information to an exempt registrant concerning actions taken by the commissioner pursuant to this subsection against any mortgage loan originator licensee that was sponsored and bonded by such exempt registrant.

Sec. 2. Subsection (c) of section 36a-602 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(c) The surety company may cancel the bond at any time by a written notice to the licensee and the commissioner, stating the date cancellation shall take effect. **[**If the bond is issued electronically on the system, such**]** Such written notice **[**may**]** shall be provided by the surety company to the licensee and the commissioner through the system at least thirty days prior to the date of cancellation. **[**Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.**]** A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless the licensee, prior to such date, submits (1) a letter of reinstatement of the bond from the surety company, (2) a new bond, (3) evidence that all of the principal sum of such surety bond has been invested as provided in subsection (d) of this section, (4) a new bond that replaces the surety bond in part and evidence that the remaining part of the principal sum of such surety bond has been invested as provided in subsection (d) of this section, or (5) evidence that the licensee has ceased business and has surrendered the license. After a license has been automatically suspended, the commissioner shall (A) give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew such license and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and (B) require the licensee to take or

refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 3. Subsection (b) of section 36a-664 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(b) The surety shall have the right to cancel any bond filed under subsection (a) of this section at any time by a written notice to the licensee and the commissioner, stating the date cancellation shall take effect. **[**If such bond is issued electronically on the system,**]** Such written notice of cancellation **[**may**]** shall be provided by the surety to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. **[**Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.**]** No such bond shall be cancelled unless the surety notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless prior to such date the licensee submits a letter of reinstatement of the bond from the surety or a new bond or the licensee has surrendered the license. After a license has been automatically suspended, the commissioner shall (1) give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and (2) require the licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 4. Subsection (c) of section 36a-671d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(c) The surety shall have the right to cancel any bond written or issued under subsection (a) of this section at any time by a written notice to the debt negotiation licensee and the commissioner stating the date cancellation shall take effect. **[**If such bond is issued electronically on the system,**]** Such written notice of cancellation **[**may**]** shall be provided by the surety to the licensee and the commissioner through the system at least thirty days prior to the date of cancellation. **[**Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.**]** No such bond shall be cancelled unless the surety notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the debt negotiation licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the licenses of the debt negotiation licensee on such date and inactivate the license of any sponsored mortgage loan originator, unless prior to such date the debt negotiation licensee submits a letter of reinstatement of the bond from the surety or a new bond, surrenders all licenses or, in the case of a mortgage loan originator sponsored by a debt negotiation licensee, the sponsorship has been terminated and a new sponsor has been requested and approved. After a license has been automatically suspended, the commissioner shall (1) give the debt negotiation licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and (2) require the debt negotiation licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 5. Subsection (b) of section 36a-802 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(b) The surety company shall have the right to cancel the bond at any time by a written notice to the licensee and the commissioner stating the

date cancellation shall take effect. **[**If the bond is issued electronically on the system,**]** Such written notice of cancellation **[**may**]** shall be provided by the surety company to the licensee and the commissioner through the system at least thirty days prior to the date of cancellation. **[**Any notice of cancellation not provided through the system shall be sent by certified mail to the licensee and the commissioner at least thirty days prior to the date of cancellation.**]** A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless the licensee prior to such date submits a letter of reinstatement of the bond from the surety company or a new bond or the licensee has ceased business and has surrendered its license. After a license has been automatically suspended, the commissioner shall (1) give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and (2) require the licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 6. Subdivision (2) of subsection (b) of section 36a-490 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(2) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address specified on the license issued by the commissioner. A mortgage lender, mortgage correspondent lender, mortgage broker or lead generator licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if (A) at least thirty calendar days prior to such change, the licensee files such

change with the system and, in the case of a **[**main or branch office**]** change to the legal name of the licensee, provides, directly to the commissioner, a bond rider **[**or endorsement, or addendum, as applicable,**]** to the surety bond on file with the commissioner that reflects the new legal name **[**or address of the main or branch office**]** of the licensee, and (B) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 7. Subdivision (2) of subsection (d) of section 36a-598 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(2) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address specified on the license issued by the commissioner. A licensee may change the name of the licensee or the address of the office specified on the most recent filing with the system if, (A) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides a bond rider **[**, endorsement or addendum, as applicable,**]** to the surety bond on file with the commissioner that reflects the new legal name **[**or address**]** of the licensee, and (B) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 8. Subsection (b) of section 36a-658 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(b) No licensee shall use any name or address other than the name and address stated on the license issued by the commissioner. No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A

licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if (1) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides to the commissioner a bond rider **[**, endorsement or addendum, as applicable;**]** to the surety bond on file with the commissioner that reflects the new legal name of the licensee, and (2) the commissioner does not disapprove such change, in writing, or request further information from the licensee within such thirty-day period.

Sec. 9. Subsection (i) of section 36a-671 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(i) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address specified on the license issued by the commissioner. A licensee may change the name of the licensee or the address of the office specified on the most recent filing with the system if, (1) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides to the commissioner a bond rider **[**, endorsement or addendum, as applicable**]** to the surety bond on file with the commissioner that reflects the new legal name of the licensee, and (2) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 10. Subsection (b) of section 36a-719a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(b) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee

may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than the name and address stated on the license issued by the commissioner. A mortgage servicer licensee may change the name of the licensee or address of any office specified on the most recent filing with the system if (1) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a **[**main office or branch office**]** change to the legal name of the licensee, provides the commissioner a bond rider **[**or endorsement, or addendum, as applicable,**]** to **[**any**]** the surety bond **[**or evidence of errors and omissions coverage**]** on file with the commissioner that reflects the new legal name **[**or address of the main office or branch office;**]** of the licensee, and (2) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 11. Subsection (i) of section 36a-801 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(i) No person licensed to act within this state as a consumer collection agency shall do so under any other name or at any other place of business than that named in the license. No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if, at least thirty calendar days prior to such change, (1) the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides a bond rider **[**, endorsement or addendum, as applicable,**]** to the surety bond on file with the commissioner that reflects the new legal name **[**or address**]** of the licensee, and (2) the commissioner does not disapprove such change, in writing, or request further information from the licensee within such thirty-day period. Not more than one place of business shall be maintained under the same license but the commissioner may issue more than one license to the same licensee upon compliance with the

provisions of sections 36a-800 to 36a-814, inclusive, as to each new licensee. A license shall not be transferable or assignable. Any change in any control person of the licensee, except a change of a director, general partner or executive officer that is not the result of an acquisition or change of control of the licensee, shall be the subject of an advance change notice filed on the system at least thirty days prior to the effective date of such change and no such change shall occur without the commissioner's approval. For purposes of this section, "change of control" means any change causing the majority ownership, voting rights or control of a licensee to be held by a different control person or group of control persons. The commissioner may automatically suspend a license for any violation of this subsection. After a license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-804 and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

Sec. 12. Subdivision (2) of section 36a-535 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(2) "Sales finance company" means any person engaging in this state in the business, in whole or in part, of (A) acquiring retail installment contracts or installment loan contracts from the holders thereof, by purchase, discount or pledge, or by loan or advance to the holder of either on the security thereof, or otherwise, or (B) receiving payments, **[**of principal and interest**]** including, but not limited to, principal, interest or fees, from a retail buyer **[**under**]** in connection with a retail installment contract or installment loan contract. "Sales finance company" does not include a bank, out-of-state bank, Connecticut credit union, federal credit union, or out-of-state credit union, if so engaged;

Sec. 13. Section 36a-718 of the general statutes is repealed and the

following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) On and after January 1, 2015, no person shall act as a mortgage servicer, directly or indirectly, without first obtaining a license under section 36a-719 from the commissioner for its main office and for each branch office where such business is conducted, unless such person is exempt from licensure pursuant to subsection (b) of this section. Any activity subject to licensure pursuant to sections 36a-715 to 36a-719*l*, inclusive, as amended by this act, shall be conducted from an office located in a state, as defined in section 36a-2, as amended by this act.

(b) The following persons are exempt from mortgage servicer licensing requirements: (1) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured; (2) any wholly-owned subsidiary of such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same such bank or credit union; (4) any person **[**licensed as a mortgage lender in this state while**]** registered as an exempt mortgage servicer registrant pursuant to subsection (d) of this section and acting as a mortgage servicer from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b **[**, provided (A) such person meets the supplemental mortgage servicer surety bond, fidelity bond and errors and omissions coverage requirements under section 36a-719c, and (B)**]** during any period that the **[**license**]** registration of the exempt mortgage **[**lender**]** servicer registrant in this state has not been suspended; **[**, such exemption shall not be effective;**]** and (5) any person licensed as a mortgage correspondent lender in this state while acting as a mortgage servicer with respect to any residential mortgage loan it has made and during the permitted ninety-day holding period for such loan from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b, provided during any period the license of the mortgage correspondent lender in this state has been suspended, such exemption shall not be effective.

(c) The provisions of sections 36a-719e to 36a-719h, inclusive, shall apply to any person, including a person exempt from licensure pursuant to subsection (b) of this section, who acts as a mortgage servicer in this state on or after January 1, 2015.

(d) (1) Any person licensed as a mortgage lender in this state shall register on the system as an exempt mortgage servicer registrant prior to acting as a mortgage servicer from any location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b. Each registration shall expire at the close of business on December thirty-first of the year in which such registration is approved, unless such registration is renewed, and provided any such registration that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which such registration is approved. An application for renewal of a registration shall be filed between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall meet the supplemental mortgage servicer surety bond, fidelity bond and errors and omissions coverage requirements under section 36a-719c, as amended by this act, and pay to the system any required fees or charges. All fees paid pursuant to this subdivision shall be nonrefundable.

(2) The commissioner may suspend, revoke or refuse to renew any exempt mortgage servicer registration or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, if the commissioner finds that the registrant no longer meets the requirements for registration or if the registrant or any control person, trustee, employee or agent of such registrant has: (A) Made any material misstatement in an application; (B) committed any fraud or misappropriated funds; or (C) violated any provision of this title or of any regulation or order adopted or issued pursuant thereto pertaining to such person, or any other law or regulation applicable to the conduct of such registrant's business.

Sec. 14. Section 36a-719c of the general statutes is repealed and the

following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) Each mortgage servicer applicant or licensee and **[**any person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718**]** exempt mortgage servicer registrant shall file with the commissioner (1) a surety bond, written by a surety authorized to write such bonds in this state, covering its main office and any branch office from which it acts as mortgage servicer, in a penal sum of one hundred thousand dollars per office location in accordance with subsection (b) of this section, (2) a fidelity bond, written by a surety authorized to write such bonds in this state, in accordance with the requirements of subsection (c) of this section, and (3) evidence of errors and omissions coverage, written by a surety authorized to write such coverage in this state, in accordance with the requirements of subsection (c) of this section. No mortgage servicer licensee and no **[**person otherwise exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718**]** exempt mortgage servicer registrant shall act as a mortgage servicer in this state without maintaining the surety bond, fidelity bond and errors and omissions coverage required by this section.

(b) The surety bond required by subsection (a) of this section shall be (1) in a form approved by the Attorney General, **[**;**]** and (2) conditioned upon the mortgage servicer licensee or **[**person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718**]** exempt mortgage servicer registrant faithfully performing any and all written agreements or commitments with or for the benefit of mortgagors and mortgagees, truly and faithfully accounting for all funds received from a mortgagor or mortgagee in such person's capacity as a mortgage servicer, and conducting such mortgage business consistent with the provisions of sections 36a-715 to 36a-719*l*, inclusive, as amended by this act. Any mortgagor that may be damaged by the failure of a mortgage servicer licensee or **[**person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718**]** exempt mortgage servicer registrant to perform any written agreements or commitments, or by the wrongful conversion of funds

paid by a mortgagor to such licensee or **[**person**]** registrant, may proceed on such bond against the principal or surety thereon, or both, to recover damages. The commissioner may proceed on such bond against the principal or surety on such bond, or both, to collect any civil penalty imposed pursuant to subsection (a) of section 36a-50, any restitution imposed pursuant to subsection (c) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65, as amended by this act. The proceeds of the bond, even if commingled with other assets of the principal, shall be deemed by operation of law to be held in trust for the benefit of such claimants against the principal in the event of bankruptcy of the principal and shall be immune from attachment by creditors and judgment creditors. The surety bond shall run concurrently with the period of the license or registration for the main office of the mortgage servicer or exempt mortgage **[**lender**]** servicer registrant and the aggregate liability under the bond shall not exceed the penal sum of the bond. The principal shall notify the commissioner of the commencement of an action on the bond. When an action is commenced on a principal's bond, the commissioner may require the filing of a new bond and immediately on recovery on any action on the bond, the principal shall file a new bond.

(c) (1) The fidelity bond and errors and omissions coverage required by subsection (a) of this section shall name the commissioner as an additional loss payee on drafts the surety issues to pay for covered losses directly or indirectly incurred by mortgagors of residential mortgage loans serviced by the mortgage servicer or exempt mortgage servicer registrant. The fidelity bond shall cover losses arising from dishonest and fraudulent acts, embezzlement, misplacement, forgery and similar events committed by employees of the mortgage servicer or exempt mortgage servicer registrant. The errors and omissions coverage shall cover losses arising from negligence, errors and omissions by the mortgage servicer or exempt mortgage servicer registrant with respect to the payment of real estate taxes and special assessments, hazard and flood insurance or the maintenance of mortgage and guaranty insurance. The fidelity bond and errors and omissions coverage shall

each be in the following principal amounts based on the mortgage servicer's or exempt mortgage servicer registrant's volume of servicing activity most recently reported to the commissioner:

[(1)**]** (A) If the amount of the residential mortgage loans serviced is one hundred million dollars or less, the principal amount shall be at least three hundred thousand dollars; or

[(2)**]** (B) If the amount of such loans exceeds one hundred million dollars, the principal amount shall be at least three hundred thousand dollars plus **[**(A)**]** (i) three-twentieths of one per cent of the amount of residential mortgage loans serviced greater than one hundred million dollars but less than or equal to five hundred million dollars; **[**(B)**]** (ii) plus one-eighth of one per cent of the amount of residential mortgage loans serviced greater than five hundred million dollars but less than or equal to one billion dollars; and **[**(C)**]** (iii) plus one-tenth of one per cent of the amount of residential mortgage loans serviced greater than one billion dollars.

(2) The fidelity bond and errors and omissions coverage may provide for a deductible amount not to exceed the greater of one hundred thousand dollars or five per cent of the face amount of such bond or coverage.

(d) A surety shall have the right to cancel the surety bond, fidelity bond and errors and omissions coverage required by this section at any time by a written notice to the principal and the commissioner stating the date cancellation shall take effect. **[**If the surety bond required by this section was issued electronically on the system,**]** Such written notice of cancellation **[**may**]** shall be provided by the surety company to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. **[**Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation.**]** A surety bond, fidelity bond or errors and omissions coverage shall not be cancelled unless the surety notifies the commissioner, in writing, not

less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the principal of the date such cancellation shall take effect. The commissioner shall automatically suspend the license of a mortgage servicer licensee or registration of an exempt mortgage servicer registrant on such date or on any date when a fidelity bond or errors and omissions coverage expires or is no longer in effect. No automatic suspension or inactivation shall occur if, prior to the date that such bond or errors and omissions coverage cancellation or expiration shall take effect, (1) the principal submits a letter of reinstatement of the bond or errors and omissions coverage, or a new bond or errors and omissions policy, **[**;**]** or (2) the mortgage servicer licensee or exempt mortgage servicer registrant has ceased business in this state and has surrendered all (A) licenses in accordance with section 36a-51, as amended by this act, and section 36a-719a, as amended by this act, and (B) registrations in accordance with section 36a-718, as amended by this act. After a mortgage servicer license or exempt mortgage servicer registration has been automatically suspended pursuant to this section, the commissioner shall **[**(A)**]** (i) give the licensee or registrant notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-719j or subsection (d) of section 36a-718, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and **[**(B)**]** (ii) require such licensee or registrant to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section. **[**A person licensed as a mortgage lender in this state**]** Any exempt mortgage servicer registrant acting as a mortgage servicer from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b shall cease to be exempt from mortgage servicer licensing requirements in this state upon cancellation or expiration of any surety bond, fidelity bond or errors and omissions coverage required by this section.

(e) If the commissioner finds that the financial condition of a mortgage servicer licensee or **[**mortgage lender licensee**]** exempt

mortgage servicer registrant so requires, as evidenced by the reduction of tangible net worth, financial losses or potential losses as a result of a violation of sections 36a-715 to 36a-719k, inclusive, as amended by this act, the commissioner may require one or more additional bonds meeting the standards set forth in this section. The mortgage servicer licensee or exempt mortgage servicer registrant shall file any such additional bonds not later than ten days after receipt of the commissioner's written notice of such requirement. A mortgage servicer licensee or exempt mortgage **[**lender licensee**]** servicer registrant shall file, as the commissioner may require, any bond rider or endorsement or addendum, as applicable, to any bond or evidence of errors and omissions coverage on file with the commissioner to reflect any changes necessary to maintain the surety bond, fidelity bond and errors and omissions coverage required by this section.

Sec. 15. Section 36a-850a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) **[**In**]** Any person servicing a private student education loan, including, but not limited to, a private student education loan servicer, private education lender and private education loan creditor, shall:

(1) Prior to sending the first billing statement on a private student education loan or immediately upon receipt of a private student education loan following the transfer or assignment of such private student education loan, provide to the student loan borrower, and to any cosigner of such private student education loan, information concerning the rights and responsibilities of such student loan borrower and cosigner, including information regarding (A) how such private student education loan obligation will appear on the cosigner's consumer report, (B) how the cosigner will be notified if the private student education loan becomes delinquent, including how the cosigner can cure the delinquency in order to avoid negative credit furnishing and loss of cosigner release eligibility, and (C) eligibility for release of the cosigner's obligation on such private student education loan, including number of on-time payments and any other criteria required

to approve the release of the cosigner from the loan obligation;

(2) Send annual written notice to all student loan borrowers and cosigners relating to information about cosigner release, including the criteria **[**the private student education loan servicer requires**]** necessary to approve the release of a cosigner from a private student education loan obligation and the process for applying for cosigner release;

(3) Upon satisfaction by the student loan borrower of the applicable consecutive on-time payment requirement for purposes of cosigner release eligibility, send, in writing, to such student loan borrower and cosigner (A) a notification that such consecutive on-time payment requirement has been satisfied and that such cosigner may be eligible for cosigner release, and (B) information relating to the procedure for applying for cosigner release and any additional criteria that a cosigner must satisfy in order to be eligible for cosigner release. Such notification and information shall be sent by either United States mail or electronic mail, provided such student loan borrower has elected to receive electronic communications from the **[**private student education loan servicer**]** person servicing the private student education loan;

(4) In the event that an application for a cosigner release is incomplete, provide, in writing, (A) notice to the student loan borrower and cosigner that such application is incomplete, and (B) a description of the information that is missing or the additional information that is needed to consider the application complete and the date by which the borrower or cosigner are required to provide such information;

(5) Not later than thirty days following the submission of an application for cosigner release, send to the student loan borrower and cosigner a written notice of the decision that such application has been approved or denied. If the application for cosigner release has been denied, such written notice shall (A) inform such student loan borrower and cosigner that such student loan borrower and cosigner have the right to request all documents and information used **[**by the private student education loan servicer in its**]** in the decision to deny such

application, including [the] any credit score threshold used, [by the private student education loan servicer,] the consumer report of such student loan borrower or cosigner, the credit score of such student loan borrower or cosigner [,] and any other documents that are relevant or specific to such student loan borrower or cosigner, [. The private student education loan servicer shall provide such student loan borrower and cosigner with] and (B) include (i) any adverse action notices required under federal law if the denial of such application was based in whole or in part on any information contained in a consumer report, and (ii) the information described in subdivision (2) of this subsection;

[(6) Include the information described in subdivision (2) of this section in any response to an application for cosigner release;

(7) Refrain from imposing any restrictions on a student loan borrower or cosigner that may permanently prevent such student loan borrower or cosigner from qualifying for a cosigner release, including, but not limited to, restrictions on the number of times a student loan borrower or cosigner may apply for cosigner release;

(8) Refrain from imposing any negative consequences on a student loan borrower or cosigner during the sixty days following issuance of the notice described in subdivision (4) of this section, or until a final decision concerning a student loan borrower or cosigner's application for cosigner release is made. For purposes of this subdivision, "negative consequences" includes, but is not limited to, the imposition of additional eligibility criteria, negative credit reporting, lost eligibility for a cosigner release, late fees, interest capitalization or other financial penalties or injury;

(9) Refrain from requiring a student loan borrower to make more than twelve consecutive on-time payments as part of the eligibility criteria for cosigner release. Such private student education loan servicer shall consider any student loan borrower who has paid the equivalent of twelve months of principal and interest during any twelve-month period to have satisfied the consecutive on-time payment requirement,

even if such student loan borrower has not made payments monthly during such twelve-month period;**]**

[(10)**]** (6) Upon receipt of a request by a student loan borrower or cosigner to a change that results in restarting the count of consecutive on-time payments required for cosigner release eligibility, provide to such student loan borrower and cosigner written notification of the impact of such change on cosigner release eligibility and an opportunity to withdraw or reverse such change for purposes of avoiding such impact;

[(11)**]** (7) Provide a student loan borrower or cosigner (A) the right to request an appeal of a determination to deny a cosigner release application, (B) an opportunity to submit additional information or documentation evidencing that such student loan borrower has the ability, willingness and stability to make his or her payment obligations, and (C) the right to request that a different employee **[**of the private student education loan servicer**]** review and make a determination on the application for a cosigner release;

[(12)**]** (8) Establish and maintain a comprehensive record management system reasonably designed to ensure the accuracy, integrity and completeness of data and other information about cosigner release applications. Such system shall include the number of cosigner release applications received, the approval and denial rate of such applications and the primary reasons for denial of such applications;

[(13) In the event that a cosigner has a total and permanent disability, as determined by any federal or state agency or doctor of medicine or osteopathy legally authorized to practice in the state, and unless otherwise expressly prohibited under the terms of a private student education loan agreement, (A) release the cosigner from his or her obligation to repay the private student education loan upon receipt of notification that such cosigner has a total and permanent disability, and (B) refrain from requiring that a new cosigner be added to such private student education loan after the original cosigner has been released

from such private student education loan;**]**

[(14)**]** (9) Provide the cosigner of a private student education loan with access to the same documents and records associated with the private student education loan that are available to the student loan borrower of such private student education loan; and

[(15)**]** (10) If a student loan borrower has electronic access to documents and records associated with a private student education loan, provide equivalent electronic access to such documents and records to the cosigner of such private student education loan.

(b) Any person that makes or extends a private student education loan on or after October 1, 2024, shall provide, consistent with the terms of this subsection, options for cosigner release on such private student education loan upon the satisfaction of certain criteria, including, but not limited to, twelve consecutive on-time payments by the student loan borrower or in the event of total and permanent disability of the cosigner. On and after October 1, 2024, no person that makes, extends or owns one or more private student education loans, including, but not limited to, any private education lender or private education loan creditor, directly or indirectly, shall:

(1) Impose any restriction on a student loan borrower or cosigner that may permanently prevent such student loan borrower or cosigner from qualifying for a cosigner release, including, but not limited to, any restriction on the number of times a student loan borrower or cosigner may apply for a cosigner release;

(2) Impose any negative consequence on a student loan borrower or cosigner during the sixty-day period following issuance of the notice described in subparagraph (A) of subdivision (4) of subsection (a) of this section, or until a final decision concerning a student loan borrower or cosigner's application for a cosigner release has been made. For purposes of this subdivision, "negative consequence" includes, but is not limited to, the imposition of any additional eligibility criteria, negative credit reporting, lost eligibility for a cosigner release, late fee, interest

capitalization or any other financial penalty or injury;

(3) Require a student loan borrower to make more than twelve consecutive on-time payments as part of the eligibility criteria for a cosigner release. A private student education loan servicer shall consider any student loan borrower who has paid the equivalent of twelve months of principal and interest during any twelve-month period to have satisfied the consecutive on-time payment requirement, even if such student loan borrower has not made monthly payments during such twelve-month period; or

(4) In the event that a cosigner is totally and permanently disabled, as determined by any federal or state agency or doctor of medicine or osteopathy legally authorized to practice in this state, (A) refuse to release the cosigner from his or her obligation to repay the private student education loan upon receipt of notification that such cosigner is totally and permanently disabled, or (B) require that a new cosigner be added to such private student education loan after the original cosigner has been released.

[(b)**]** (c) The provisions of **[**subsection (a) of**]** this section shall not apply to the following persons: (1) Any bank, out-of-state bank that has a physical presence in the state, Connecticut credit union, federal credit union or out-of-state credit union; (2) any wholly owned subsidiary of any such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same bank or credit union; and (4) the Connecticut Higher Education Supplemental Loan Authority.

Sec. 16. Section 36a-51 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) The commissioner may suspend, revoke or refuse to renew any license or registration issued by the commissioner under any provision of the general statutes by sending a notice to the licensee or registrant by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, or by

personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by the licensee or registrant on the earlier of the date of actual receipt or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the licensee or registrant in accordance with section 36a-52a. Any such notice shall include: (1) A statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the general statutes, regulations, rules or orders involved; (4) a short and plain statement of the matters asserted; and (5) a statement indicating that the licensee or registrant may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice. If the commissioner finds that public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in the notice, the commissioner may order summary suspension of a license or registration in accordance with subsection (c) of section 4-182 and require the licensee or registrant to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section, pending proceedings for suspension, revocation or refusal to renew.

(b) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless the licensee or registrant fails to appear at the hearing. After the hearing, the commissioner shall suspend, revoke or refuse to renew the license or registration for any reason set forth in the applicable licensing or registration provisions of the general statutes if the commissioner finds sufficient grounds exist for such suspension, revocation or refusal to renew. If the licensee or registrant does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner shall suspend, revoke or refuse to renew the license or registration. No such license or registration shall be suspended or revoked except in accordance with the provisions of chapter 54.

(c) (1) Any licensee or registrant may surrender any license or registration issued by the commissioner under any provision of the general statutes by surrendering the license or registration to the commissioner in person or by registered or certified mail, provided, in the case of a license or registration issued through the system, as defined in section 36a-2, as amended by this act, such surrender shall be initiated by filing a request to surrender on the system. No surrender on the system shall be effective until the request to surrender is accepted by the commissioner. Surrender of a license or registration shall not affect the licensee's or registrant's civil or criminal liability, or affect the commissioner's ability to impose an administrative penalty on the licensee or registrant pursuant to section 36a-50 for acts committed prior to the surrender. If, prior to receiving the license or registration, or, in the case of a license or registration issued through the system prior to the filing of a request to surrender a license or registration, the commissioner has instituted a proceeding to suspend, revoke or refuse to renew such license or registration, such surrender or request to surrender will not become effective except at such time and under such conditions as the commissioner by order determines. If no proceeding is pending or has been instituted by the commissioner at the time of surrender, or, in the case of a license or registration issued through the system, at the time a request to surrender is filed, the commissioner may still institute a proceeding to suspend, revoke or refuse to renew a license or registration under subsection (a) of this section up to the date one year after the date of receipt of the license or registration by the commissioner, or, in the case of a license or registration issued through the system, up to the date one year after the date of the acceptance by the commissioner of a request to surrender a license or registration.

(2) If any license or registration issued on the system expires due to the licensee's or registrant's failure to renew such license or registration, the commissioner may institute a revocation or suspension proceeding, or issue an order revoking or suspending the license or registration, under applicable authorities not later than one year after the date of such expiration.

(3) Withdrawal of an application for a license or registration filed on the system shall become effective upon receipt by the commissioner of a notice of intent to withdraw such application. The commissioner may deny a license or registration up to the date one year after the effective date of withdrawal.

(d) The provisions of this section shall not apply to chapters 672a, 672b and 672c.

Sec. 17. Subsection (a) of section 36a-556 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(a) Without having first obtained a small loan license from the commissioner pursuant to section 36a-565, no person shall, by any method, including, but not limited to, mail, telephone, Internet or other electronic means, unless exempt pursuant to section 36a-557:

(1) Make a small loan to a Connecticut borrower;

(2) Offer, solicit, broker, directly or indirectly arrange, place or find a small loan for a prospective Connecticut borrower;

(3) Engage in any other activity intended to assist a prospective Connecticut borrower in obtaining a small loan, including, but not limited to, generating leads;

(4) Receive payments, **[**of**]** including, but not limited to, payments for principal, **[**and**]** interest or fees, from a Connecticut borrower in connection with a small loan; **[**made to a Connecticut borrower;**]**

(5) Purchase, acquire or receive assignment of a small loan made to a Connecticut borrower; and

(6) Advertise or cause to be advertised in this state a small loan or any of the services described in subdivisions (1) to (5), inclusive, of this subsection.

Sec. 18. Section 36a-715 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

As used in sections 36a-715 to 36a-719*l*, inclusive, as amended by this act, unless the context otherwise requires:

(1) "Advertise or advertising", "control person", "individual", "main office", "mortgage broker", "mortgage correspondent lender", "mortgage lender", "office", "person" and "unique identifier" have the same meanings as provided in section 36a-485.

[(1)**]** (2) "Branch office" means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a mortgage servicer.

[(2) The terms "advertise or advertising", "control person", "individual", "main office", "mortgage broker", "mortgage correspondent lender", "mortgage lender", "office", "person" and "unique identifier" have the same meanings as provided in section 36a-485.**]**

(3) "Mortgage servicer" (A) means any person, wherever located, who, for such person or on behalf of the holder of a residential mortgage loan, receives payments, **[**of**]** including, but not limited to, payments for principal, **[**and**]** interest or fees, in connection with a residential mortgage loan, records such payments on such person's books and records and performs such other administrative functions as may be necessary to properly carry out the mortgage holder's obligations under the mortgage agreement including, when applicable, the receipt of funds from the mortgagor to be held in escrow for payment of real estate taxes and insurance premiums and the distribution of such funds to the taxing authority and insurance company, and (B) includes a person who makes payments to borrowers pursuant to the terms of a home equity conversion mortgage or reverse mortgage.

(4) "Mortgagee" means the grantee of a residential mortgage, provided if the residential mortgage has been assigned of record,

"mortgagee" means the last person to whom the residential mortgage has been assigned of record.

(5) "Mortgagor" means any person obligated to repay a residential mortgage loan.

(6) "Residential mortgage loan" means any loan primarily for personal, family or household use that is secured by a mortgage, deed of trust or other equivalent consensual security interest on a dwelling, as defined in Section 103 of the Consumer Credit Protection Act, 15 USC 1602, located in this state, or real property located in this state upon which is constructed or intended to be constructed a dwelling.

Sec. 19. Section 36a-846 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

As used in this section and sections 36a-847 to 36a-855, inclusive:

(1) "Advertise" or "advertising" has the same meaning as provided in section 36a-485;

(2) "Branch office" means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a student loan servicer;

(3) "Consumer report" has the same meaning as provided in Section 603(d) of the Fair Credit Reporting Act, 15 USC **[**,**]** 1681a, as amended from time to time;

(4) "Control person" has the same meaning as provided in section 36a-485;

(5) "Cosigner" has the same meaning as provided in 15 USC 1650(a), as amended from time to time;

(6) "Federal student education loan" means any student education loan (A) (i) made pursuant to the William D. Ford Federal Direct Loan

Program, 20 USC 1087a, et seq., as amended from time to time, or (ii) purchased by the United States Department of Education pursuant to 20 USC 1087i-1(a), as amended from time to time, and (B) owned by the United States Department of Education;

(7) "Federal student loan servicer" means any student loan servicer responsible for the servicing of a federal student education loan to a student loan borrower pursuant to a contract awarded by the United States Department of Education under 20 USC 1087f, as amended from time to time;

(8) "Main office" has the same meaning as provided in section 36a-485;

(9) "Private education lender" has the same meaning as provided in section 36a-856;

(10) "Private education loan creditor" has the same meaning as provided in section 36a-856;

[(9)**]** (11) "Private student education loan" means any student education loan that is not a federal student education loan;

[(10)**]** (12) "Private student education loan servicer" means any student loan servicer responsible for the servicing of a private student education loan to a student loan borrower;

[(11)**]** (13) "Student loan borrower" means any individual who resides within this state who has agreed to repay a student education loan;

[(12)**]** (14) "Student loan servicer" means any person, wherever located, responsible for the servicing of any student education loan to any student loan borrower;

[(13)**]** (15) "Servicing" means (A) receiving any **[**scheduled periodic**]** payments from a student loan borrower pursuant to the terms of a student education loan, **[**;**]** (B) applying the payments of principal and interest and such other payments with respect to the amounts received

from a student loan borrower, as may be required pursuant to the terms of a student education loan, **[**;**]** (C) maintaining account records for and communicating with the student loan borrower concerning the student education loan during the period when no **[**scheduled periodic**]** payments are required, **[**;**]** (D) interacting with a student loan borrower for purposes of facilitating the servicing of a student education loan, including, but not limited to, assisting a student loan borrower to prevent such borrower from defaulting on obligations arising from the student education loan, **[**;**]** or (E) performing other administrative services with respect to a student education loan;

[(14)**]** (16) "Student education loan" means any loan primarily for personal use to finance education or other school-related expenses; and

[(15)**]** (17) "Unique identifier" has the same meaning as provided in section 36a-485.

Sec. 20. Subsection (d) of section 36a-487 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(d) Any person claiming exemption from licensure under this section may register on the system as an exempt registrant for purposes of sponsoring a mortgage loan originator or a loan processor or underwriter pursuant to subdivision (1) of subsection (b) of section 36a-486. Such registration shall not affect the exempt status of such person. Each registration shall expire at the close of business on December thirty-first of the year in which such registration is approved, unless such registration is renewed, and provided any such registration that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which such registration is approved. An application for renewal of a registration shall be filed between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall pay to the system any required fees or charges. All fees paid pursuant to this subsection shall

be nonrefundable. Any approval of such registration, or any approval of any renewal of such registration, shall not constitute a determination by the commissioner that such entity is exempt, but rather shall evidence the commissioner's approval to use the system for purposes of sponsoring and bonding.

Sec. 21. Subdivisions (8) to (33), inclusive, of subsection (a) of section 36a-250 of the 2024 supplement to the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(8) Act as agent or **[**attorney in fact**]** attorney-in-fact for the holders of securities or the owners of real estate;

(9) Act as transfer agent or registrar of stocks and bonds;

(10) Execute and deliver signature guaranties as may be incidental or usual in the transfer of investment securities;

(11) Act as agent, fiscal agent or trustee for any corporation or for holders of bonds, notes or other securities, and pledge assets to secure deposits in its banking department when (A) made by it as trustee under a trust indenture for the holders of revenue bonds issued by this state, any municipality, district, municipal corporation or authority or political subdivision thereof, and the express provisions of the authority or its political subdivision, and the express provisions of the trust indenture require the deposit to be so secured, (B) made by it as fiscal agent for a housing authority in connection with a federally-assisted housing project and federal regulations or other requirements call for the deposits to be so secured, or (C) made by it to secure deposits in individual retirement accounts and qualified retirement plan accounts, established in accordance with the applicable provisions of the Internal Revenue Code of 1986, or any prior or subsequent corresponding internal revenue code of the United States, as from time to time amended, where such deposits exceed the maximum of federal deposit insurance available for such accounts;

(12) Act as fiscal agent for this state or any of its political subdivisions

when authorized by the executive head of this state or of the political subdivision;

(13) Act as agent (A) in the collection of taxes for any qualified treasurer of any taxing district or qualified collector of taxes, or (B) for any electric distribution, gas, water or telephone company operating within this state in receiving moneys due that company for utility services furnished by it;

(14) Act as agent for the sale, issue and redemption of obligations of the United States and pledge assets to the United States or to the proper federal reserve bank for its obligations as that agent;

(15) (A) Act as agent for an insured depository institution affiliate in receiving deposits, renewing time deposits, closing loans, servicing loans and receiving payments on loans and other obligations, and in so doing shall not be considered to be a branch of such affiliate;

(B) A Connecticut bank may not conduct any activity as an agent under subparagraph (A) of this subdivision which such bank is prohibited from conducting as a principal;

(16) Act as treasurer of any organization exempt from federal income taxation under Section 501 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended;

(17) Establish a charitable fund, either in the form of a charitable trust or a nonprofit corporation to assist in making charitable contributions, provided (A) the trust or nonprofit corporation is exempt from federal income taxation and may accept charitable contributions under Section 501 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, (B) the trust or nonprofit corporation's operations shall be disclosed fully to the commissioner upon request, and (C) the trust department of the bank or one or more directors or officers of the bank act as trustees or directors of the fund;

(18) In the discretion of a majority of its governing board, make contributions or gifts to or for the use of any corporation, trust or community chest, fund or foundation created or organized under the laws of the United States or of this state and organized and operated exclusively for charitable, educational or public welfare purposes, or of any hospital which is located in this state and which is exempt from federal income taxes and to which contributions are deductible under Section 501(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended;

(19) Discount, purchase and sell accounts receivable, negotiable and nonnegotiable promissory notes, drafts, bills of exchange and other forms of indebtedness;

(20) (A) Accept for payment at future dates drafts drawn upon it, and (B) except as provided in section 36a-299, sell or issue without charge negotiable checks or drafts drawn by or on the bank. Negotiable checks or drafts drawn, sold or issued by a bank may be drawn on that bank or be payable by or through another bank or out-of-state bank;

(21) Make secured and unsecured loans and issue letters of credit as authorized by and subject to section 36a-260;

(22) (A) Issue credit cards and debit cards and enter into card agreements with the bank's card holders and with other card issuers, (B) lend money to individuals, honor drafts and similar orders drawn or accepted, whether by written instrument or electronic transmission, and pay and agree to pay obligations incurred in connection with those agreements, (C) become affiliated with any credit card corporation or association, and (D) subject to sections 36a-155 to 36a-159, inclusive, where applicable, provide electronic fund transfer facilities and services and enter into agreements with customers and other persons regarding the provision of such facilities;

(23) Provide virtual banking services to customers as provided in section 36a-170;

(24) Contract for and pay the premiums upon life insurance in the amount of the unpaid balance due on loans;

(25) Borrow money and pledge assets therefor, and pledge assets to secure trust funds on deposit awaiting investment;

(26) Enter into leases of personal property acquired upon the specific request of and for the use of a prospective lessee;

(27) Make investments as authorized by this title;

(28) Sell to any person, including any state or federal agency or instrumentality, any loan or group of loans legally owned by the bank, repurchase any such loan or group of loans, and act as collecting, remitting and servicing agent in connection with any such loans and charge for its acts as agent. Any such bank is authorized to purchase the minimum amount of capital stock of the applicable agency or instrumentality if required by that entity to be purchased in connection with the assignment of loans to that entity and to hold and dispose of that stock;

(29) With the approval of the commissioner, deal in and underwrite, to the same extent as is permitted to a national banking association, obligations of: (A) The United States or any of its agencies; (B) any state or any political subdivision or instrumentality of the state; or (C) Canada, any province of Canada or any political subdivision of Canada;

(30) Issue and sell securities which (A) are guaranteed by the Federal National Mortgage Association or any other agency or instrumentality authorized by state or federal law to create a secondary market with respect to loans of the type originated by the bank, or (B) subject to the approval of the commissioner, relate to loans originated by the bank and are guaranteed or insured by a financial guaranty insurance company or comparable private entity;

(31) Subject to the approval of the commissioner, authorize the issuance and sale of evidences of indebtedness, including debentures,

debt instruments of all maturities and capital notes, at such times, in such amount and upon such terms as are determined by the governing board, provided the issuance of such evidences of indebtedness which are payable on demand or mature within five years of their issuance or which are effected in the ordinary course of business do not require the approval of the commissioner. The proceeds of such evidences of indebtedness which mature after five years of their issuance which are subordinate to the claims of depositors upon liquidation of the bank shall be considered part of its capital for the purpose of computing any loan, deposit or investment limitation under this title;

(32) With the approval of and upon such conditions and under such regulations as may be prescribed or adopted by the commissioner, establish and maintain one or more mutual funds and offer to the public shares or participations therein;

(33) (A) With the written approval of the commissioner, acquire, alter or improve real estate for present or future use in the business of the bank. Such approval shall not be required in case of the alteration or improvement of real estate already owned or leased by the bank or a corporation controlled by **[**it**]** the bank as provided in subsection (d) of section 36a-276, if (i) the bank is adequately capitalized, as defined in 12 CFR 324.403, as amended from time to time, and is not the subject of a pending formal enforcement action by (I) the commissioner under 36a-50, or (II) the Federal Deposit Insurance Corporation, or (ii) the expenditure for such purposes does not in any one calendar year exceed five per cent of the bank's capital and surplus or seven hundred fifty thousand dollars, whichever is less;

(B) With the written approval of the commissioner, purchase real estate adjoining any parcel of real estate then owned by it and acquired in the usual course of business, provided the aggregate of all investments and loans authorized in this subparagraph and in subparagraph (A) of this subdivision and in the equipment used by such bank in its operations, together with the amount of any indebtedness incurred by any corporation holding real estate of the bank and such

bank's proportionate share, computed according to stock ownership, of any indebtedness incurred by any service corporation, does not exceed fifty per cent of the capital and surplus of the bank, unless the commissioner finds that the rental income from any part of the premises not occupied by the bank will be sufficient to warrant larger investment;

Sec. 22. Section 36b-6 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) **[**No**]** Except as provided in subsection (f) of this section, no person shall transact business in this state as a broker-dealer unless such person is registered under sections 36b-2 to 36b-34, inclusive. No person shall transact business in this state as a broker-dealer in contravention of a sanction that is currently effective imposed by the Securities and Exchange Commission or by a self-regulatory organization of which such person is a member if the sanction would prohibit such person from effecting transactions in securities in this state. No individual shall transact business as an agent in this state unless such individual is (1) registered as an agent of the broker-dealer or issuer whom such individual represents in transacting such business, or (2) an associated person who represents a broker-dealer in effecting transactions described in subdivisions (3) and (4) of Section 15(i) of the Securities Exchange Act of 1934. No individual shall transact business in this state as an agent of a broker-dealer in contravention of a sanction that is currently effective imposed by the Securities and Exchange Commission or a self-regulatory organization of which the employing broker-dealer is a member if the sanction would prohibit the individual employed by such broker-dealer from effecting transactions in securities in this state.

(b) No issuer shall employ an agent unless such agent is registered under sections 36b-2 to 36b-34, inclusive. No broker-dealer shall employ an agent unless such agent is (1) registered under sections 36b-2 to 36b-34, inclusive, or (2) an associated person who represents a broker-dealer in effecting transactions described in subdivisions (2) and (3) of Section 15(h) of the Securities Exchange Act of 1934. The registration of an agent is not effective during any period when such agent is not associated with

a particular broker-dealer registered under sections 36b-2 to 36b-34, inclusive, or a particular issuer. When an agent begins or terminates a connection with a broker-dealer or issuer, or begins or terminates those activities which make such individual an agent, both the agent and the broker-dealer or issuer shall promptly notify the commissioner.

(c) (1) No person shall transact business in this state as an investment adviser unless registered as such by the commissioner as provided in sections 36b-2 to 36b-34, inclusive, or exempted pursuant to subsection (e) of this section. No person shall transact business, directly or indirectly, in this state as an investment adviser if the registration of such investment adviser is suspended or revoked or, in the case of an investment adviser who is an individual, the investment adviser is barred from employment or association with an investment adviser or broker-dealer by order of the commissioner, the Securities and Exchange Commission or a self-regulatory organization.

(2) No individual shall transact business in this state as an investment adviser agent unless such individual is registered as an investment adviser agent of the investment adviser for which such individual acts in transacting such business. An investment adviser agent registered under sections 36b-2 to 36b-34, inclusive, who refers advisory clients to another investment adviser registered under said sections 36b-2 to 36b-34, inclusive, or to an investment adviser registered with the Securities and Exchange Commission that has filed a notice under subsection (e) of this section, is not required to register as an investment adviser agent of such investment adviser if the only compensation paid for such referral services is paid to the investment adviser with whom the individual is employed or associated. No individual shall transact business, directly or indirectly, in this state as an investment adviser agent on behalf of an investment adviser if the registration of such individual as an investment adviser agent is suspended or revoked or the individual is barred from employment or association with an investment adviser by an order of the commissioner, the Securities and Exchange Commission or a self-regulatory organization.

(3) No investment adviser shall engage an investment adviser agent unless such investment adviser agent is registered under sections 36b-2 to 36b-34, inclusive. The registration of an investment adviser agent is not effective during any period when such investment adviser agent is not associated with a particular investment adviser. When an investment adviser agent begins or terminates a connection with an investment adviser, both the investment adviser agent and the investment adviser shall promptly notify the commissioner. If an investment adviser or investment adviser agent provides such notice, such investment adviser or investment adviser agent shall not be liable for the failure of the other to give such notice.

(d) **[**No**]** Except as provided in subsection (f) of this section, no broker-dealer or investment adviser shall transact business from any place of business located within this state unless that place of business is registered as a branch office with the commissioner pursuant to this subsection. An application for branch office registration shall be made on forms prescribed by the commissioner and shall be filed with the commissioner, together with a nonrefundable application fee of one hundred twenty-five dollars per branch office. A broker-dealer or investment adviser shall promptly notify the commissioner in writing if such broker-dealer or investment adviser (1) engages a new manager at a branch office in this state, (2) acquires a branch office of another broker-dealer or investment adviser in this state, or (3) relocates a branch office in this state. In the case of a branch office acquisition or relocation, such broker-dealer or investment adviser shall pay to the commissioner a nonrefundable fee of one hundred twenty-five dollars. Each registrant or applicant for branch office registration shall pay the actual cost, as determined by the commissioner, of any reasonable investigation or examination made of such registrant or applicant by or on behalf of the commissioner.

(e) The following investment advisers are exempted from the registration requirements under subsection (c) of this section: Any investment adviser that (1) is registered or required to be registered under Section 203 of the Investment Advisers Act of 1940**[**;**]** (2) is

excepted from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940, **[**;**]** or (3) has no place of business in this state and, during the preceding twelve months, has had no more than five clients who are residents of this state. Any investment adviser claiming an exemption pursuant to subdivision (1) of this subsection that is not otherwise excluded under subsection (11) of section 36b-3 **[**,**]** shall first file with the commissioner a notice of exemption together with a consent to service of process as required by subsection (g) of section 36b-33, and shall pay to the commissioner or to any person designated by the commissioner, in writing, to collect such fee on behalf of the commissioner a nonrefundable fee of two hundred seventy-five dollars. The notice of exemption shall contain such information as the commissioner may require. Such notice of exemption shall be valid until December thirty-first of the calendar year in which it was first filed and may be renewed annually thereafter upon submission of such information as the commissioner may require together with a nonrefundable fee of one hundred seventy-five dollars. If any investment adviser that is exempted from registration pursuant to subdivision (1) of this subsection fails or refuses to pay any fee required by this subsection, the commissioner may require such investment adviser to register pursuant to subsection (c) of this section. For purposes of this subsection, a delay in the payment of a fee or an underpayment of a fee which is promptly remedied shall not constitute a failure or refusal to pay such fee.

(f) (1) For the purposes of this subsection:

(A) "Business combination related shell company" means a shell company formed by a nonshell company solely for the purpose of changing the corporate domicile of such nonshell company solely within the United States or solely for the purpose of completing a business combination transaction, as defined in 17 CFR 230.165(f), as amended from time to time, among one or more entities other than the nonshell company itself, none of which is a shell company.

(B) "Control" means the power, directly or indirectly, to direct the

management or policies of a company, whether through ownership of securities, by contract or otherwise. There shall be a presumption of control if, upon completion of a transaction, a buyer or group of buyers:

(i) Has the right to vote at least twenty-five per cent of any class of voting securities or the power to sell or direct the sale of at least twenty-five per cent of any class of voting securities; or

(ii) In the case of a partnership or limited liability company, has the right to receive upon dissolution, or has contributed, at least twenty-five per cent of the capital of the partnership or limited liability company.

(C) "Eligible privately held company" means a company that:

(i) Does not have any class of securities registered, or required to be registered, with the Securities and Exchange Commission under Section 12 of the Securities Exchange Act of 1934, 15 USC 78*l*, as amended from time to time, or with respect to which the company files, or is required to file, periodic information, documents and reports under Section 15(d) of the Securities Exchange Act of 1934, 15 USC 78o(d), as amended from time to time; and

(ii) In the fiscal year ending immediately prior to the fiscal year when the services of a merger and acquisition broker-dealer are first engaged with respect to a securities transaction, the company, as determined in accordance with the historical financial accounting records of such company, meets either or both of the following conditions:

(I) Company earnings before interest, taxes, depreciation and amortization are less than twenty-five million dollars or such other amount as the Securities and Exchange Commission by rule determines; and

(II) Company gross revenues are less than two hundred fifty million dollars or such other amount as the Securities and Exchange Commission by rule determines.

(D) "Merger and acquisition broker-dealer" means a broker-dealer,

and any person associated with such broker-dealer, who, on behalf of a seller or buyer, engages in the business of effecting securities transactions solely in connection with the transfer of ownership of an eligible privately held company, through the purchase, sale, exchange, issuance, repurchase or redemption of, or a business combination involving the purchase, sale, exchange, issuance, repurchase or redemption of, securities or assets of the eligible privately held company, and:

(i) The broker-dealer reasonably believes that, when the transaction is consummated, any person acquiring securities or assets of the eligible privately held company, acting alone or in concert, will control the eligible privately held company or the business conducted with the assets of the eligible privately held company and, directly or indirectly, will be active in the management of the eligible privately held company or the business conducted with the assets of the eligible privately held company. A person shall be deemed active in the management of the eligible privately held company or the business conducted with the assets of the eligible privately held company when such person's activities include, without limitation, electing executive officers, approving the annual budget or serving as an executive or other executive manager; and

(ii) If any person is offered securities in exchange for securities or assets of the eligible privately held company, such person, prior to becoming legally bound to consummate the transaction, receives or will have reasonable access to:

(I) The most recent fiscal year end financial statements of the issuer of the securities as customarily prepared by its management in the normal course of operations and, if the financial statements of the issuer are audited, reviewed or compiled, any related statement by the independent accountant;

(II) A balance sheet dated not more than one hundred twenty days before the date of the exchange offer; and

(III) Information pertaining to the management, business, results of operations for the period covered by the foregoing financial statements and any material loss contingencies of the issuer.

(E) "Shell company" means a company that, at the time of a transaction with an eligible privately held company, has no or nominal operations and has no or nominal assets, assets consisting solely of cash and cash and cash equivalents or assets consisting of any amount of cash and cash equivalents and nominal other assets.

(2) A merger and acquisition broker-dealer and those individuals representing the merger and acquisition broker-dealer solely in performing the services described in this subsection shall be exempt from the registration requirements in subsections (a) and (d) of this section unless the merger and acquisition broker-dealer is disqualified under subdivision (3) of this subsection.

(3) A merger and acquisition broker-dealer shall be ineligible to claim an exemption from registration under this subsection if:

(A) The merger and acquisition broker-dealer, directly or indirectly and in connection with the transfer of ownership of an eligible privately held company, receives, holds, transmits or has custody of the funds or securities to be exchanged by the parties to the transaction;

(B) The merger and acquisition broker-dealer engages, on behalf of an issuer, in a public offering of any class of securities that is registered, or is required to be registered, with the Securities and Exchange Commission under Section 12 of the Securities Exchange Act of 1934, 15 USC 78*l*, as amended from time to time, or with respect to which the issuer files, or is required to file, periodic information, documents and reports under Section 15(d) of the Securities Exchange Act of 1934, 15 USC 78o(d), as amended from time to time;

(C) The merger and acquisition broker-dealer engages, on behalf of any party, in a transaction involving a shell company, other than a business combination related shell company;

(D) The merger and acquisition broker-dealer directly, or indirectly through any of its affiliates, provides financing related to the transfer of ownership of an eligible privately held company;

(E) The merger and acquisition broker-dealer helps any party to obtain financing from an unaffiliated third party without complying with all other applicable laws in connection with such assistance, including, but not limited to, Regulation T, 12 CFR Part 220, as amended from time to time, if applicable, and disclosing any compensation in writing to the party;

(F) The merger and acquisition broker-dealer represents both the buyer and the seller in the same transaction without providing clear written disclosure as to the parties the broker-dealer represents and obtaining written consent from both parties to the joint representation;

(G) The merger and acquisition broker-dealer facilitates a transaction with a group of buyers formed with the assistance of the merger and acquisition broker-dealer to acquire the eligible privately held company;

(H) The merger and acquisition broker-dealer engages in a transaction involving the transfer of ownership of an eligible privately held company to a passive buyer or group of passive buyers;

(I) The merger and acquisition broker-dealer binds a party to a transfer of ownership of an eligible privately held company; or

(J) The merger and acquisition broker-dealer, or any of the merger and acquisition broker-dealer's officers, directors, members, managers, partners, control persons or employees, is subject to a sanction described in subparagraph (C), (D), (E) or (F) of subdivision (2) of subsection (a) of section 36b-15, as amended by this act.

[(f)**]** (g) Any broker-dealer or investment adviser ceasing to transact business at any branch office or main office in this state shall, in addition to providing written notice to the commissioner prior to the termination of business activity at that office, (1) provide written notice to each

customer or client serviced by such office at least ten business days prior to the termination of business activity at that office, or (2) demonstrate to the commissioner, in writing, the reasons why such notice to customers or clients cannot be provided within the time prescribed. If the commissioner finds that the broker-dealer or investment adviser cannot provide notice to customers or clients at least ten business days prior to the termination of business activity, the commissioner may exempt the broker-dealer or investment adviser from giving such notice. The commissioner shall act upon a request for such exemption within five business days following receipt by the commissioner of the written request for such an exemption. The notice to customers or clients shall contain the following information: The date and reasons why business activity will terminate at the office; if applicable, a description of the procedure the customer or client may follow to maintain the customer's account at any other office of the broker-dealer or investment adviser; the procedure for transferring the customer's or client's account to another broker-dealer or investment adviser; and the procedure for making delivery to the customer or client of any funds or securities held by the broker-dealer or investment adviser.

[(g)**]** (h) Any broker-dealer or investment adviser ceasing to transact business at any branch office or main office in this state as a result of executing an agreement and plan of merger or acquisition shall provide written notice to the commissioner and to each customer or client serviced by such office not later than the date such merger or acquisition is completed. The notice provided to each customer or client shall contain the information specified in subsection **[**(f)**]** (g) of this section.

[(h)**]** (i) Any broker-dealer or investment adviser ceasing to transact business at any branch office or main office in this state as a result of the commencement of a bankruptcy proceeding by such broker-dealer or investment adviser or by a creditor or creditors of such broker-dealer or investment adviser shall, immediately upon the filing of a petition with the bankruptcy court, provide written notice to the commissioner. The commissioner shall determine the time and manner in which notice shall be provided to each customer or client serviced by such office.

[(i)**]** (j) (1) A broker-dealer or investment adviser may succeed to the current registration of another broker-dealer or investment adviser or to a notice filing of an investment adviser registered with the Securities and Exchange Commission, and an investment adviser registered with the Securities and Exchange Commission may succeed to the current registration of an investment adviser or to a notice filing of another investment adviser registered with the Securities and Exchange Commission, by filing as a successor an application for registration pursuant to section 36b-7 or a notice pursuant to subsection (e) of this section for the unexpired portion of the current registration or notice filing and paying the fee required by subsection (a) of section 36b-12.

(2) A broker-dealer or investment adviser that changes its form of organization or state of incorporation or organization may continue its registration by filing an amendment to its registration if the change does not involve a material change in its management. The amendment shall become effective when filed or on a date designated by the registrant in its filing. The new organization shall be a successor to the original registrant for the purposes of sections 36b-2 to 36b-34, inclusive. If there is a material change in management, the broker-dealer or investment adviser shall file a new application for registration. A predecessor registered under sections 36b-2 to 36b-34, inclusive, shall stop conducting its securities business or investment advisory business other than winding down transactions and shall file for withdrawal of its broker-dealer or investment adviser registration not later than forty-five days after filing its amendment to effect succession.

(3) A broker-dealer or investment adviser that changes its name may continue its registration by filing an amendment to its registration. The amendment shall become effective when filed or on a date designated by the registrant.

(4) The commissioner may, by regulation adopted **[**,**]** in accordance with chapter 54 **[**,**]** or order, prescribe the means by which a change of control of a broker-dealer or investment adviser may be made.

(5) Nothing in this subsection shall relieve a registrant of its obligation to pay agent and investment adviser agent transfer fees as described in subsection (d) of section 36b-12.

[(j)**]** (k) The commissioner may, by regulation adopted **[**,**]** in accordance with chapter 54 **[**,**]** or order, require an agent or investment adviser agent to participate in a continuing education program approved by the Securities and Exchange Commission and administered by a self-regulatory organization or, in the absence of such a program, the commissioner may require continuing education for registered investment adviser agents by regulation or order.

[(k)**]** (l) For purposes of subsections (d), **[**(f),**]** (g), **[**and**]** (h) and (i) of this section, "investment adviser" means an investment adviser registered or required to be registered with the commissioner.

[(l)**]** (m) The commissioner may by rule, regulation or order, conditionally or unconditionally, exempt from the requirements of this section any person or class of persons upon a finding that such exemption is in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this chapter.

Sec. 23. Subsection (d) of section 36b-21 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(d) (1) Any person who offers or sells a security that is a covered security under Section 18(b)(3) of the Securities Act of 1933 shall file a consent to service of process with the commissioner as required by subsection (g) of section 36b-33 prior to the first offer or sale of such security in this state.

(2) An issuer proposing to offer and sell in this state securities that are covered securities under Section 18(b)(3) of the Securities Act of 1933 in a "Tier 2" offering exempt under Regulation A, 17 CFR 230.251 to 17 CFR 230.263, inclusive, as amended from time to time, shall, at least

twenty-one calendar days prior to the initial sale of securities in this state, file with the commissioner the following: (A) A completed Regulation A - Tier 2 notice filing form and, if the commissioner so requests, copies of all documents filed with the Securities and Exchange Commission in connection with such form; (B) a consent to service of process to the extent such consent is not included on the notice filing form; and (C) a filing fee of two hundred fifty dollars. The initial notice filing shall be effective for twelve months from the date it is filed with the commissioner. For each additional twelve-month period in which the same offering is continued, an issuer conducting a Tier 2 offering under Regulation A, 17 CFR 230.251 to 17 CFR 230.263, inclusive, as amended from time to time, may renew its notice filing on or before the expiration date of the notice filing. An issuer renewing its notice shall file with the commissioner a renewal Regulation A - Tier 2 notice filing form and a renewal fee of two hundred fifty dollars.

Sec. 24. Subsection (a) of section 36b-15 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The commissioner may, by order, deny, suspend or revoke any registration, censure or impose a bar upon any registrant, any partner, officer or director of any registrant or any other person directly or indirectly controlling any registrant, or, by order, restrict or impose conditions on the securities or investment advisory activities that an applicant or registrant may perform in this state if the commissioner finds that (1) the order is in the public interest, and (2) the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer **[**,**]** or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser: (A) Has filed an application for registration which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in light of the circumstances under which it was made, false or misleading with respect to any material fact; (B) has wilfully violated or

wilfully failed to comply with any provision of sections 36b-2 to 36b-34, inclusive, or a predecessor statute or any regulation or order under said sections or a predecessor statute; (C) has been convicted, within the past ten years, of any misdemeanor involving a security, any aspect of a business involving securities, commodities, investments, franchises, business opportunities, insurance, banking or finance, or any felony, provided any denial, suspension or revocation of such registration shall be in accordance with the provisions of section 46a-80; (D) is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of a business involving securities, commodities, investments, franchises, business opportunities, insurance, banking or finance; (E) is the subject of a cease and desist order of the commissioner or an order of the commissioner denying, suspending **[**,**]** or revoking registration as a broker-dealer, agent, investment adviser or investment adviser agent; (F) is the subject of any of the following sanctions that are currently effective or were imposed within the past ten years: (i) An order issued by the securities administrator of any other state or by the Securities and Exchange Commission or the Commodity Futures Trading Commission denying, suspending or revoking registration as a broker-dealer, agent, investment adviser, investment adviser agent or a person required to be registered under the Commodity Exchange Act, 7 USC 1 et seq., as from time to time amended, and the rules and regulations thereunder, or the substantial equivalent of those terms, as defined in sections 36b-2 to 36b-34, inclusive, (ii) an order of the Securities and Exchange Commission or Commodity Futures Trading Commission suspending or expelling such applicant, registrant or person from a national securities or commodities exchange or national securities or commodities association registered under the Securities Exchange Act of 1934 or the Commodity Exchange Act, 7 USC 1 et seq., as from time to time amended, or, in the case of an individual, an order of the Securities and Exchange Commission or an equivalent order of the Commodity Futures Trading Commission barring such individual from association with a broker-dealer or an investment adviser, (iii) a suspension, expulsion or other sanction issued by a national securities

exchange or other self-regulatory organization registered under federal laws administered by the Securities and Exchange Commission or the Commodity Futures Trading Commission if the effect of the sanction has not been stayed or overturned by appeal or otherwise, (iv) a United States Post Office fraud order, (v) a denial, suspension, revocation or other sanction issued by the commissioner or any other state or federal financial services regulator based upon nonsecurities violations of any state or federal law under which a business involving investments, franchises, business opportunities, insurance, banking or finance is regulated, or (vi) a cease and desist order entered by the Securities and Exchange Commission, a self-regulatory organization or the securities agency or administrator of any other state or Canadian province or territory; but the commissioner may not (I) institute a revocation or suspension proceeding under this subparagraph more than five years from the date of the sanction relied on, and (II) enter an order under this subparagraph on the basis of an order under any other state act unless that order was based on facts which would constitute a ground for an order under this section; (G) may be denied registration under federal law as a broker-dealer, agent, investment adviser, investment adviser agent or as a person required to be registered under the Commodity Exchange Act, 7 USC 1 et seq., as from time to time amended, and the rules and regulations promulgated thereunder, or the substantial equivalent of those terms as defined in sections 36b-2 to 36b-34, inclusive; (H) has engaged in fraudulent, dishonest or unethical practices in the securities, commodities, investment, franchise, business opportunity, banking, finance or insurance business, including abusive sales practices in the business dealings of such applicant, registrant or person with current or prospective customers or clients; (I) is insolvent, either in the sense that the liabilities of such applicant, registrant or person exceed the assets of such applicant, registrant or person, or in the sense that such applicant, registrant or person cannot meet the obligations of such applicant, registrant or person as they mature; but the commissioner may not enter an order against a broker-dealer or investment adviser under this subparagraph without a finding of insolvency as to the broker-dealer or investment adviser; (J) is not

qualified on the basis of such factors as training, experience, and knowledge of the securities business, except as otherwise provided in subsection (b) of this section; (K) has failed reasonably to supervise: (i) The agents or investment adviser agents of such applicant or registrant, if the applicant or registrant is a broker-dealer or investment adviser; or (ii) the agents of a broker-dealer or investment adviser agents of an investment adviser, if such applicant, registrant or other person is or was an agent, investment adviser agent or other person charged with exercising supervisory authority on behalf of a broker-dealer or investment adviser; (L) in connection with any investigation conducted pursuant to section 36b-26 or any examination under subsection (d) of section 36b-14, has made any material misrepresentation to the commissioner or upon request made by the commissioner, has withheld or concealed material information from, or refused to furnish material information to the commissioner, provided, there shall be a rebuttable presumption that any records, including, but not limited to, written, visual, audio, magnetic or electronic records, computer printouts and software, and any other documents, that are withheld or concealed from the commissioner in connection with any such investigation or examination are material, unless such presumption is rebutted by substantial evidence; (M) has wilfully aided, abetted, counseled, commanded, induced or procured a violation of any provision of sections 36b-2 to 36b-34, inclusive, or a predecessor statute or any regulation or order under such sections or a predecessor statute; (N) after notice and opportunity for a hearing, has been found within the previous ten years: (i) By a court of competent jurisdiction, to have wilfully violated the laws of a foreign jurisdiction under which the business of securities, commodities, investments, franchises, business opportunities, insurance, banking or finance is regulated; (ii) to have been the subject of an order of a securities regulator of a foreign jurisdiction denying, revoking or suspending the right to engage in the business of securities as a broker-dealer, agent, investment adviser, investment adviser agent or similar person; or (iii) to have been suspended or expelled from membership by or participation in a securities exchange or securities association operating under the

securities laws of a foreign jurisdiction. As used in this subparagraph, "foreign" means a jurisdiction outside of the United States; or (O) has failed to pay the proper filing fee; but the commissioner may enter only a denial order under this subparagraph, and the commissioner shall vacate any such order when the deficiency has been corrected. The commissioner may not institute a suspension or revocation proceeding on the basis of a fact or transaction known to the commissioner when the registration became effective unless the proceeding is instituted within one hundred eighty days of the effective date of such registration.

Sec. 25. (NEW) (*Effective October 1, 2024*) Any mortgage lender, as defined in section 36a-485 of the general statutes, that offers to make a shared appreciation agreement, as defined in section 36a-485 of the general statutes, shall, not later than three business days after the prospective borrower under such proposed agreement submits an application to such mortgage lender for such proposed agreement, disclose to such prospective borrower, in writing:

(1) The following statement, which shall be clear, conspicuous and in at least twelve-point font: "You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage and shared interest in your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan. You may wish to consult an attorney.";

(2) Financial information relevant to the proposed shared appreciation agreement, including, but not limited to, whether such proposed agreement is terminated through repayment, which repayment may include the mortgage lender's receipt of some or all of the proceeds from a sale of the dwelling or residential real estate that is the subject of such proposed agreement if such proposed agreement is terminated by such sale;

(3) Agreement and transaction details for the proposed shared

appreciation agreement, including, but not limited to, the mortgage lender's contact information, the transaction amount, the sum of cash to be paid to the prospective borrower, the starting value for appreciation sharing, the term of the proposed agreement and the estimated current fair market value of the dwelling or residential real estate that is the subject of such proposed agreement;

(4) The method of determining the current fair market value of the dwelling or residential real estate that is the subject of the proposed shared appreciation agreement;

(5) The method of determining the final value of the dwelling or residential real estate that is the subject of the proposed shared appreciation agreement upon termination of such proposed agreement;

(6) The interest charged, if applicable;

(7) The limit of the mortgage lender's share of appreciation or equity in the dwelling or residential real estate that is the subject of the proposed shared appreciation agreement;

(8) An advisory that the prospective borrower consult such borrower's tax advisor on the potential tax implications of the proposed shared appreciation agreement;

(9) Repayment examples for the proposed shared appreciation agreement based upon, at minimum:

(A) Settlement of such proposed agreement after five years, ten years, fifteen years and thirty years, in each case up to the maximum term of such proposed agreement; and

(B) (i) No change in the market value of the dwelling or residential real estate that is the subject of such proposed agreement, and (ii) changes in the market value of the dwelling or residential real estate that is the subject of such proposed agreement (I) at the rate of ten per cent total depreciation over the term of such proposed agreement, (II) at the annual rate of three and one-half per cent appreciation, (III) at the

annual rate of five and one-half per cent appreciation, and (IV) reflecting the actual average rate of appreciation or depreciation for all dwellings or residential real estate in this state during the period that is equal to the term of such proposed agreement and that occurred immediately prior to such term, based upon the most recent quarterly data published by the Federal Reserve Bank of St. Louis; and

(10) The following information and corresponding calculations for the proposed shared appreciation agreement, if applicable:

(A) The calculated appreciation amount;

(B) The appreciation-based charge;

(C) The accrued or charged interest;

(D) The principal amount to be repaid;

(E) The mortgage lender's total calculated share of appreciation or equity;

(F) Any limit to the mortgage lender's share of appreciation or equity; and

(G) For each of the repayment scenarios specified in subdivision (9) of this section:

(i) The actual amount of money to be paid by the prospective borrower to the mortgage lender, inclusive of any unconditional administrative fees or reimbursement of protective advances that are required to be paid at the time of the settlement of such proposed agreement; and

(ii) The total cost to the prospective borrower expressed as an annual percentage rate, to allow the prospective borrower to compare, under each such repayment scenario, the cost at the time of the settlement of such proposed agreement with the cost of a traditional mortgage loan.

Sec. 26. Section 36a-2 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

As used in this title, unless the context otherwise requires:

(1) "Affiliate" of a person means any person controlling, controlled by, or under common control with, that person;

(2) "Applicant" with respect to any license or approval provision pursuant to this title means a person who applies for that license or approval;

(3) "Automated teller machine" means a stationary or mobile device that is unattended or equipped with a telephone or televideo device that allows contact with bank personnel, including a satellite device but excluding a **[**point of sale**]** point-of-sale terminal, at which banking transactions, including, but not limited to, deposits, withdrawals, advances, payments or transfers, may be conducted;

(4) "Bank" means a Connecticut bank or a federal bank;

(5) "Bank and trust company" means an institution chartered or organized under the laws of this state as a bank and trust company;

(6) "Bank holding company" has the meaning given to that term in 12 USC Section 1841(a), as amended from time to time, except that the term "bank", as used in 12 USC Section 1841(a), includes a bank or out-of-state bank that functions solely in a trust or fiduciary capacity;

(7) "Capital and surplus" has the same meaning as provided in 12 CFR 1.2, as amended from time to time;

(8) "Capital stock" when used in conjunction with any bank or out-of-state bank means a bank or out-of-state bank that is authorized to accumulate funds through the issuance of its capital stock;

(9) "Client" means a beneficiary of a trust for whom the Connecticut

bank acts as trustee, a person for whom the Connecticut bank acts as agent, custodian or bailee, or other person to whom a Connecticut bank owes a duty or obligation under a trust or other account administered by such Connecticut bank, regardless of whether such Connecticut bank owes a fiduciary duty to the person;

(10) "Club deposit" means deposits to be received at regular intervals, the whole amount deposited to be withdrawn by the owner or repaid by the bank in not more than fifteen months from the date of the first deposit, and upon which no interest or dividends need to be paid;

(11) "Commissioner" means the Banking Commissioner and, with respect to any function of the commissioner, includes any person authorized or designated by the commissioner to carry out that function;

(12) "Company" means any corporation, joint stock company, trust, association, partnership, limited partnership, unincorporated organization, limited liability company or similar organization, but does not include (A) any corporation the majority of the shares of which are owned by the United States or by any state, or (B) any trust which by its terms shall terminate within twenty-five years or not later than twenty-one years and ten months after the death of beneficiaries living on the effective date of the trust;

(13) "Connecticut bank" means a bank and trust company, savings bank or savings and loan association chartered or organized under the laws of this state;

(14) "Connecticut credit union" means a cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited as provided in section 36a-438a, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership;

(15) "Connecticut credit union service organization" means a credit union service organization that is (A) incorporated under the laws of this state, located in this state and established by at least one Connecticut credit union, or (B) wholly owned by a credit union that converted into a Connecticut credit union pursuant to section 36a-469b;

(16) "Consolidation" means a combination of two or more institutions into a new institution; all institutions party to the consolidation, other than the new institution, are "constituent" institutions; the new institution is the "resulting" institution;

(17) "Control" has the meaning given to that term in 12 USC Section 1841(a), as amended from time to time;

(18) "Credit union service organization" means an entity organized under state or federal law to provide credit union service organization services primarily to its members, to Connecticut credit unions, federal credit unions and out-of-state credit unions other than its members, and to members of any such other credit unions;

(19) "Customer" means any person using a service offered by a financial institution;

(20) "Demand account" means an account into which demand deposits may be made;

(21) "Demand deposit" means a deposit that is payable on demand, a deposit issued with an original maturity or required notice period of less than seven days or a deposit representing funds for which the bank does not reserve the right to require at least seven days' written notice of the intended withdrawal, but does not include any time deposit;

(22) "Deposit" means funds deposited with a depository;

(23) "Deposit account" means an account into which deposits may be made;

(24) "Depositor" includes a member of a mutual savings and loan

association;

(25) "Director" means a member of the governing board of a financial institution;

(26) "Equity capital" means the excess of a Connecticut bank's total assets over its total liabilities, as defined in the instructions of the federal Financial Institutions Examination Council for consolidated reports of condition and income;

(27) "Executive officer" means every officer of a Connecticut bank who participates or has authority to participate, otherwise than in the capacity of a director, in major policy-making functions of such bank, regardless of whether such officer has an official title or whether that title contains a designation of assistant and regardless of whether such officer is serving without salary or other compensation. The president, vice president, secretary and treasurer of such bank are deemed to be executive officers, unless, by resolution of the governing board or by such bank's bylaws, any such officer is excluded from participation in major policy-making functions, otherwise than in the capacity of a director of such bank, and such officer does not actually participate in such policy-making functions;

(28) "Federal agency" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

(29) "Federal bank" means a national banking association, federal savings bank or federal savings and loan association having its principal office in this state;

(30) "Federal branch" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

(31) "Federal credit union" means any institution chartered or organized as a federal credit union pursuant to the laws of the United States having its principal office in this state;

(32) "Fiduciary" means a person undertaking to act alone or jointly

with others primarily for the benefit of another or others in all matters connected with its undertaking and includes a person acting in the capacity of trustee, executor, administrator, guardian, assignee, receiver, conservator, agent, custodian under the Connecticut Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting in any other similar capacity;

(33) "Financial institution" means any Connecticut bank, Connecticut credit union, or other person whose activities in this state are subject to the supervision of the commissioner, but does not include a person whose activities are subject to the supervision of the commissioner solely pursuant to chapter 672a, 672b or 672c or any combination thereof;

(34) "Foreign bank" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

(35) "Foreign country" means any country other than the United States and includes any colony, dependency or possession of any such country;

(36) "Governing board" means the group of persons vested with the management of the affairs of a financial institution irrespective of the name by which such group is designated;

(37) "Holding company" means a bank holding company or a savings and loan holding company, except, as used in sections 36a-180 to 36a-191, inclusive, "holding company" means a company that controls a bank;

(38) "Innovation bank" means a Connecticut bank that does not accept retail deposits, but may accept nonretail deposits which are eligible for insurance from the Federal Deposit Insurance Corporation or the Federal Deposit Insurance Corporation's successor agency;

[(38)**]** (39) "Insured depository institution" has the meaning given to that term in 12 USC Section 1813, as amended from time to time;

[(39)**]** (40) "Licensee" means any person who is licensed or required to be licensed pursuant to the applicable provisions of this title;

[(40)**]** (41) "Loan" includes any line of credit or other extension of credit;

[(41)**]** (42) "Loan production office" means an office of a bank or out-of-state bank, other than a foreign bank, whose activities are limited to loan production and solicitation;

[(42)**]** (43) "Merger" means the combination of one or more institutions with another which continues its corporate existence; all institutions party to the merger are "constituent" institutions; the merging institution which upon the merger continues its existence is the "resulting" institution;

[(43)**]** (44) "Mutual" when used in conjunction with any institution that is a bank or out-of-state bank means any such institution without capital stock;

[(44)**]** (45) "Mutual holding company" means a mutual holding company organized under sections 36a-192 to 36a-199, inclusive, and unless otherwise indicated, a subsidiary holding company controlled by a mutual holding company organized under sections 36a-192 to 36a-199, inclusive;

[(45)**]** (46) "Out-of-state" includes any state other than Connecticut and any foreign country;

[(46)**]** (47) "Out-of-state bank" means any institution that engages in the business of banking, but does not include a bank, Connecticut credit union, federal credit union or out-of-state credit union;

[(47)**]** (48) "Out-of-state credit union" means any credit union other than a Connecticut credit union or a federal credit union;

[(48)**]** (49) "Out-of-state trust company" means any company chartered to act as a fiduciary but does not include a company chartered

under the laws of this state, a bank, an out-of-state bank, a Connecticut credit union, a federal credit union or an out-of-state credit union;

[(49)**]** (50) "Person" means an individual, company, including a company described in subparagraphs (A) and (B) of subdivision (12) of this section, or any other legal entity, including a federal, state or municipal government or agency or any political subdivision thereof;

[(50) "Point of sale terminal"**]** (51) "Point-of-sale terminal" means a device located in a commercial establishment at which sales transactions can be charged directly to the buyer's deposit, loan or credit account, but at which deposit transactions cannot be conducted;

[(51)**]** (52) "Prepayment penalty" means any charge or penalty for paying all or part of the outstanding balance owed on a loan before the date on which the principal is due and includes computing a refund of unearned interest by a method that is less favorable to the borrower than the actuarial method, as defined by Section 933(d) of the Housing and Community Development Act of 1992, 15 USC 1615(d), as amended from time to time;

[(52)**]** (53) "Reorganized savings bank" means any savings bank incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(53)**]** (54) "Reorganized savings and loan association" means any savings and loan association incorporated and organized in accordance with sections 36a-192 and 36a-193;

[(54)**]** (55) "Reorganized savings institution" means any reorganized savings bank or reorganized savings and loan association;

[(55)**]** (56) "Representative office" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(56)**]** (57) "Reserves for loan and lease losses" means the amounts reserved by a Connecticut bank against possible loan and lease losses as shown on the bank's consolidated reports of condition and income;

[(57)**]** (58) "Retail deposits" means any deposits made by individuals who are not "accredited investors", as defined in 17 CFR 230.501(a);

[(58)**]** (59) "Satellite device" means an automated teller machine which is not part of an office of the bank, Connecticut credit union or federal credit union which has established such machine;

[(59)**]** (60) "Savings account" means a deposit account, other than an escrow account established pursuant to section 49-2a, into which savings deposits may be made and which account must be evidenced by periodic statements delivered at least semiannually or by a passbook;

[(60)**]** (61) "Savings and loan association" means an institution chartered or organized under the laws of this state as a savings and loan association;

[(61)**]** (62) "Savings bank" means an institution chartered or organized under the laws of this state as a savings bank;

[(62)**]** (63) "Savings deposit" means any deposit other than a demand deposit or time deposit on which interest or a dividend is paid periodically;

[(63)**]** (64) "Savings and loan holding company" has the meaning given to that term in 12 USC Section 1467a, as amended from time to time;

[(64)**]** (65) "Share account holder" means a person who maintains a share account in a Connecticut credit union, federal credit union or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b;

[(65)**]** (66) "State" means any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the trust territory of the Pacific Islands, the Virgin Islands and the Northern Mariana Islands;

[(66)**]** (67) "State agency" has the meaning given to that term in 12 USC

Section 3101, as amended from time to time;

[(67)**]** (68) "State branch" has the meaning given to that term in 12 USC Section 3101, as amended from time to time;

[(68)**]** (69) "Subsidiary" has the meaning given to that term in 12 USC Section 1841(d), as amended from time to time;

[(69)**]** (70) "Subsidiary holding company" means a stock holding company, controlled by a mutual holding company, that holds one hundred per cent of the stock of a reorganized savings institution;

[(70)**]** (71) "Supervisory agency" means: (A) The commissioner; (B) the Federal Deposit Insurance Corporation; (C) the Resolution Trust Corporation; (D) the Office of Thrift Supervision; (E) the National Credit Union Administration; (F) the Board of Governors of the Federal Reserve System; (G) the United States Comptroller of the Currency; (H) the Bureau of Consumer Financial Protection; and (I) any successor to any of the foregoing agencies or individuals;

[(71)**]** (72) "System" means the Nationwide Mortgage Licensing System and Registry, NMLS, NMLSR or such other name or acronym as may be assigned to the multistate system developed by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators and owned and operated by the State Regulatory Registry, LLC, or any successor or affiliated entity, for the licensing and registration of persons in the mortgage and other financial services industries;

[(72)**]** (73) "Time account" means an account into which time deposits may be made;

[(73)**]** (74) "Time deposit" means a deposit that the depositor or share account holder does not have a right and is not permitted to make withdrawals from within six days after the date of deposit, unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after

deposit, subject to those exceptions permissible under 12 CFR Part 204, as amended from time to time; and

[(74)**]** (75) "Trust bank" means a Connecticut bank organized to function solely in a fiduciary capacity. **[**; and

(75) "Uninsured bank" means a Connecticut bank that does not accept retail deposits and for which insurance of deposits by the Federal Deposit Insurance Corporation or its successor agency is not required.**]**

Sec. 27. Subsection (e) of section 36a-65 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(e) (1) If the commissioner determines that the assessment to be collected from an **[**uninsured**]** innovation bank or a trust bank pursuant to subdivision (1) of subsection (a) of this section is unreasonably low or high based on the size and risk profile of the bank, the commissioner may require such bank to pay a fee in lieu of such assessment. Each such bank shall pay such fee to the commissioner not later than the date specified by the commissioner for payment. If payment of such fee is not made by the time specified by the commissioner, such bank shall pay to the commissioner an additional two hundred dollars.

(2) Any **[**uninsured**]** innovation bank required to pay a fee in lieu of assessment shall also pay to the commissioner the actual cost of the examination of such bank, as such cost is determined by the commissioner.

Sec. 28. Subsections (n) to (u), inclusive, of section 36a-70 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(n) The Connecticut bank shall not commence business until: (1) A final certificate of authority has been issued in accordance with subsection (l) of this section, (2) except in the case of a trust bank, an interim Connecticut bank organized pursuant to subsection (p) of this

section, or an [uninsured] innovation bank organized pursuant to subsection (t) of this section, until its insurable accounts or deposits are insured by the Federal Deposit Insurance Corporation or its successor agency, and (3) it has complied with the requirements of subsection (u) of this section, if applicable. The acceptance of subscriptions for deposits by a mutual savings bank or mutual savings and loan association as may be necessary to obtain insurance by the Federal Deposit Insurance Corporation or its successor agency shall not be considered to be commencing business. No Connecticut bank other than a trust bank may exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the commissioner.

(o) Prior to the issuance of a final certificate of authority to commence business in accordance with subsection (l) of this section, the Connecticut bank shall pay to the State Treasurer a franchise tax, together with a filing fee of twenty dollars for the required papers. The franchise tax for a mutual savings bank and mutual savings and loan association shall be thirty dollars. The franchise tax for all capital stock Connecticut banks shall be one cent per share up to and including the first ten thousand authorized shares, one-half cent per share for each authorized share in excess of ten thousand shares up to and including one hundred thousand shares, one-quarter cent per share for each authorized share in excess of one hundred thousand shares up to and including one million shares and one-fifth cent per share for each authorized share in excess of one million shares.

(p) (1) One or more persons may organize an interim Connecticut bank solely (A) for the acquisition of an existing bank, whether by acquisition of stock, by acquisition of assets, or by merger or consolidation, or (B) to facilitate any other corporate transaction authorized by this title in which the commissioner has determined that such transaction has adequate regulatory supervision to justify the organization of an interim Connecticut bank. Such interim Connecticut bank shall not accept deposits or otherwise commence business. Subdivision (2) of subsection (c) and subsections (d), (f), (g), (h) and (o)

of this section shall not apply to the organization of an interim bank, provided the commissioner may, in the commissioner's discretion, order a hearing under subsection (e) or require that the organizers publish or mail the proposed certificate of incorporation or both. The approving authority for an interim Connecticut bank shall be the commissioner acting alone. If the approving authority determines that the organization of the interim Connecticut bank complies with applicable law, the approving authority shall issue a temporary certificate of authority conditioned on the approval by the appropriate supervisory agency of the corporate transaction for which the interim Connecticut bank is formed.

(2) (A) Notwithstanding any provision of this title, for the period from June 13, 2011, to September 30, 2013, inclusive, one or more persons may apply to the commissioner for the conditional preliminary approval of one or more expedited Connecticut banks organized primarily for the purpose of assuming liabilities and purchasing assets from the Federal Deposit Insurance Corporation when the Federal Deposit Insurance Corporation is acting as receiver or conservator of an insured depository institution. The application shall be made on a form acceptable to the commissioner and shall be executed and acknowledged by the applicant or applicants. Such application shall contain sufficient information for the commissioner to evaluate (i) the amount, type and sources of capital that would be available to the bank or banks; (ii) the ownership structure and holding companies, if any, over the bank or banks; (iii) the identity, biographical information and banking experience of each of the initial organizers and prospective initial directors, senior executive officers and any individual, group or proposed shareholders of the bank that will own or control ten per cent or more of the stock of the bank or banks; (iv) the overall strategic plan of the organizers and investors for the bank or banks; and (v) a preliminary business plan outlining intended product and business lines, retail branching plans and capital, earnings and liquidity projections. The commissioner, acting alone, shall grant conditional preliminary approval of such application to organize if the

commissioner determines that the organizers have available sufficient committed funds to invest in the bank or banks; the organizers and proposed directors possess capacity and fitness for the duties and responsibilities with which they will be charged; the proposed bank or banks have a reasonable chance of success and will be operated in a safe and sound manner; and the fee for investigating and processing the application has been paid in accordance with subparagraph (H) of subdivision (1) of subsection (d) of section 36a-65. Such preliminary approval shall be subject to such conditions as the commissioner deems appropriate, including the requirements that the bank or banks not commence the business of a Connecticut bank until after their bid or application for a particular insured depository institution is accepted by the Federal Deposit Insurance Corporation, that the background checks are satisfactory, and that the organizers submit, for the safety and soundness review by the commissioner, more detailed operating plans and current financial statements as potential acquisition transactions are considered, and such plans and statements are satisfactory to the commissioner. The commissioner may alter, suspend or revoke the conditional preliminary approval if the commissioner deems any interim development warrants such action. The conditional preliminary approval shall expire eighteen months from the date of approval, unless extended by the commissioner.

(B) The commissioner shall not issue a final certificate of authority to commence the business of a Connecticut bank or banks under this subdivision until all conditions and preopening requirements and applicable state and federal regulatory requirements have been met and the fee for issuance of a final certificate of authority for an expedited Connecticut bank has been paid in accordance with subparagraph (M) of subdivision (1) of subsection (d) of section 36a-65. The commissioner may waive any requirement under this title or regulations adopted under this title that is necessary for the consummation of an acquisition involving an expedited Connecticut bank if the commissioner finds that such waiver is advisable and in the interest of depositors or the public, provided the commissioner shall not waive the requirement that the

institution's insurable accounts or deposits be federally insured. Any such waiver granted by the commissioner under this subparagraph shall be in writing and shall set forth the reason or reasons for the waiver. The commissioner may impose conditions on the final certificate of authority as the commissioner deems necessary to ensure that the bank will be operated in a safe and sound manner. The commissioner shall cause notice of the issuance of the final certificate of authority to be published in the department's weekly bulletin.

(q) (1) As used in this subsection, "bankers' bank" means a Connecticut bank that is (A) owned exclusively by (i) any combination of banks, out-of-state banks, Connecticut credit unions, federal credit unions, or out-of-state credit unions, or (ii) a bank holding company that is owned exclusively by any such combination, and (B) engaged exclusively in providing services for, or that indirectly benefit, other banks, out-of-state banks, Connecticut credit unions, federal credit unions, or out-of-state credit unions and their directors, officers and employees.

(2) One or more persons may organize a bankers' bank in accordance with the provisions of this section, except that subsections (g) and (h) of this section shall not apply. The approving authority for a bankers' bank shall be the commissioner acting alone. Before granting a temporary certificate of authority in the case of an application to organize a bankers' bank, the approving authority shall consider (A) whether the proposed bankers' bank will facilitate the provision of services that such banks, out-of-state banks, Connecticut credit unions, federal credit unions, or out-of-state credit unions would not otherwise be able to readily obtain, and (B) the character and experience of the proposed directors and officers. The application to organize a bankers' bank shall be approved if the approving authority determines that the interest of the public will be directly or indirectly served to advantage by the establishment of the proposed bankers' bank, and the proposed directors possess capacity and fitness for the duties and responsibilities with which they will be charged.

(3) A bankers' bank shall have all of the powers of and be subject to all of the requirements applicable to a Connecticut bank under this title which are not inconsistent with this subsection, except to the extent the commissioner limits such powers by regulation. Upon the written request of a bankers' bank, the commissioner may waive specific requirements of this title and the regulations adopted thereunder if the commissioner finds that (A) the requirement pertains primarily to banks that provide retail or consumer banking services and is inconsistent with this subsection, and (B) the requirement may impede the ability of the bankers' bank to compete or to provide desired services to its market provided, any such waiver and the commissioner's findings shall be in writing and shall be made available for public inspection.

(4) The commissioner may adopt regulations, in accordance with chapter 54, to administer the provisions of this subsection.

(r) (1) As used in this subsection and section 36a-139, "community bank" means a Connecticut bank that is organized pursuant to this subsection and is subject to the provisions of this subsection and section 36a-139.

(2) One or more persons may organize a community bank in accordance with the provisions of this section, except that subsection (g) of this section shall not apply. Any such community bank shall commence business with a minimum equity capital of at least three million dollars. The approving authority for a community bank shall be the commissioner acting alone. In addition to the considerations and determinations required by subsection (h) of this section, before granting a temporary certificate of authority to organize a community bank, the approving authority shall determine that (A) each of the proposed directors and proposed executive officers, as defined in subparagraph (D) of subdivision (3) of this subsection, possesses capacity and fitness for the duties and responsibilities with which such director or officer will be charged, and (B) there is satisfactory community support for the proposed community bank based on evidence of such support provided by the organizers to the approving

authority. If the approving authority cannot make such determination with respect to any such proposed director or proposed executive officer, the approving authority may refuse to allow such proposed director or proposed executive officer to serve in such capacity in the proposed community bank.

(3) A community bank shall have all of the powers of and be subject to all of the requirements and limitations applicable to a Connecticut bank under this title which are not inconsistent with this subsection, except: (A) No community bank may (i) exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the approving authority, (ii) establish and maintain one or more mutual funds, (iii) invest in derivative securities other than mortgage-backed securities fully guaranteed by governmental agencies or government sponsored agencies, (iv) own any real estate for the present or future use of the bank unless the approving authority finds, based on an independently prepared analysis of costs and benefits, that it would be less costly to the bank to own instead of lease such real estate, or (v) make mortgage loans secured by nonresidential real estate the aggregate amount of which, at the time of origination, exceeds ten per cent of all assets of such bank; (B) the aggregate amount of all loans made by a community bank shall not exceed eighty per cent of the total deposits held by such bank; (C) (i) the total direct or indirect liabilities of any one obligor, whether or not fully secured and however incurred, to any community bank, exclusive of such bank's investment in the investment securities of such obligor, shall not exceed at the time incurred ten per cent of the equity capital and reserves for loan and lease losses of such bank, and (ii) the limitations set forth in subsection (a) of section 36a-262 shall apply to this subparagraph; and (D) the limitations set forth in subsection (a) of section 36a-263 shall apply to all community banks, provided, a community bank may (i) make a mortgage loan to any director or executive officer secured by premises occupied or to be occupied by such director or officer as a primary residence, (ii) make an educational loan to any director or executive officer for the education of any child of

such director or executive officer, and (iii) extend credit to any director or executive officer in an amount not exceeding ten thousand dollars for extensions of credit not otherwise specifically authorized in this subparagraph. The aggregate amount of all loans or extensions of credit made by a community bank pursuant to this subparagraph shall not exceed thirty-three and one-third per cent of the equity capital and reserves for loan and lease losses of such bank. As used in this subparagraph, "executive officer" means every officer of a community bank who participates or has authority to participate, other than in the capacity of a director, in major policy-making functions of the bank, regardless of whether such officer has an official title or whether such officer serves without salary or other compensation. The vice president, chief financial officer, secretary and treasurer of a community bank are presumed to be executive officers unless, by resolution of the governing board or by the bank's bylaws, any such officer is excluded from participation in major policy-making functions, other than in the capacity of a director of the bank, and such officer does not actually participate in major policy-making functions.

(4) The audit and examination requirements set forth in section 36a-86 shall apply to each community bank.

(5) The commissioner may adopt regulations, in accordance with chapter 54, to administer the provisions of this subsection and section 36a-139.

(s) (1) As used in this subsection, "community development bank" means a Connecticut bank that is organized to serve the banking needs of a well-defined neighborhood, community or other geographic area as determined by the commissioner, primarily, but not exclusively, by making commercial loans in amounts of one hundred fifty thousand dollars or less to existing businesses or to persons seeking to establish businesses located within such neighborhood, community or geographic area.

(2) One or more persons may organize a community development

bank in accordance with the provisions of this section, except that subsection (g) of this section shall not apply. The approving authority for a community development bank shall be the commissioner acting alone. Any such community development bank shall commence business with a minimum equity capital determined by the commissioner to be appropriate for the proposed activities of such bank, provided, if such proposed activities include accepting deposits, such minimum equity capital shall be sufficient to enable such deposits to be insured by the Federal Deposit Insurance Corporation or its successor agency.

(3) The state, acting through the State Treasurer, may be the sole organizer of a community development bank or may participate with any other person or persons in the organization of any community development bank, and may own all or a part of any capital stock of such bank. No application fee shall be required under subparagraph (H) of subdivision (1) of subsection (d) of section 36a-65 and no franchise tax shall be required under subsection (o) of this section for any community development bank organized by or in participation with the state.

(4) In addition to the considerations and determinations required by subsection (h) of this section, before granting a temporary certificate of authority to organize a community development bank, the approving authority shall determine that (A) each of the proposed directors and proposed executive officers possesses capacity and fitness for the duties and responsibilities with which such director or officer will be charged, and (B) there is satisfactory community support for the proposed community development bank based on evidence of such support provided by the organizers to the approving authority. If the approving authority cannot make such determination with respect to any such proposed director or proposed executive officer, the approving authority may refuse to allow such proposed director or proposed executive officer to serve in such capacity in the proposed community development bank. As used in this subdivision, "executive officer" means every officer of a community development bank who participates or has authority to participate, other than in the capacity of

a director, in major policy-making functions of the bank, regardless of whether such officer has an official title or whether such officer serves without salary or other compensation. The vice president, chief financial officer, secretary and treasurer of a community development bank are presumed to be executive officers unless, by resolution of the governing board or by the bank's bylaws, any such officer is excluded from participation in major policy-making functions, other than in the capacity of a director of the bank, and such officer does not actually participate in major policy-making functions.

(5) Notwithstanding any contrary provision of this title: (A) The commissioner may limit the powers that may be exercised by a community development bank or impose conditions on the exercise by such bank of any power allowed by this title as the commissioner deems necessary in the interest of the public and for the safety and soundness of the community development bank, provided, any such limitations or conditions, or both, shall be set forth in the final certificate of authority issued in accordance with subsection (l) of this section; and (B) the commissioner may waive in writing any requirement imposed on a community development bank under this title or any regulation adopted under this title if the commissioner finds that such requirement is inconsistent with the powers that may be exercised by such community development bank under its final certificate of authority.

(6) The commissioner may adopt regulations, in accordance with chapter 54, to carry out the provisions of this subsection.

(t) (1) One or more persons may organize an **[**uninsured**]** innovation bank in accordance with the provisions of this section, except that subsection (g) of this section shall not apply. The approving authority for an **[**uninsured**]** innovation bank shall be the commissioner acting alone. Any such **[**uninsured**]** innovation bank shall commence business with a minimum equity capital of at least five million dollars unless the commissioner establishes a different minimum capital requirement for such **[**uninsured**]** innovation bank based upon its proposed activities.

(2) An [uninsured] innovation bank shall have all of the powers of and be subject to all of the requirements and limitations applicable to a Connecticut bank under this title which are not inconsistent with this subsection, except no [uninsured] innovation bank may accept retail deposits and, notwithstanding any provision of this title, sections 36a-30 to 36a-34, inclusive, do not apply to [uninsured] innovation banks.

(3) (A) An [uninsured] innovation bank shall display conspicuously, at each window or other place where deposits are usually accepted, a sign stating that deposits are not insured by the Federal Deposit Insurance Corporation or its successor agency.

(B) An [uninsured] innovation bank shall either (i) include in boldface conspicuous type on each signature card, passbook, and instrument evidencing a deposit the following statement: "This deposit is not insured by the FDIC" or (ii) require each depositor to execute a statement that acknowledges that the initial deposit and all future deposits at the [uninsured] innovation bank are not insured by the Federal Deposit Insurance Corporation or its successor agency. The [uninsured] innovation bank shall retain such acknowledgment as long as the depositor maintains any deposit with the [uninsured] innovation bank.

(C) An [uninsured] innovation bank shall include on all of its deposit-related advertising a conspicuous statement that deposits are not insured by the Federal Deposit Insurance Corporation or its successor agency.

(4) Notwithstanding any provision of this title, an innovation bank may accept and hold nonretail deposits, including, but not limited to, nonretail deposits received from a corporation that owns the majority of the shares of the innovation bank. An innovation bank may secure deposit insurance for such nonretail deposits, including from the Federal Deposit Insurance Corporation.

(u) (1) Each trust bank and [uninsured] innovation bank shall keep assets on deposit in the amount of at least one million dollars with such

banks as the commissioner may approve, provided a trust bank or [uninsured] innovation bank that received its final certificate of authority prior to May 12, 2004, shall keep assets on deposit as follows: At least two hundred fifty thousand dollars no later than one year from May 12, 2004, at least five hundred thousand dollars no later than two years from said date, at least seven hundred fifty thousand dollars no later than three years from said date and at least one million dollars no later than four years from said date. No trust bank or [uninsured] innovation bank shall make a deposit pursuant to this section until the bank at which the assets are to be deposited and the trust bank or [uninsured] innovation bank shall have executed a deposit agreement satisfactory to the commissioner. The value of such assets shall be based upon the principal amount or market value, whichever is lower. If the commissioner determines that an asset that otherwise qualifies under this section shall be valued at less than the amount otherwise provided in this subdivision, the commissioner shall so notify the trust bank or [uninsured] innovation bank, which shall thereafter value such asset as directed by the commissioner.

(2) As used in this subsection, "assets" means: (A) United States dollar deposits payable in the United States, other than certificates of deposit; (B) bonds, notes, debentures or other obligations of the United States or any agency or instrumentality thereof, or guaranteed by the United States, or of this state or of a county, city, town, village, school district, or instrumentality of this state or guaranteed by this state; (C) bonds, notes, debentures or other obligations issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Corporation; (D) commercial paper payable in dollars in the United States, provided such paper is rated in one of the three highest rating categories by a rating service recognized by the commissioner. In the event that an issue of commercial paper is rated by more than one recognized rating service, it shall be rated in one of the three highest rating categories by each such rating service; (E) negotiable certificates of deposit that are payable in the United States; (F) reserves held at a federal reserve bank; and (G) such other assets as determined by the commissioner upon

written application.

Sec. 29. Subsections (a) to (h), inclusive, of section 36a-139a of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) Any **[**uninsured**]** innovation bank or any trust bank may, upon the approval of the commissioner, convert to a Connecticut bank that is authorized to accept retail deposits and operate without the limitations provided in subdivisions (2) and (3) of subsection (t) and subsection (u) of section 36a-70, as amended by this act, and subsection (b) of section 36a-250.

(b) The converting bank shall file with the commissioner a proposed plan of conversion, a copy of the proposed amended certificate of incorporation and a certificate by the secretary of the converting bank that the proposed plan of conversion and proposed amended certificate of incorporation have been approved in accordance with subsection (c) of this section.

(c) The proposed plan of conversion and proposed amended certificate of incorporation shall require the approval of a majority of the governing board of the converting bank and the favorable vote of not less than two-thirds of the holders of each class of the converting **[**bank's**]** bank's capital stock, if any, or in the case of a converting mutual bank, the corporators thereof, cast at a meeting called to consider such conversion.

(d) Any shareholder of a capital stock Connecticut bank that proposes to convert under this section, who, on or before the date of the **[**shareholders'**]** shareholders' meeting to vote on such conversion, objects to the conversion by filing a written objection with the secretary of such bank may, within ten days after the effective date of such conversion, make written demand upon the bank for payment of such shareholder's stock. Any such shareholder that makes such objection and demand shall have the same rights as those of a shareholder that asserts appraisal rights with respect to the merger of two or more capital

stock Connecticut banks.

(e) The commissioner shall approve a conversion under this section if the commissioner determines that: (1) The converting bank has complied with all applicable provisions of law; (2) the converting bank has equity capital of at least five million dollars; (3) the converting bank has received satisfactory ratings on its most recent safety and soundness examination; (4) the proposed conversion will serve the public necessity and convenience; and (5) the converting bank will provide adequate services to meet the banking needs of all community residents, including low-income residents and moderate-income residents to the extent permitted by its charter, in accordance with a plan submitted by the converting bank to the commissioner, in such form and containing such information as the commissioner may require. Upon receiving any such plan, the commissioner shall make the plan available for public inspection and comment at the Department of Banking and cause notice of its submission and availability for inspection and comment to be published in the department's weekly bulletin. With the concurrence of the commissioner, the converting bank shall publish, in the form of a legal advertisement in a newspaper having a substantial circulation in the area, notice of such plan's submission and availability for public inspection and comment. The notice shall state that the inspection and comment period will last for a period of thirty days from the date of publication. The commissioner shall not make such determination until the expiration of the thirty-day period. In making such determination, the commissioner shall, unless clearly inapplicable, consider, among other factors, whether the plan identifies specific unmet credit and consumer banking needs in the local community and specifies how such needs will be satisfied, provides for sufficient distribution of banking services among branches or satellite devices, or both, located in low-income neighborhoods, contains adequate assurances that banking services will be offered on a nondiscriminatory basis and demonstrates a commitment to extend credit for housing, small business and consumer purposes in low-income neighborhoods.

(f) After receipt of the commissioner's approval, the converting bank

shall promptly file such approval and its amended certificate of incorporation with the Secretary of the State and with the town clerk of the town in which its principal office is located. Upon such filing, the bank shall cease to be an **[**uninsured**]** innovation bank subject to the provisions of subdivisions (2) and (3) of subsection (t) and subsection (u) of section 36a-70, as amended by this act, or a trust bank, subject to the limitations provided in subsection (u) of section 36a-70, as amended by this act, and subsection (b) of section 36a-250, and shall be a Connecticut bank subject to all of the requirements and limitations and possessed of all rights, privileges and powers granted to it by its amended certificate of incorporation and by the provisions of the general statutes applicable to its type of Connecticut bank. Such Connecticut bank shall not commence business unless its insurable accounts and deposits are insured by the Federal Deposit Insurance Corporation or its successor agency. Upon such filing with the Secretary of the State and with the town clerk, all of the assets, business and good will of the converting bank shall be transferred to and vested in such Connecticut bank without any deed or instrument of conveyance, provided the converting bank may execute any deed or instrument of conveyance as is convenient to confirm such transfer. Such Connecticut bank shall be subject to all of the duties, relations, obligations, trusts and liabilities of the converting bank, whether as debtor, depository, registrar, transfer agent, executor, administrator or otherwise, and shall be liable to pay and discharge all such debts and liabilities, and to perform all such duties in the same manner and to the same extent as if the Connecticut bank had itself incurred the obligation or liability or assumed the duty or relation. All rights of creditors of the converting bank and all liens upon the property of such bank shall be preserved unimpaired and the Connecticut bank shall be entitled to receive, accept, collect, hold and enjoy any and all gifts, bequests, devises, conveyances, trusts and appointments in favor of or in the name of the converting bank and whether made or created to take effect prior to or after the conversion.

(g) The persons named as directors in the amended certificate of

incorporation shall be the directors of such Connecticut bank until the first annual election of directors after the conversion or until the expiration of their terms as directors, and shall have the power to take all necessary actions and to adopt bylaws concerning the business and management of such Connecticut bank.

(h) No such Connecticut bank resulting from the conversion of an **[**uninsured**]** innovation bank may exercise any of the fiduciary powers granted to Connecticut banks by law until express authority therefor has been given by the commissioner, unless such authority was previously granted to the converting bank.

Sec. 30. Subsections (a) to (g), inclusive, of section 36a-139b of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) Any Connecticut bank may, upon the approval of the commissioner, convert to an **[**uninsured**]** innovation bank.

(b) The converting bank shall file with the commissioner a proposed plan of conversion, a copy of the proposed amended certificate of incorporation and a certificate by the secretary of the converting bank that the proposed plan of conversion and proposed certificate of incorporation have been approved in accordance with subsection (c) of this section.

(c) The proposed plan of conversion and proposed amended certificate of incorporation shall require the approval of a majority of the governing board of the converting bank and the favorable vote of not less than two-thirds of the holders of each class of the **[**bank's**]** bank's capital stock, if any, or, in the case of a mutual bank, the corporators thereof, cast at a meeting called to consider such conversion.

(d) Any shareholder of a converting capital stock Connecticut bank that proposes to convert to an **[**uninsured**]** innovation bank who, on or before the date of the **[**shareholders'**]** shareholders' meeting to vote on such conversion, objects to the conversion by filing a written objection

with the secretary of such bank may, within ten days after the effective date of such conversion, make written demand upon the converted bank for payment of such **[**shareholder's**]** shareholder's stock. Any such shareholder that makes such objection and demand shall have the same rights as those of a shareholder who dissents from the merger of two or more capital stock Connecticut banks.

(e) If applicable, a converting Connecticut bank shall liquidate all of its retail deposits with the approval of the commissioner. The converting bank shall file with the commissioner a written notice of its intent to liquidate all of its retail deposits together with a plan of liquidation and a proposed notice to depositors approved and executed by a majority of its governing board. The commissioner shall approve the plan and the notice to depositors. The commissioner shall not approve a sale of the retail deposits of the converting bank if the purchasing insured depository institution, including all insured depository institutions which are affiliates of such institution, upon consummation of the sale, would control thirty per cent or more of the total amount of deposits of insured depository institutions in this state, unless the commissioner permits a greater percentage of such deposits. The converting and purchasing institutions shall file with the commissioner a written agreement approved and executed by a majority of the governing board of each institution prescribing the terms and conditions of the transaction.

(f) The commissioner shall approve a conversion under this section if the commissioner determines that: (1) The converting bank has complied with all applicable provisions of law; (2) the converting bank has equity capital of at least five million dollars unless the commissioner establishes a different minimum capital requirement based on the proposed activities of the converting bank; (3) the converting bank has liquidated all of its retail deposits, if any, and has no deposits that are insured by the Federal Deposit Insurance Corporation or its successor agency; and (4) the proposed conversion will serve the public necessity and convenience. The commissioner shall not approve such conversion unless the commissioner considers the findings of the most recent state

or federal safety and soundness examination of the converting bank, and the effect of the proposed conversion on the financial resources and future prospects of the converting bank.

(g) After receipt of the **[**commissioner's**]** commissioner's approval for the conversion, the converting bank shall promptly file such approval and its certificate of incorporation with the Secretary of the State and with the town clerk of the town in which its principal office is located. Upon such filing, the converted Connecticut bank shall not accept retail deposits and shall be an **[**uninsured**]** innovation bank, subject to the limitations in subdivisions (2) and (3) of subsection (t) and subsection (u) of section 36a-70, as amended by this act. Upon such conversion, the converted Connecticut bank possesses all of the rights, privileges and powers granted to it by its certificate of incorporation and by the provisions of the general statutes applicable to its type of Connecticut bank, and all of the assets, business and good will of the converting bank shall be transferred to and vested in the converted Connecticut bank without any deed or instrument of conveyance, provided the converting bank may execute any deed or instrument of conveyance as is convenient to confirm such transfer. The converted Connecticut bank shall be subject to all of the duties, relations, obligations, trusts and liabilities of the converting bank, whether as debtor, depository, registrar, transfer agent, executor, administrator or otherwise, and shall be liable to pay and discharge all such debts and liabilities, and to perform all such duties in the same manner and to the same extent as if the converted bank had itself incurred the obligation or liability or assumed the duty or relation. All rights of creditors of the converting bank and all liens upon the property of such bank shall be preserved unimpaired and the **[**uninsured**]** innovation bank shall be entitled to receive, accept, collect, hold and enjoy any and all gifts, bequests, devises, conveyances, trusts and appointments in favor of or in the name of the converting bank and whether made or created to take effect prior to or after the conversion.

Sec. 31. Section 36a-215 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

If, in the opinion of the commissioner, a trust bank, or an **[**uninsured**]** innovation bank, in danger of becoming insolvent, is not likely to be able to meet the demands of its depositors, in the case of an **[**uninsured**]** innovation bank, or pay its obligations in the normal course of business, or is likely to incur losses that may deplete all or substantially all of its capital, the commissioner may require such trust bank or **[**uninsured**]** innovation bank to increase the assets kept on deposit as required by subsection (u) of section 36a-70, as amended by this act, to an amount that would be sufficient to meet the costs and expenses incurred by the commissioner pursuant to section 36a-222 and all fees and assessments due the commissioner. Such assets shall be deposited with such bank as the commissioner may designate, and shall be in such form and subject to such conditions as the commissioner deems necessary.

Sec. 32. Subsection (a) of section 36a-220 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) If it appears to the commissioner that (1) the charter of any Connecticut bank or out-of-state bank that maintains in this state a branch, as defined in section 36a-410, or the certificate of authority of any Connecticut credit union or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b, is forfeited, (2) the public is in danger of being defrauded by such bank or credit union, it is unsafe or unsound for such bank or credit union to continue business or its assets are being dissipated, (3) such bank or credit union is insolvent, is in danger of imminent insolvency or that its capital is not adequate to support the level of risk, or (4) the Federal Deposit Insurance Corporation, National Credit Union Administration or their successor agencies have terminated insurance of the insurable accounts or deposits of such bank, unless such Connecticut bank has filed an application with the commissioner to convert to an **[**uninsured**]** innovation bank pursuant to section 36a-139b, as amended by this act, or credit union, the commissioner shall apply to the superior court for the judicial district of Hartford or the judicial district in which the main office of such bank or credit union is located for an injunction restraining

such bank or credit union from conducting business or, in the case of a Connecticut bank or Connecticut credit union, for the appointment of a conservator or for a receiver to wind up its affairs.

Sec. 33. Subsections (a) to (c), inclusive, of section 36a-221a of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) (1) The receiver of a trust bank or **[**uninsured**]** innovation bank shall, as soon after the receiver's appointment as is practicable, terminate all fiduciary positions the bank holds, surrender all property held by the bank as a fiduciary and settle the fiduciary accounts. With the approval of the Superior Court, the receiver of a trust bank or **[**uninsured**]** innovation bank shall release all segregated and identifiable fiduciary property held by the bank to one or more successor fiduciaries, and may sell one or more fiduciary accounts to one or more successor fiduciaries on terms that appear to be in the best interest of the bank's estate and the persons interested in the property or fiduciary accounts.

(2) Upon the sale or transfer of fiduciary property or a fiduciary account, the successor fiduciary shall be automatically substituted without further action and without any order of any court. Prior to the effective date of substitution of the successor fiduciary, the receiver shall mail notice of such substitution to each person to whom such bank provides periodic reports of fiduciary activity. The notice shall include: (A) The name of such bank, (B) the name of the successor fiduciary, and (C) the effective date of the substitution of the successor fiduciary. The provisions of section 45a-245a shall not apply to the substitution of a fiduciary under this section.

(b) A successor fiduciary shall have all of the rights, powers, duties and obligations of such bank and shall be deemed to be named, nominated or appointed as fiduciary in any will, trust, court order or similar written document or instrument that names, nominates or appoints such bank as fiduciary, whether executed before or after the successor fiduciary is substituted, provided the successor fiduciary shall

have no obligations or liabilities under this section for any acts, actions, inactions or events occurring prior to the effective date of the substitution.

(c) If commingled fiduciary money held by the trust bank or **[**uninsured**]** innovation bank as trustee is insufficient to satisfy all fiduciary claims to the commingled money, the receiver shall distribute such money pro rata to all fiduciary claimants of such money based on their proportionate interest.

Sec. 34. Section 36a-225 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) The Superior Court, upon appointing a receiver of any Connecticut bank, other than a trust bank or an **[**uninsured**]** innovation bank, or Connecticut credit union, shall limit the time within which all claims against the bank or credit union may be presented to the receiver, and the court may, upon cause shown, extend such time and shall cause such public notice of such limitation or extension of time to be given as it deems reasonable and just. All claims not presented to the receiver within the period limited shall be forever barred, except that any claim for a deposit or share account, as shown by the depositor's or share account holder's passbook, certificate of deposit, statement or other evidence of deposit or the records of such bank or credit union, shall be allowed by the receiver.

(b) (1) As soon as reasonably practicable after appointment of a receiver of a trust bank or an **[**uninsured**]** innovation bank, the receiver shall publish notice, in a newspaper of general circulation in each town in which an office of such bank is located, stating that: (A) The bank has been placed in receivership; (B) the depositors, clients and creditors are required to present their claims for payment on or before a specific date and at a specified place; and (C) all safe deposit box holders and bailors of property left with the bank are required to remove their property no later than a specified date. The dates that the receiver selects may not be earlier than the one hundred twenty-first day after the date of the notice,

and shall allow: (i) The affairs of the bank to be wound up as quickly as feasible; and (ii) depositors, clients, creditors, safe deposit box holders and bailors of property adequate time for presentation of claims, withdrawal of accounts, and redemption of property. The receiver may adjust the dates with the approval of the court and with or without republication of notice if the receiver determines that additional time is needed for any such presentation, withdrawal or redemption.

(2) As soon as reasonably practicable, given the state of the **[**bank's**]** bank's records and the adequacy of staffing, the receiver shall mail to each of the **[**bank's**]** bank's known depositors, clients, creditors, safe deposit box holders and bailors of property left with the bank, at the mailing address shown on the **[**bank's**]** bank's records, an individual notice containing the information required in the notice provided in subdivision (1) of this subsection, and specific information pertinent to the account or property of the addressee. The receiver of a trust bank or **[**uninsured**]** innovation bank may require a fiduciary claimant to file a proof of claim if the records of such bank are insufficient to identify the **[**claimant's**]** claimant's interest.

Sec. 35. Subsection (a) of section 36a-226a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) A contract between a trust bank or **[**uninsured**]** innovation bank in receivership and another person for bailment, of deposit for hire, or for the lease of a safe, vault or safe deposit box terminates on the date specified for removal of property in the notices that were published and mailed in accordance with section 36a-225, as amended by this act, or a later date approved by the receiver or the Superior Court. A person who has paid rental or storage charges for a period extending beyond the date designated for removal of property has a claim against such bank's estate for a refund of the unearned amount paid.

Sec. 36. Subsections (a) and (b) of section 36a-237 of the general statutes are repealed and the following is substituted in lieu thereof

(*Effective July 1, 2024*):

(a) The assets of any Connecticut bank, other than a trust bank or **[**uninsured**]** innovation bank, in the possession of a receiver shall be distributed in the following order of priority: (1) All fees and assessments due the commissioner; (2) the charges and expenses of settling such bank's affairs; (3) all deposits; (4) all other liabilities; (5) any liquidation account; and (6) in the case of a capital stock Connecticut bank, the claims of shareholders or, in the case of a mutual savings bank or mutual savings and loan association, the claims of depositors in proportion to their respective deposits.

(b) (1) The assets of a trust bank or an **[**uninsured**]** innovation bank shall be distributed in the following order of priority: (A) All fees and assessments due the commissioner; (B) administrative expenses; (C) approved claims of owners of secured trust funds on deposit to the extent of the value of the security as provided in subsection (d) of section 36a-237f, as amended by this act; (D) approved claims of secured creditors to the extent of the value of the security as provided in subsection (d) of section 36a-237f, as amended by this act; (E) approved claims by beneficiaries of insufficient commingled fiduciary money or missing fiduciary property and approved claims of clients of the trust bank or **[**uninsured**]** innovation bank; (F) other approved claims of depositors and general creditors not falling within a higher priority under this subdivision, including unsecured claims for taxes and debts due the federal government or a state or local government; (G) approved claims of a type described by subparagraphs (A) to (F), inclusive, of this subdivision that were not filed within the period prescribed by sections 36a-215 to 36a-239, inclusive, as amended by this act; and (H) claims of capital note or debenture holders or holders of similar obligations and proprietary claims of shareholders or other owners according to the terms established by issue, class or series.

(2) As used in this subsection, "administrative expense" means (A) any expense designated as an administrative expense by sections 36a-231 and 36a-237h, as amended by this act; (B) any charge or expense of

settling the affairs of the bank, including court costs and expenses of operation and liquidation of the bank's estate; (C) wages owed to an employee of the bank for services rendered within three months before the date the bank was placed in receivership and not exceeding two thousand dollars to each employee; (D) current wages owed to an employee of the bank whose services are retained by the receiver for services rendered after the date the bank is placed in receivership; and (E) an unpaid expense of supervision or conservatorship of the bank before it was placed in receivership.

Sec. 37. Section 36a-237f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) To receive payment of a claim against the estate of a trust bank or **[**uninsured**]** innovation bank in receivership, a person who has a claim, other than a shareholder acting in that capacity, including a claimant with a secured claim or a fiduciary claimant ordered by the receiver to file a proof of claim under subdivision (2) of subsection (b) of section 36a-225, as amended by this act, shall present proof of the claim to the receiver at a place specified by the receiver, within the period specified by the receiver. Receipt of the required proof of claim by the receiver is a condition precedent to the payment of the claim. A claim that is not filed within the period or at the place specified by the receiver may not participate in a distribution of the assets by the receiver, except that, subject to court approval, the receiver may accept a claim filed not later than the one-hundred-eightieth day after the date notice of the claimant's right to file a proof of claim is mailed to the claimant, provided such claim shall be subordinate to an approved claim of a general creditor. Interest does not accrue on any claim after the date the bank is placed in receivership. The provisions of this subsection shall not apply to a fiduciary claimant or depositor where the records of the bank in receivership are sufficient to identify the fiduciary claimant's or depositor's interest.

(b) (1) The proof of claim against a trust bank or an **[**uninsured**]** innovation bank shall be in writing, be signed by the claimant, and

include: (A) A statement of the claim; (B) a description of the consideration for the claim; (C) a statement of whether collateral is held or a security interest is asserted against the claim and, if so, a description of the collateral or security interest; (D) a statement of any right of priority of payment for the claim or other specific right asserted by the claimant; (E) a statement of whether a payment has been made on the claim and, if so, the amount and source of the payment, to the extent known by the claimant; (F) a statement that the amount claimed is justly owed by the bank to the claimant; and (G) any other matter that is required by the Superior Court.

(2) The receiver may designate the form of the proof of claim. A proof of claim shall be filed under oath unless the oath is waived by the receiver. If a claim is founded on a written instrument, the original instrument, unless lost or destroyed, shall be filed with the proof of claim. After the instrument is filed, the receiver may permit the claimant to substitute a copy of the instrument until the final disposition of the claim. If the instrument is lost or destroyed, a statement of that fact and of the circumstances of the loss or destruction shall be filed under oath with the claim.

(c) A judgment against a trust bank or **[**uninsured**]** innovation bank in receivership taken by default or by collusion before the date the bank was placed in receivership may not be considered as conclusive evidence of the liability of the bank to the judgment creditor or of the amount of damages to which the judgment creditor is entitled. A judgment against the bank entered after the date the bank was placed in receivership may not be considered as evidence of liability or of the amount of damages.

(d) (1) The owner of secured trust funds on deposit may file a claim as a creditor against a trust bank or **[**uninsured**]** innovation bank in receivership. The value of the security shall be determined under supervision of the Superior Court by converting the security into money.

(2) The owner of a secured claim against a trust bank or **[**uninsured**]** innovation bank in receivership may surrender the security and file a claim as a general creditor or apply the security to the claim and discharge the claim.

(3) If the owner applies the security and discharges the claim under subdivision (2) of this subsection, any deficiency shall be treated as a claim against the general assets of the bank on the same basis as a claim of an unsecured creditor. The amount of the deficiency shall be determined as provided by subsection (e) of this section, except that if the amount of the deficiency has been adjudicated by a court in a proceeding in which the receiver has had notice and an opportunity to be heard, the court's decision is conclusive as to the amount.

(4) The value of security held by a secured creditor shall be determined under supervision of the court by converting the security into money according to the terms of the agreement under which the security was delivered to the creditor or by agreement, arbitration, compromise or litigation between the creditor and the receiver.

(e) (1) A claim against a trust bank or **[**uninsured**]** innovation bank in receivership based on an unliquidated or undetermined demand shall be filed within the period for the filing of the claim. The claim may not share in any distribution to claimants until the claim is definitely liquidated, determined and allowed. After the claim is liquidated, determined and allowed, the claim shares ratably with the claims of the same class in all subsequent distributions.

(2) If the receiver in all other respects is in a position to close the receivership proceeding, the proposed closing is sufficient grounds for the rejection of any remaining claim based on an unliquidated or undetermined demand. The receiver shall notify the claimant of the intention to close the proceeding. If the demand is not liquidated or determined before the sixty-first day after the date of the notice, the receiver may reject the claim.

(3) For the purposes of this subsection, a demand is considered

unliquidated or undetermined if the right of action on the demand accrued while the trust bank or **[**uninsured**]** innovation bank was placed in receivership and the liability on the demand has not been determined or the amount of the demand has not been liquidated.

(f) (1) Mutual credits and mutual debts shall be set off and only the balance allowed or paid, except that a set-off may not be allowed in favor of a person if: (A) The obligation of a trust bank or **[**uninsured**]** innovation bank to the person on the date the bank was placed in receivership did not entitle the person to share as a claimant in the assets of the bank; (B) the obligation of the bank to the person was purchased by or transferred to the person after the date the bank was placed in receivership or for the purpose of increasing set-off rights; or (C) the obligation of the person or the bank is as a trustee or fiduciary.

(2) Upon request, the receiver shall provide a person with an accounting statement identifying each debt that is due and payable. A person who owes a trust bank or **[**uninsured**]** innovation bank an amount that is due and payable against which the person asserts set-off of mutual credits that may become due and payable from the bank in the future shall promptly pay to the receiver the amount due and payable. The receiver shall promptly refund, to the extent of the person's prior payment, mutual credits that become due and payable to the person by the bank in receivership.

(g) (1) Not later than six months after the last day permitted for the filing of claims or a later date allowed by the Superior Court, the receiver shall accept or reject in whole or in part each claim filed against a trust bank or an **[**uninsured**]** innovation bank in receivership, except for an unliquidated or undetermined claim governed by subsection (e) of this section. The receiver shall reject a claim if the receiver doubts its validity.

(2) The receiver shall mail written notice to each claimant, specifying the disposition of the person's claim. If a claim is rejected in whole or in part, the receiver in the notice shall specify the basis for rejection and advise the claimant of the procedures and deadline for appeal.

(3) The receiver shall send each claimant a summary schedule of approved and rejected claims by priority class and notify the claimant: (A) That a copy of a schedule of claims disposition, including only the name of the claimant, the amount of the claim allowed, and the amount of the claim rejected, is available upon request; and (B) of the procedure and deadline for filing an objection to an approved claim.

(h) The receiver of a trust bank or **[**uninsured**]** innovation bank, with the approval of the superior court, shall set a deadline for an objection to an approved claim. On or before that date, a depositor, creditor, other claimant or shareholder of a trust bank or **[**uninsured**]** innovation bank may file an objection to an approved claim. The objection shall be heard and determined by the court. If the objection is sustained, the court shall direct an appropriate modification of the schedule of claims.

(i) The receiver's rejection of a claim may be appealed to the superior court in which the receivership proceeding of a trust bank or **[**uninsured**]** innovation bank is pending. The appeal shall be filed within three months after the date of service of notice of the rejection. If the appeal is timely filed, review is de novo as if it were an action originally filed in the court, and is subject to the rules of procedure and appeal applicable to civil cases. An action to appeal rejection of a claim by the receiver is separate from the receivership proceeding, and may not be initiated by a claimant intervening in the receivership proceeding. If the action is not timely filed, the action of the receiver is final and not subject to review.

(j) (1) The commissioner shall deposit all money available for the benefit of persons who have not filed a claim and are, according to the bank's records, depositors and creditors of a trust bank or **[**uninsured**]** innovation bank in receivership in a bank, Connecticut credit union, federal credit union, out-of-state bank that maintains in this state a branch, as defined in section 36a-410, or out-of-state credit union that maintains in this state a branch, as defined in section 36a-435b. The commissioner shall pay the nonclaiming depositors and creditors on demand the undisputed amount, based on the bank's records, held for

their benefit.

(2) The receiver may periodically make a partial distribution to the holders of approved claims if: (A) All objections have been heard and decided as provided by subsection (h) of this section; (B) the time for filing appeals has expired as provided by subsection (i) of this section; (C) money has been made available to provide for the payment of all nonclaiming depositors and creditors in accordance with subdivision (1) of this subsection; and (D) a proper reserve is established for the pro rata payment of: (i) Rejected claims that have been appealed, and (ii) any claims based on unliquidated or undetermined demands governed by subsection (e) of this section.

(3) As soon as practicable after all objections, appeals and claims based on previously unliquidated or undetermined demands governed by subsection (e) of this section have been determined and money has been made available to provide for the payment of all nonclaiming depositors and creditors in accordance with subdivision (1) of this subsection, the receiver shall distribute the assets of a trust bank or **[**uninsured**]** innovation bank in satisfaction of approved claims other than claims asserted in a person's capacity as a shareholder.

Sec. 38. Section 36a-237g of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) All fiduciary records relating to the administration of fiduciary accounts of a trust bank or **[**uninsured**]** innovation bank shall be turned over to the successor fiduciary, as defined in section 45a-245a, in charge of administration of the accounts. The receiver may devise a method for the effective, efficient and economical maintenance of all other records of the trust bank or **[**uninsured**]** innovation bank and of the receiver's office.

(b) On approval by the Superior Court, the receiver may dispose of records of the trust bank or **[**uninsured**]** innovation bank in receivership that are obsolete and unnecessary to the continued administration of the receivership proceeding.

Sec. 39. Subsections (a) to (c), inclusive, of section 36a-237h of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(a) Persons entitled to protection under this section shall be: (1) All receivers or conservators of trust banks or **[**uninsured**]** innovation banks, including present and former receivers and conservators; and (2) the employees of such receivers or conservators. Attorneys, accountants, auditors and other professional persons or firms who are retained by the receiver or conservator as independent contractors, and their employees, shall not be considered employees of the receiver or conservator for purposes of this section.

(b) The receiver or conservator and the employees of the receiver or conservator shall be immune from suit and liability, both personally and in their official capacities, for any claim for damage to or loss of property, personal injury or other civil liability caused by or resulting from any alleged act, error or omission of the receiver or conservator or any employee arising out of or by reason of their duties or employment, provided nothing in this section shall be construed to hold the receiver or conservator or any employee immune from suit or liability for any damage, loss, injury or liability caused by the intentional or wilful and wanton misconduct of the receiver or conservator or any employee.

(c) (1) If any legal action is commenced against the receiver or conservator or any employee, whether personally or in such person's official capacity, alleging property damage, property loss, personal injury or other civil liability caused by or resulting from any alleged act, error or omission of the receiver or conservator or any employee arising out of or by reason of their duties or employment, the receiver or conservator and any employee shall be indemnified from the assets of the trust bank or **[**uninsured**]** innovation bank for all expenses, attorneys' fees, judgments, settlements, decrees or amounts due and owing or paid in satisfaction of or incurred in the defense of such legal action unless it is determined upon a final adjudication on the merits that the alleged act, error or omission of the receiver or conservator or

employee giving rise to the claim did not arise out of or by reason of such person's duties or employment, or was caused by intentional or wilful and wanton misconduct.

(2) Attorneys' fees and any related expenses incurred in defending a legal action for which immunity or indemnity is available under this section shall be paid from the assets of the trust bank or **[**uninsured**]** innovation bank, as they are incurred, in advance of the final disposition of such action upon receipt of an undertaking by or on behalf of the receiver or conservator or employee to repay the attorneys' fees and expenses if it shall ultimately be determined upon a final adjudication on the merits that the receiver or conservator or employee is not entitled to immunity or indemnity under this section.

(3) Any indemnification for expense payments, judgments, settlements, decrees, attorneys' fees, surety bond premiums or other amounts paid or to be paid from the assets of the trust bank or **[**uninsured**]** innovation bank pursuant to this section shall be an administrative expense of the receivership or conservatorship.

(4) In the event of any actual or threatened litigation against a receiver or conservator or any employee for which immunity or indemnity may be available under this section, a reasonable amount of funds, which in the judgment of the receiver or conservator may be needed to provide immunity or indemnity, shall be segregated and reserved from the assets of the trust bank or **[**uninsured**]** innovation bank as security for the payment of indemnity until such time as all applicable statutes of limitation shall have run and all actual or threatened actions against the receiver or conservator or any employee have been completely and finally resolved, and all obligations of the trust bank or **[**uninsured**]** innovation bank and the commissioner under this section shall have been satisfied.

(5) In lieu of segregation and reserving of funds, the receiver or conservator may, in the receiver's or conservator's discretion, obtain a surety bond or make other arrangements that will enable the receiver or

conservator to fully secure the payment of all obligations under this section.

Sec. 40. Subdivision (2) of subsection (a) of section 36a-333 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(2) Notwithstanding the provisions of subdivisions (1) and (3) of this subsection, to secure public deposits, each qualified public depository that (A) has been conducting business in this state for a period of less than two years, except for a depository that is a successor institution to a depository which conducted business in this state for two years or more, or (B) is an **[**uninsured**]** innovation bank, shall at all times maintain, segregated from its other assets as required under subsection (b) of this section, eligible collateral in an amount not less than one hundred twenty per cent of all uninsured public deposits held by the depository.

Sec. 41. Section 36a-609 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

The provisions of sections 36a-597 to 36a-607, inclusive, and sections 36a-611 and 36a-612 shall not apply to:

(1) Any federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such institution does not engage in the business of money transmission in this state through any person who is not (A) a federally insured federal bank, out-of-state bank, Connecticut bank, Connecticut credit union, federal credit union or out-of-state credit union, (B) a person licensed pursuant to sections 36a-595 to 36a-612, inclusive, or an authorized delegate acting on behalf of such licensed person, or (C) a person exempt pursuant to subdivisions (2) to (4), inclusive, of this section;

(2) Any Connecticut bank that is an **[**uninsured**]** innovation bank

organized pursuant to subsection (t) of section 36a-70, as amended by this act;

(3) The United States Postal Service and any contractor that engages in the business of money transmission in this state on behalf of the United States Postal Service; and

(4) A person whose activity is limited to the electronic funds transfer of governmental benefits for or on behalf of a federal, state or other governmental agency, quasi-governmental agency or government sponsored enterprise.

Sec. 42. Section 3-24j of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

As used in this section and sections 3-24k and 3-24*l*:

(1) "Community bank" means a bank **[**and trust company, savings bank or savings and loan association chartered or organized under the laws of this state**]** or out-of-state bank, as those terms are defined in section 36a-2, as amended by this act; and

(2) "Community credit union" means a **[**cooperative, nonprofit financial institution that (A) is organized under chapter 667 and the membership of which is limited as provided in section 36a-438a, (B) operates for the benefit and general welfare of its members with the earnings, benefits or services offered being distributed to or retained for its members, and (C) is governed by a volunteer board of directors elected by and from its membership**]** Connecticut credit union or federal credit union, as those terms are defined in section 36a-2, as amended by this act.

Sec. 43. Subdivisions (4) and (5) of subsection (i) of section 36a-261 of the 2024 supplement to the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(4) Loans that are renewed, refinanced **[**,**]** or restructured without the

advancement of new funds or an increase in a line of credit, except for reasonable closing costs.

(5) Loans that are renewed, refinanced **[**,**]** or restructured in connection with a workout situation, either with or without the advancement of new funds, where such action is consistent with safe and sound banking practices and is a part of a clearly defined and well documented program to achieve orderly liquidation of the debt, reduce risk of loss or maximize recovery of the loan.

Sec. 44. Subdivision (2) of subsection (b) of section 36a-262 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(2) When loans are made (A) to obligors who are related directly or indirectly through common control, including where one obligor is directly or indirectly controlled by another obligor; and (B) substantial financial interdependence exists between or among the obligors. Substantial financial interdependence is deemed to exist when fifty per cent or more of one obligor's gross receipts or gross expenditures, on an annual basis, are derived from transactions with the other obligor. Gross receipts and expenditures include gross revenues, expenses, intercompany loans, dividends, capital contributions **[**,**]** and similar receipts or payments;

Sec. 45. Subdivision (2) of subsection (e) of section 36a-309 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(2) A banking institution that posts, in the public area of its branches and offices in the state, the notices described in subdivision (1) of this subsection **[**,**]** shall also post equally conspicuous notice, in the same public area of its branches and offices in the state and in the same manner, of the Department of Banking's toll-free consumer hotline number that may be used to file a complaint if a consumer is not satisfied with the services a banking institution provides.

Sec. 46. Subparagraph (F) of subdivision (5) of subsection (b) of section 36a-486 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(F) An employee of a person licensed as a lead generator or exempt from licensure as a lead generator, while engaged in lead **[**generator**]** generation activities on behalf of such person; and

Sec. 47. Subparagraph (D) of subdivision (1) of subsection (f) of section 36b-14 of the 2024 supplement to the general statutes, as amended by public act 23-161, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2024*):

(D) "Trusted contact person" means an individual who is at least eighteen years of age **[**who**]** whom an eligible adult identifies and authorizes a qualified person to, at the qualified person's option, contact and disclose information about the account to address possible financial exploitation, or to confirm the specifics of the account holder's current contact information, health status or the identity of any conservator, executor, trustee or holder of a power of attorney.

Sec. 48. Subsection (c) of section 49-2 of the 2024 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

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

such mortgagee and be secured by such mortgage equally with the debts and obligations secured thereby at the time of recording the mortgage deed and have the same priority over the rights of others who may acquire any rights in, or liens upon, the mortgaged real estate subsequent to the recording of such mortgage deed, provided: (1) The heading of any such mortgage deed shall be clearly entitled "Open-End Mortgage"; (2) the mortgage deed shall contain specific provisions permitting such advancements and, if applicable, shall specify that such advancements are made pursuant to a commercial future advance loan agreement, a consumer revolving loan agreement or a letter of credit; (3) the mortgage deed shall state the full amount of the loan therein authorized; (4) the terms of repayment of such advancements shall not extend the time of repayment beyond the maturity of the original mortgage debt, provided this subdivision shall not be applicable where such advancements are made or would be made pursuant to a commercial future advance loan agreement, a consumer revolving loan agreement or a letter of credit, and the mortgage deed specifies that such advancements are repayable upon demand or by a date which shall not be later than thirty years from the date of the mortgage; (5) such advancements shall be secured or evidenced by a note or notes signed by the original mortgagor or mortgagors or any assign or assigns of the original mortgagor or mortgagors who assume the existing mortgage, or any of them, but no note shall be required with respect to any advancements made pursuant to a commercial future advance loan agreement, a consumer revolving loan agreement or a letter of credit as long as such advancements are recorded in the books and records of the original mortgagee or its assignee; (6) the original mortgage shall be executed and recorded after October 1, 1955; (7) the original mortgagor or mortgagors, or any assign or assigns of the original mortgagor or mortgagors who assume the existing mortgage, or any of them, are hereby authorized to record a written notice terminating the right to make such optional future advances secured by such mortgage or limiting such advances to not more than the amount actually advanced at the time of the recording of such notice, provided a copy of such written notice shall also be sent by registered or certified mail, postage

prepaid and return receipt requested, to the mortgagee, or a copy of such written notice shall be delivered to the mortgagee by a proper officer or an indifferent person and a receipt for the same received from the mortgagee, and such notice, unless a later date is recorded or specified in the notice, shall be effective from the time it is received by the mortgagee; (8) except that if any such optional future advance or advances are made by the mortgagee, or the assignee of any mortgagee, to the original mortgagor or mortgagors, or any assign or assigns who assume the existing mortgage, or any of them, after receipt of written notice of any subsequent mortgage, lien, attachment, lis pendens, legal proceeding or adjudication against such real property, then the amount of any such advance, other than an advance made pursuant to a commercial future advance loan agreement or a letter of credit, shall not be a priority as against any such mortgage, lien, attachment, lis pendens or adjudication of which such written notice was given; (9) any notice given to the mortgagee under the terms of subdivision (8) of this subsection shall be deemed valid and binding upon the original mortgagee or any assignee of the original mortgagee, in the case of a mortgagee other than a banking institution, on the next business day following receipt by such mortgagee of such notice sent by registered or certified mail, postage prepaid and return receipt requested, or by hand delivery with a signed receipt, and in the case of a mortgagee which is a banking institution, on the next business day following receipt at the main office of such banking institution of such notice sent by registered or certified mail, postage prepaid and return receipt requested, or by hand delivery with a signed receipt. For the purposes of this subsection: (A) "Banking institution" means a bank and trust company, a national banking association having its main office in this state, a savings bank, a federal savings bank having its main office in this state, a savings and loan association, a federal savings and loan association having its main office in this state, a credit union having assets of two million dollars or more, or a federal credit union having its main office in this state and having assets of two million dollars or more; (B) "commercial future advance loan" means a loan to a foreign or domestic corporation, partnership, limited liability company, sole proprietorship, association

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2024*	36a-492(c)

Sec. 2	*October 1, 2024*	36a-602(c)
Sec. 3	*October 1, 2024*	36a-664(b)
Sec. 4	*October 1, 2024*	36a-671d(c)
Sec. 5	*October 1, 2024*	36a-802(b)
Sec. 6	*October 1, 2024*	36a-490(b)(2)
Sec. 7	*October 1, 2024*	36a-598(d)(2)
Sec. 8	*October 1, 2024*	36a-658(b)
Sec. 9	*October 1, 2024*	36a-671(i)
Sec. 10	*October 1, 2024*	36a-719a(b)
Sec. 11	*October 1, 2024*	36a-801(i)
Sec. 12	*October 1, 2024*	36a-535(2)
Sec. 13	*October 1, 2024*	36a-718
Sec. 14	*October 1, 2024*	36a-719c
Sec. 15	*October 1, 2024*	36a-850a
Sec. 16	*October 1, 2024*	36a-51
Sec. 17	*October 1, 2024*	36a-556(a)
Sec. 18	*October 1, 2024*	36a-715
Sec. 19	*October 1, 2024*	36a-846
Sec. 20	*October 1, 2024*	36a-487(d)
Sec. 21	*October 1, 2024*	36a-250(a)(8) to (33)
Sec. 22	*from passage*	36b-6
Sec. 23	*from passage*	36b-21(d)
Sec. 24	*from passage*	36b-15(a)
Sec. 25	*October 1, 2024*	New section
Sec. 26	*July 1, 2024*	36a-2
Sec. 27	*July 1, 2024*	36a-65(e)
Sec. 28	*July 1, 2024*	36a-70(n) to (u)
Sec. 29	*July 1, 2024*	36a-139a(a) to (h)
Sec. 30	*July 1, 2024*	36a-139b(a) to (g)
Sec. 31	*July 1, 2024*	36a-215
Sec. 32	*July 1, 2024*	36a-220(a)
Sec. 33	*July 1, 2024*	36a-221a(a) to (c)
Sec. 34	*July 1, 2024*	36a-225
Sec. 35	*July 1, 2024*	36a-226a(a)
Sec. 36	*July 1, 2024*	36a-237(a) and (b)
Sec. 37	*July 1, 2024*	36a-237f
Sec. 38	*July 1, 2024*	36a-237g
Sec. 39	*July 1, 2024*	36a-237h(a) to (c)
Sec. 40	*July 1, 2024*	36a-333(a)(2)
Sec. 41	*July 1, 2024*	36a-609

Sec. 42	*July 1, 2024*	3-24j
Sec. 43	*October 1, 2024*	36a-261(i)(4) and (5)
Sec. 44	*October 1, 2024*	36a-262(b)(2)
Sec. 45	*October 1, 2024*	36a-309(e)(2)
Sec. 46	*October 1, 2024*	36a-486(b)(5)(F)
Sec. 47	*July 1, 2024*	36b-14(f)(1)(D)
Sec. 48	*October 1, 2024*	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:

Agency Affected	Fund-Effect	FY 25 $	FY 26 $
Banking Dept.	BF - Revenue Gain	5,000 to 15,000	5,000 to 15,000
Banking Dept.	BF - Potential Revenue Gain	Minimal	Minimal

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill makes various changes to the banking statutes that result in the following impacts.

Sections 12 and 17-19 potentially broaden the class of entities subject to licensure as (1) sales finance companies, (2) small loan servicers, (3) mortgage servicers, and (4) private student loan servicers, resulting in a minimal potential revenue gain to the Banking Fund.[1] The bill expands the types of activities that require someone to be licensed, but these changes are not expected to result in a substantial increase in licensees.

Section 23 creates a notice filing fee of $250 for Tier 2 securities offerings, resulting in a revenue gain to the Banking Fund ranging from $5,000 to $15,000 in FY 24 and FY 25, as the department receives 20 to 60 such filings each year.

Section 42 changes eligibility for participation in the Treasurer's Community Bank and Community Credit Union programs. The impact

[1]The initial and annual renewal fees for these licenses are $400, $400, $1,000, and $9,000, respectively.

of those changes is unknown, as it will depend on whether there are increased investments in community banks and credit unions because of the changes and any difference between investment returns generated by the expanded programs and other short term cash flow investments.

The bill also makes various clarifying, conforming, and technical changes that result in no fiscal impact to the state.

House "A" makes conforming and clarifying changes to the underlying bill and results in no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of licensees and Tier 2 securities offerings.

OLR Bill Analysis

sHB 5142 (as amended by House "A")*

AN ACT CONCERNING CONSUMER CREDIT, CERTAIN BANK REAL ESTATE IMPROVEMENTS, THE CONNECTICUT UNIFORM SECURITIES ACT, SHARED APPRECIATION AGREEMENTS, INNOVATION BANKS, THE COMMUNITY BANK AND COMMUNITY CREDIT UNION PROGRAM AND TECHNICAL REVISIONS TO THE BANKING STATUTES.

TABLE OF CONTENTS:

SUMMARY

§§ 1-5 & 14 — SURETY BOND CANCELLATIONS
Requires all surety bond cancellations to be done electronically for bonds issued to certain banking department regulated entities

§§ 6-11 — SURETY BOND UPDATES
Requires certain banking licensees to update their surety bonds when they change their legal names instead of when they change their office names or addresses

§§ 12 & 17-19 — FINANCE ACTIVITY REQUIRING LICENSURE
Expands what constitutes sales finance company, small loan, and mortgage servicing activity requiring licensure to when someone receives any payments (including fees) in connection with certain contracts or loans as applicable and makes a similar expansion for education loan servicing licensees and registrants

§§ 13 & 14 — MORTGAGE LENDER REGISTRATION ON NMLS
Requires licensed mortgage lenders to register on NMLS as "exempt mortgage servicer registrants" before acting as mortgage servicers and authorizes the banking commissioner to suspend, revoke, or refuse to renew these registrations

§§ 15 & 19 — SERVICING PRIVATE STUDENT EDUCATION LOANS
Extends private student education loan servicing requirements to any person servicing them instead of just private student education loan servicers

§ 16 — ENFORCEMENT OVER REGISTRATIONS
Extends existing enforcement law so that the banking commissioner may suspend, revoke, or refuse to renew registrations issued by him

§ 20 — REGISTRATIONS FOR MORTGAGE LICENSE SPONSORS

Creates a registration timeline and fee requirements for exempt registrants that sponsor the licensing of a mortgage loan originator or a loan processor or underwriter

§ 21 — CONNECTICUT BANK ALTERATIONS OR IMPROVEMENTS

Allows Connecticut banks to alter or improve their business real estate without the banking commissioner's written approval if certain criteria are met

§§ 22-24 — SECURITIES REGULATION

Exempts merger and acquisition broker-dealers from state registration requirements, aligning state law with federal law; requires submission of a notice filing form and $250 fee for Tier 2 securities offerings in the state; broadens the commissioner's enforcement authority over registered securities broker-dealers, broker-dealer agents, investment advisors, and investment advisor agents to include censure and bar

§ 25 — SHARED APPRECIATION AGREEMENT DISCLOSURES

Establishes written disclosure requirements for mortgage lenders offering to make residential loans in which the lender receives an interest in the appreciated value of the property

§§ 26-41 — INNOVATION BANKS

Replaces a current type of Connecticut-organized bank ("uninsured bank") with a substantially similar type under a different name ("innovation bank")

§ 42 — COMMUNITY BANKING PROGRAM

Adds federal banks and out-of-state banks and reinstates federal credit unions to the treasurer's Community Banking Program's list of eligible participants

§§ 43-48 — TECHNICAL CHANGES

Makes technical changes to several banking laws, a securities provision, and a mortgage statute

SUMMARY

This bill makes assorted changes to the state's banking, securities, and mortgage laws.

*House Amendment "A" incorporates existing statutory definitions for "private education lender" and "private education loan creditor" for the bill's extension of private student education loan servicing requirements. It also changes the required written disclosures for shared appreciation agreements by, among other things, requiring that the Federal Reserve Bank of St. Louis's data be used for appreciation and depreciation rates in the state, specifying that the starting value for appreciation be included, and requiring inclusion of certain unconditional administrative fees or protective advance reimbursements.

EFFECTIVE DATE: Various; see below.

§§ 1-5 & 14 — SURETY BOND CANCELLATIONS

Requires all surety bond cancellations to be done electronically for bonds issued to certain banking department regulated entities

The bill generally requires surety companies to give all their cancelation notices electronically for the bonds they issue to certain banking department regulated entities. More specifically, it requires them to give written cancellation notices through the "system" (i.e., the Nationwide Multistate Licensing System and Registry (NMLS) (CGS § 36a-2)).

The bill applies to bonds issued to the following banking department licensees and others it regulates:

1. mortgage lenders, mortgage correspondent lenders, and mortgage brokers, and specific entities and individuals exempt from licensing as such (e.g., federally-insured banks and credit unions (and certain subsidiaries)) (see CGS §§ 36a-492(a) and 36a-487(a) & (b));

2. mortgage loan originators (see CGS § 36a-492(a));

3. money transmitters (see CGS §§ 36a-597 and 36a-602(a));

4. debt adjusters (see CGS §§ 36a-656 and 36a-664(a));

5. debt negotiators (see CGS § 36a-671d(a));

6. consumer collection agencies (see CGS § 36a-802(a)); and

7. mortgage servicers, including certain mortgage lenders acting as servicers but exempt from licensing as such.

The bill's requirement replaces current law, which (1) only allows surety companies to send cancellations electronically if the bond was issued electronically on NMLS and (2) otherwise requires them to send cancellations by certified mail.

By law, cancellations must be sent at least 30 days before the cancellation date to the bond's principal and the banking commissioner.

EFFECTIVE DATE: October 1, 2024

§§ 6-11 — SURETY BOND UPDATES

Requires certain banking licensees to update their surety bonds when they change their legal names instead of when they change their office names or addresses

The bill modifies the circumstances for when certain licensees must update their surety bonds with the banking commissioner. It specifically applies to the following:

1. mortgage lenders, mortgage correspondent lenders, mortgage brokers, and lead generators (see CGS § 36a-490(b)(1));
2. money transmitters (see CGS § 36a-598(d)(1));
3. debt adjusters (see CGS §§ 36a-656 and 36a-658(a));
4. debt negotiators (see CGS § 36a-671(b));
5. mortgage servicers (see CGS § 36a-719a(a)); and
6. consumer collection agencies.

Under existing law, a licensee may change the name or office address on its most recent filing with NMLS if, at least 30 calendar days beforehand, it files the change with the system and the commissioner does not disapprove of the change, in writing, or request more information within the 30-day period.

Generally, under current law, the licensee must also give the commissioner a bond rider or endorsement, or addendum, as applicable, that reflects the new name or address. The bill instead only requires licensees to give the commissioner a bond rider to their surety bonds when they change their legal names.

EFFECTIVE DATE: October 1, 2024

§§ 12 & 17-19 — FINANCE ACTIVITY REQUIRING LICENSURE

Expands what constitutes sales finance company, small loan, and mortgage servicing activity requiring licensure to when someone receives any payments (including fees) in connection with certain contracts or loans as applicable and makes a similar expansion for education loan servicing licensees and registrants

The bill expands the types of activities that require someone to obtain certain licenses and registrations under the state's banking laws. Existing law generally prohibits anyone from engaging in the business of a sales finance company or acting as a mortgage servicer without a license (see CGS §§ 36a-536 and 36a-718). Similarly, certain small loan related actions are prohibited without a license.

Under the bill, sales finance company, small loan, and mortgage servicing activity requiring licensure includes when someone receives any payments (including fees) in connection with, respectively, a retail installment contract or installment loan contract, small loan, and residential mortgage loan, instead of just principal and interest payments under one.

The bill also makes a similar expansion affecting certain education loan servicers. Existing law generally prohibits anyone from acting as a private student loan servicer without a banking department license or acting as a federal student loan servicer unless they are registered as such on NMLS (see CGS §§ 36a-847 and 36a-847a). The bill changes what is considered "servicing" for these servicers to encompass receiving any payment, rather than just scheduled periodic ones, and maintaining account records for and communicating with a borrower about his or her loan during any period that payments are not required, instead of periods outside of scheduled periodic payments.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2024

§§ 13 & 14 — MORTGAGE LENDER REGISTRATION ON NMLS

Requires licensed mortgage lenders to register on NMLS as "exempt mortgage servicer registrants" before acting as mortgage servicers and authorizes the banking commissioner to suspend, revoke, or refuse to renew these registrations

Existing law exempts certain mortgage lender licensees from having to obtain a separate license to act as a mortgage servicer if they meet certain conditions. The bill generally carries this exemption forward but further requires these lenders to register on NMLS as "exempt mortgage servicer registrants" before acting as mortgage servicers. It relatedly authorizes the banking commissioner to suspend, revoke, or refuse to renew these registrations.

Generally, under current law, any person licensed as a mortgage lender in Connecticut is exempt from mortgage servicer licensure if (1) they act as a mortgage servicer from their lender licensed main office or branch office, (2) they satisfy certain bonding requirements, and (3) their lender license is not suspended. The bill carries the first of these two conditions forward but modifies the third by requiring that their NMLS-associated registration is not suspended.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2024

Exempt Mortgage Servicer Registration Conditions and Oversight

Under the bill, exempt mortgage servicer registrations must generally expire at the close of business on December 31 of the year in which they are approved, unless renewed. However, any registration approved on or after November 1 must expire at the close of business on December 31 of the following year. Renewal applications must be filed between November 1 and December 31 of the year in which the registration expires.

The bill requires each applicant for an initial registration or renewal to meet the supplemental mortgage servicer surety bond, fidelity bond, and errors and omissions coverage requirements that apply under existing law to mortgage lenders exempt from mortgage servicer licensure. It further requires applicants to pay to NMLS any required fees or charges and makes all fees nonrefundable.

The bill also expressly authorizes the banking commissioner to

suspend, revoke, or refuse to renew any exempt mortgage servicer registration or take any other action under his licensing and registration enforcement authority (see § 16 below). He may only exercise this authority if he finds that the registrant no longer meets the requirements for registration or if the registrant or any control person, trustee, employee, or agent of the registrant has (1) made any material misstatement in an application; (2) committed any fraud or misappropriated funds; or (3) violated any Connecticut banking statute, banking department regulation or order, or any other law applicable to the conduct of the registrant's business.

Additionally, the bill extends to exempt mortgage servicer registrants automatic suspension provisions that apply to mortgage servicer licensees under existing law. It specifically requires the commissioner to automatically suspend the registration when an exempt registrant's fidelity bond or errors and omissions coverage expires or is no longer in effect. However, no automatic suspension or inactivation may occur if, before the bond or coverage cancellation or expiration takes effect, the (1) principal submits a letter of reinstatement of the bond or coverage, or a new bond or coverage, or (2) exempt registrant has ceased business in Connecticut and surrendered its registration. After a registration has been automatically suspended, the commissioner must (1) give the registrant notice of the automatic suspension, pending proceedings for revocation or refusal to renew, and an opportunity for a hearing in accordance with state banking law, and (2) require the registrant to take or refrain from taking any action the commissioner deems necessary.

§§ 15 & 19 — SERVICING PRIVATE STUDENT EDUCATION LOANS

Extends private student education loan servicing requirements to any person servicing them instead of just private student education loan servicers

The bill extends existing law's requirements on private student education loan servicers so that they also apply to private education lenders, private education loan creditors, and any other person servicing a private student education loan. Generally, under these requirements, the entities must give certain information to borrowers and cosigners about (1) borrower and cosigner rights and

responsibilities, (2) cosigner release eligibility, and (3) parameters for the cosigner release application process.

The bill adds a new requirement that any person that makes or extends a private student education loan on or after October 1, 2024, provide options for cosigner release on the loan if certain criteria are met, including 12 consecutive on-time payments by the borrower or if the cosigner becomes totally and permanently disabled.

Additionally, the bill modifies which entities are subject to existing constraints that are carried forward but that currently only apply to private student education loan servicers. These include prohibiting any restriction that permanently prevents a borrower or cosigner from qualifying for a cosigner release or requirements that a borrower make more than 12 consecutive timely payments to be eligible for a cosigner release. The bill specifically prohibits, on and after October 1, 2024, any person that makes, extends, or owns at least one private student education loan, including any private education lender or private education loan creditor, from directly or indirectly taking these actions.

This prohibition also applies to a provision that is similar to one under current law. The latter generally prohibits (1) refusing to release the cosigner from his or her obligation to repay the loan when notified that the cosigner is totally and permanently disabled and (2) requiring that a new cosigner be added to the loan after the original cosigner has been released. Current law applies this prohibition unless the loan agreement's terms expressly prohibit it. The bill does not carry that exception forward (i.e., it prohibits these actions regardless of the loan agreement's terms).

Lastly, the bill makes minor, technical, and conforming changes.

EFFECTIVE DATE: October 1, 2024

Application

Under the bill, "servicing" generally is:

1. receiving any payments from a student loan borrower on a student education loan;

2. applying these payments to a loan;

3. maintaining account records for and communicating with the borrower about the loan during the period when no payments are required;

4. interacting with a borrower to service a loan, including helping a borrower prevent loan defaults; or

5. performing other administrative services on a loan.

By law, a "private student education loan" is any student education loan that is not (1) made under the William D. Ford Federal Direct Loan Program or purchased by the U.S. Department of Education and (2) owned by the U.S. Department of Education.

Under existing law, a "private student education loan servicer" is any person, wherever located, responsible for servicing private student education loans to student loan borrowers who live in Connecticut.

A "private education lender" and "private education loan creditor" is, respectively, any person (1) engaged in the business of making or extending private education loans and (2) to whom a private education loan is sold or assigned or who otherwise acquires one. By law, private education lenders do not include banks or out-of-state banks; Connecticut, federal, or out-of-state credit unions; the banks' or credit unions' wholly owned subsidiaries; operating subsidiaries with an owner that is wholly owned by the same bank or credit union; or the Connecticut Higher Education Supplemental Loan Authority (CHESLA). Certain banks and these credit unions are similarly exempt as private education loan creditors, as are consumer collection agencies; private student loan servicers; and local, state, and federal departments and agencies. Relatedly, a "private education loan" is credit (1) extended expressly, in whole or part, for a borrower's postsecondary educational

expenses, regardless of whether it is provided by the educational institution a student attends, and (2) not made, insured, or guaranteed under certain federal laws (i.e., not a federally issued education loan). It excludes loans secured by real property (CGS § 36a-856(a)(5)).

By law, unchanged by the bill, the above requirements do not apply to banks, out-of-state banks with a physical presence in Connecticut, and credit unions; their wholly owned subsidiaries; operating subsidiaries where the owners are wholly owned by the bank or credit union; and CHESLA.

§ 16 — ENFORCEMENT OVER REGISTRATIONS

Extends existing enforcement law so that the banking commissioner may suspend, revoke, or refuse to renew registrations issued by him

Existing law authorizes the banking commissioner to suspend, revoke, or refuse to renew any license he issues under state law according to notice and hearing procedures. This law also generally establishes processes for him to address when these licenses are surrendered or expire as well as when applications for them are withdrawn. The bill extends this collective enforcement authority to registrations issued by the commissioner. By law, this authority does not apply to the state's securities laws.

EFFECTIVE DATE: October 1, 2024

§ 20 — REGISTRATIONS FOR MORTGAGE LICENSE SPONSORS

Creates a registration timeline and fee requirements for exempt registrants that sponsor the licensing of a mortgage loan originator or a loan processor or underwriter

Existing law exempts several different entities from being licensed as a mortgage lender, mortgage correspondent lender, or mortgage broker (e.g., federally insured banks and credit unions, any corporation that makes residential mortgage loans exclusively for the benefit of its employees or agents, and people who make secondary mortgage loans to immediate family members) (see CGS § 36a-487(a) to (c)).

By law, any person who claims such an exemption may register on NMLS as an exempt registrant to sponsor a mortgage loan originator or

a loan processor or underwriter. The bill creates a timeline and fee requirements for those who register.

Under the bill, these registrations must generally expire at the close of business on December 31 of the year in which they are approved, unless renewed. However, any registration approved on or after November 1 must expire at the close of business on December 31 of the following year. Renewal applications must be filed between November 1 and December 31 of the year in which the registration expires.

The bill requires each applicant for an initial registration or renewal to pay to NMLS any required fees or charges and makes all fees nonrefundable.

EFFECTIVE DATE: October 1, 2024

§ 21 — CONNECTICUT BANK ALTERATIONS OR IMPROVEMENTS

Allows Connecticut banks to alter or improve their business real estate without the banking commissioner's written approval if certain criteria are met

The bill adds a second exception to the state requirement that Connecticut banks obtain the banking commissioner's written approval before altering or improving their business real estate. Under this exception, no approval is needed for altering or improving business real estate that a Connecticut bank, or a corporation controlled by it, already owns or leases so long as the bank is (1) adequately capitalized under federal law and (2) not the subject of a pending formal enforcement action by the banking commissioner or the Federal Deposit Insurance Corporation.

Under existing law, Connecticut banks may generally acquire, alter, or improve real estate for present or future use in the bank's business with the banking commissioner's written approval. However, approval is not required for altering or improving business real estate that the bank, or a corporation controlled by it, already owns or leases if the expenditure for the alterations or improvements does not, in any one calendar year, exceed 5% of the bank's capital and surplus or $750,000, whichever is less.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2024

Applicability

By law, a "Connecticut bank" is a Connecticut-chartered or organized bank and trust company, savings bank, or savings and loan association (CGS § 36a-2(13)).

Under existing law and the bill, the requisite level of control needed by a bank for the exceptions to apply to real estate owned or leased by a corporation is at least 51% of the equity securities issued by the corporation, unless the banking commissioner determines that a lesser percentage constitutes effective working control of the corporation (CGS § 36a-276(d)).

Subject to other conditions and provisions, a Connecticut bank is generally considered "adequately capitalized" if it has a:

1. total risk-based capital ratio of at least 8%,
2. Tier 1 risk-based capital ratio of at least 6%,
3. common equity Tier 1 capital ratio of at least 4.5%, and
4. leverage ratio of at least 4% (12 C.F.R. § 324.403(b)).

§§ 22-24 — SECURITIES REGULATION

Exempts merger and acquisition broker-dealers from state registration requirements, aligning state law with federal law; requires submission of a notice filing form and $250 fee for Tier 2 securities offerings in the state; broadens the commissioner's enforcement authority over registered securities broker-dealers, broker-dealer agents, investment advisors, and investment advisor agents to include censure and bar

Merger and Acquisition Broker-Dealer Registration Exemption (§ 22)

The bill exempts merger and acquisition (M & A) broker-dealers from state registration requirements, aligning state law with federal law (see 15 U.S.C. § 78o). These broker-dealers work for sellers or buyers in securities transactions only to transfer ownership of eligible privately

held companies (e.g., through the purchase, sale, exchange, or issuance of assets) under certain specific conditions. For example, the broker-dealer must reasonably believe that the person acquiring the assets will control the company or its business and be active in its management. Currently, they must register in Connecticut as regular broker-dealers.

Under the bill, the exemption does not apply to an M & A broker-dealer that does any of the following:

1. receives, holds, transmits, or has custody of the funds or securities to be exchanged by the parties to the transaction;

2. on an issuer's behalf, engages in a public offering of any class of securities that must be registered with the Securities and Exchange Commission (SEC) or is subject to certain SEC filing requirements;

3. engages on behalf of any party in a transaction involving a shell company (i.e., one with no or nominal operations and no or nominal assets, only cash or cash equivalent assets, or a combination of these and nominal other assets) other than a business combination related shell company (i.e., a shell company only used to change the non-shell company's domicile in the United States or to complete certain business combination transactions);

4. provides financing related to an eligible privately held company's ownership transfer;

5. helps any party get financing from an unaffiliated third party without complying with associated laws and disclosing compensation in writing to the party;

6. represents both the buyer and seller in the same transaction without clearly disclosing, in writing, the parties the broker-dealer represents and getting written consent from both;

7. facilitates a transaction with a group of buyers that the broker-

dealer helped form to acquire the eligible privately held company;

8. engages in a transaction that involves the transfer of ownership of an eligible privately held company to a passive buyer or group of them; or

9. binds a party to an eligible privately held company's ownership transfer.

An M & A broker-dealer is also ineligible for the registration exemption if it (or any officer, director, member, manager, partner, control person, or employee) was subject to certain court or regulatory actions, such as a securities- or finance-related criminal conviction or court injunction or subject to a Department of Banking (DOB) or SEC cease and desist order, registration revocation, or certain other sanctions.

Tier 2 Notice Filing Form and Fee (§ 23)

The bill requires securities issuers that propose to offer or sell in a Tier 2 offering, within 21 days before the initial sale of securities in Connecticut, to pay a $250 filing fee and file the following with DOB a:

1. completed Regulation A – Tier 2 notice filing form and, upon the DOB commissioner's request, copies of all documents filed with the SEC related to the form and

2. consent to service of process, unless provided in the notice filing form.

Under the bill, the initial notice filing is effective for 12 months after being filed with DOB. For each additional 12-month period that the same offering is continued, the issuer may renew its notice before it expires by submitting a renewal notice filing form and paying a $250 fee.

Federal securities laws require security offerings or sales to be

registered with the SEC unless they meet an exception. Regulation A is an exception that applies to public offerings, which includes two tiers. A "Tier 2" offering is one of up to $75 million in a 12-month period.

DOB Registration Enforcement (§ 24)

The bill expands the DOB commissioner's enforcement authority over registered securities broker-dealers, broker-dealer agents, investment advisors, and investment advisor agents. It allows him to censure or impose a bar on them for the same reasons existing law allows him to deny, suspend, or revoke their registrations or restrict or condition their securities or investment advisory activities in the state (e.g., certain statutory noncompliance or criminal convictions, subject to certain federal orders, insolvency, supervision failure). This expanded authority also applies to the registrants' partners, officers, or directors, or any person who directly or indirectly controls them.

By law, the commissioner's enforcement actions are subject to an opportunity for a hearing and written findings of fact and conclusions of law.

EFFECTIVE DATE: Upon passage

§ 25 — SHARED APPRECIATION AGREEMENT DISCLOSURES

Establishes written disclosure requirements for mortgage lenders offering to make residential loans in which the lender receives an interest in the appreciated value of the property

The bill requires mortgage lenders that offer to make a shared appreciation agreement to give certain written disclosures at least three business days after a prospective borrower applies for the agreement.

By law, a "mortgage lender" is generally someone who makes residential mortgage loans. A "shared appreciation agreement" is a nonrecourse obligation in which money is advanced to a consumer in exchange for an equity interest in a dwelling, residential real estate, or a future obligation to repay when a certain event happens, such as a transfer of ownership, maturity date, borrower's death, or other circumstance outlined and explicitly agreed to (CGS § 36a-485).

The bill's required disclosures include, among other things, an informational statement, the agreement and transaction details, the method of determining the property's fair market value, the interest charged, and repayment examples.

EFFECTIVE DATE: October 1, 2024

Written Disclosures

The bill requires the following statement to be given clearly, conspicuously, and in at least 12-point font:

> "You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage and shared interest in your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan. You may wish to consult an attorney."

The following must also be disclosed:

1. financial information relevant to the proposed shared appreciation agreement, including whether repayment terminates it, such as through the mortgage lender receiving some or all of the sale proceeds for the dwelling or residential real estate (collectively "property" for the purposes of this bill analysis) that is the subject of the agreement;

2. agreement and transaction details for the agreement, including the mortgage lender's contact information, transaction amount, cash sum to be paid to the prospective borrower, starting value for appreciation sharing, term of the agreement, and the property's estimated current fair market value;

3. the method of determining the property's current fair market value;

4. the method of determining the property's final value when the

agreement is terminated;

5. the interest charged, if applicable;

6. the limit of the mortgage lender's share of appreciation or equity in the property; and

7. an advisory that the prospective borrower consult his or her tax advisor on the agreement's potential tax implications.

Additionally, repayment examples for the proposed shared appreciation agreement must at least be given based on the following:

1. settlement of the agreement after five years, 10 years, 15 years, and 30 years, in each case up to the maximum term of the agreement;

2. no change in the property's market value; and

3. changes in its market value (a) at a 10% total depreciation rate over the agreement's term, 3.5% annual appreciation rate, and 5.5% annual appreciation rate, and (b) reflecting the actual average rate of appreciation or depreciation for all dwellings or residential real estate in Connecticut during the period that is equal to the term of the agreement and that occurred immediately before it, based upon the most recent quarterly data published by the Federal Reserve Bank of St. Louis.

Lastly, information and corresponding calculations for the proposed agreement must be given on the following, if applicable:

1. calculated appreciation amount;

2. appreciation-based charge;

3. accrued or charged interest;

4. principal amount to be repaid;

5. mortgage lender's total calculated share of appreciation or equity and any limit to that share; and

6. for each of the repayment scenarios specified above, the actual amount of money to be paid by the prospective borrower to the

lender, including any unconditional administrative fees or reimbursement of protective advances that must be paid at the time of the agreement's settlement, and the total cost to the borrower expressed as an annual percentage rate to allow the prospective borrower to compare, under each repayment scenario, the cost at the time of the agreement's settlement with the cost of a traditional mortgage loan.

§§ 26-41 — INNOVATION BANKS

Replaces a current type of Connecticut-organized bank ("uninsured bank") with a substantially similar type under a different name ("innovation bank")

The bill replaces all references to "uninsured banks" in the state's banking laws with "innovation banks." In doing so, it makes all requirements and conditions that apply to uninsured banks under current law apply to innovation banks instead.

The bill defines "innovation bank" similarly to "uninsured bank" (i.e., a Connecticut-chartered or -organized bank and trust company, savings bank, or savings and loan association that does not accept retail deposits). However, while, by definition, current law does not require "uninsured banks" to have Federal Deposit Insurance Corporation (FDIC) insurance for their deposits, the bill instead expressly allows "innovation banks" to accept nonretail deposits that are eligible for FDIC insurance.

Separate from its definition, the bill also authorizes each innovation bank to receive nonretail deposits (including from a corporation that owns the majority of the bank's shares) and to secure deposit insurance for them, including from the FDIC.

By law, "retail deposits" are deposits by anyone other than accredited investors as defined in federal securities regulations. Generally, "accredited investors" include, among other entities, certain banks, securities brokers or dealers, insurance companies, investment companies, business development companies, qualifying retirement and employee benefit plans, trusts with assets over $5 million, and people who had an individual income over $200,000 in the past two years or $300,000 jointly with a spouse (17 C.F.R. § 230.501(a)).

Lastly, the bill makes several technical and conforming changes.

EFFECTIVE DATE: July 1, 2024

§ 42 — COMMUNITY BANKING PROGRAM

Adds federal banks and out-of-state banks and reinstates federal credit unions to the treasurer's Community Banking Program's list of eligible participants

Existing law authorizes the treasurer, based on cash availability, to administer a program to reinvest up to $300 million with community banks and credit unions. The bill increases the pool of financial institutions eligible to participate in the program by:

1. adding federal banks and out-of-state banks and
2. reinstating federal credit unions, which were removed by PA 23-126.

EFFECTIVE DATE: July 1, 2024

§§ 43-48 — TECHNICAL CHANGES

Makes technical changes to several banking laws, a securities provision, and a mortgage statute

The bill makes technical changes to several banking laws, a provision in the state's securities laws, and a mortgage statute.

EFFECTIVE DATE: October 1, 2024, except the change to the securities law is effective July 1, 2024.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute
Yea 8 Nay 4 (03/12/2024)