

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5142

Title: AN ACT CONCERNING BANKING ISSUES.

Vote Date: 3/12/2024

Vote Action: Joint Favorable Substitute

PH Date: 2/20/2024

File No.:

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SPONSORS OF BILL:

Banking Committee

REASONS FOR BILL:

This bill encompasses a multitude of different banking concepts and requires the Department of Banking to conduct a study and submit the results to the Banking Committee by Jan 15th, 2025, on various banking issues throughout the state.

SUBSTITUTE LANGUAGE:

The substitute language encompasses several bills that have been combined and added into this bill.

Firstly, the substitute language mandates that all cancellations of surety bonds linked to licenses such as mortgage lender, mortgage correspondent lender, mortgage broker, money transmission, debt adjustment, debt negotiation, consumer collection agency, and mortgage servicer must now be conducted electronically. The provision was previously found in identical sections of SB 187.

Secondly, the substitute language states that a mortgage lender, mortgage correspondent lender, mortgage broker, lead generator, and mortgage servicer licensees are obligated to revise their surety bonds upon altering their legal names. However, the need for updating these bonds due to address changes has been removed. This provision can be found in sections in SB 187.

Thirdly, the substitute language limits when money transmission, debt adjustment, debt negotiation, and consumer collection agency licensees must update their surety bonds

to when they change their legal names instead of for any name change. This provision can be found in sections 7-9 & 11 and was previously denoted in the same sections in SB 187.

The definition of a sales finance company, small loan, and mortgage servicing activity requiring licensure is broadened to include instances where an individual receives any payments, including fees, in association with a retail installment contract or installment loan contract, small loan, and residential mortgage loan. This expands beyond solely receiving principal and interest payments under such agreements. Similarly, in the realm of private student education loan servicing, there's a parallel expansion to encompass receiving any payment, rather than solely scheduled periodic payments. This provision can be found in sections 12 & 17-19 and was previously the same sections in SB 187.

The substitute language requires licensed mortgage lenders to register on the Nationwide Multi-state Licensing Systems (NMLS) as "exempt mortgage servicer registrants" before acting as mortgage servicers and pay NMLS any required fees or charges. Furthermore, the substitute language authorizes the banking commissioner to suspend, revoke, or refuse to renew these registrations. This provision can be found in sections 13 & 14 and was previously the same sections in SB 187.

The substitute language expands the scope of private student education loan servicing obligations, including those related to cosigner releases, to encompass private education lenders and private education loan creditors, rather than being limited solely to private student education loan servicers. This provision can be found in section 15 and was previously located in the same sections in SB 187.

The substitute language authorizes the banking commissioner to suspend, revoke, and refuse to renew registrations issued by him, (the current statute is limited to licenses he issues.) This provision can be found in section 16 and was previously in the same section in SB 187.

The substitute language establishes a registration timeline and fee schedule for exempt registrants that sponsor the licensing of a mortgage loan originator, loan processor, or underwriter. This provision can be found in section 20 and was previously under the same section in SB 187.

The substitute language adds a second exception from having to obtain the banking commissioner's written approval before a Connecticut bank alters or improves its business real estate. This provision can be found in section 21 and was previously found in SB 282. Moreover, the substitute language exempts certain merger and acquisition broker-dealers from registration, this provision can be found in section 22, and was previously denoted in section 1 in SB 124.

The substitute language establishes a notice filing requirement and related \$250 filing fee for Tier 2 securities offerings, in other words, offerings up to \$75 million in securities in a 12-month period. This provision can be found in section 23, was previously in section 2 in SB 124. Next, the substitute language authorizes the banking commissioner to censure or bar a registered securities broker-dealer, agent, investment adviser, or investment adviser agent for certain criminal convictions, subject to sanctions or a cease and desist, use of fraudulent or unethical practices, or failing to reasonably supervise certain agents. These statutes of

limitations exist presently under current law. This provision can be found in section 24 and was previously listed in section 3 in SB 124.

The substitute language enacts the use of written disclosure requirements for mortgage lenders offering to make shared appreciation agreements, and requires disclosures to the informational statement, the agreement and transaction details, the method of determining the property's fair market value, the interest charged, and repayment examples. This provision can be found in section 25 and was previously listed under HB 5141.

The substitute language replaces "uninsured banks" as "innovation banks" and defines them similarly. Specifically, as Connecticut banks that do not accept retail deposits but may accept nonretail deposits that are eligible for Federal Deposit Insurance Corporation insurance. It also authorizes them to hold nonretail deposits from a corporation that owns most of its shares. These provisions can be found in sections 26-41 and was previously explained in HB 5145.

The substitute language reinstates federally chartered credit unions as potential participants in the Treasurer's Community Banking Program and adds out-of-state banks as eligible participants. This provision can be found in section 42 and was previously depicted in SB 122. Lastly, the substitute language makes technical changes to the banking statutes and a mortgage statute. This provision can be found in sections 21 & 43-48, and was a part of SB 118 prior to this.

RESPONSE FROM ADMINISTRATION/AGENCY:

None expressed

NATURE AND SOURCES OF SUPPORT:

None expressed

NATURE AND SOURCES OF OPPOSITION:

John Dilorio, testified in opposition to HB 5142, on the grounds that he believes shared appreciation is a bad product. Furthermore, the testifier sought clarity on some of the language in the bill. Specifically, what constitutes an "application for such proposed agreement?" The testifier believes the complexity of the mandated disclosure is anti-consumer due to its complexity, which has the potential to go above the heads of consumers.

Joyce Lacey, testified in opposition to HB 5142, on the grounds that the testifier believes this bill seeks to provide immigrants with access to money and a bank account. The testifier believes a digitized trade and banking system would prevent immigrants from entering the country and accessing money.

Reported by: Hannah Hayes

Date: 3/27/2024