



Agency Legislative Proposal - 2022 Session

Document Name: AAC Network Supervision of Consumer Credit Licensees

(If submitting electronically, please label with date, agency, and title of proposal – 092621_SDE_TechRevisions)

State Agency: Department of Banking

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Lead agency division requesting this proposal: Consumer Credit Division

Agency Analyst/Drafter of Proposal: Stacey L. Serrano

Title of Proposal: AAC Network Supervision of Consumer Credit Licensees

Statutory Reference: Sections 36a-596 and 36a-598(d)

Proposal Summary:

The proposal mirrors definitions concerning persons in control and key individuals of money transmitter licensees that many states have already adopted or are in the process of adopting on the Nationwide Multistate Licensing System and Registry (“NMLS”); provides the Commissioner with authority to adopt a streamlined process for approval of acquisition of money transmission licensees and to make Connecticut a more business friendly state in this space; and adopts uniform prudential standards concerning the financial condition and corporate governance of large nonbank mortgage servicers.

PROPOSAL BACKGROUND

◇ **Reason for Proposal**

The proposal furthers uniformity in state supervision and eases regulatory burden by adopting standard definitions applying to persons licensed as money transmitters on NMLS and permitting a streamlined approval process for certain persons to acquire a money transmitter licensee. Through the adoption of the prudential standards, the proposal enhances financial condition and corporate governance requirements imposed upon large nonbank mortgage servicers, to correspond with their critical role in the residential mortgage loan market.

◇ **Origin of Proposal**

New Proposal

Resubmission

If this is a resubmission, please share:

- (1) *What was the reason this proposal did not pass, or if applicable, was not included in the Administration’s package?*
- (2) *Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?*
- (3) *Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?*
- (4) *What was the last action taken during the past legislative session?*

Click here to enter text.



PROPOSAL IMPACT

◇ **AGENCIES AFFECTED** *(please list for each affected agency)*

<p>Agency Name: Click here to enter text.</p> <p>Agency Contact (<i>name, title, phone</i>): Click here to enter text.</p> <p>Date Contacted: Click here to enter text.</p> <p>Approve of Proposal <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> Talks Ongoing</p>
<p>Summary of Affected Agency's Comments</p> <p>Click here to enter text.</p>
<p>Will there need to be further negotiation? <input type="checkbox"/> YES <input type="checkbox"/> NO</p>

◇ **FISCAL IMPACT** *(please include the proposal section that causes the fiscal impact and the anticipated impact)*

<p>Municipal <i>(please include any municipal mandate that can be found within legislation)</i></p> <p>Click here to enter text.</p>
<p>State</p> <p>Click here to enter text.</p>
<p>Federal</p> <p>Click here to enter text.</p>
<p>Additional notes on fiscal impact</p> <p>Click here to enter text.</p>

◇ **POLICY and PROGRAMMATIC IMPACTS** *(Please specify the proposal section associated with the impact)*

<p>Click here to enter text.</p>

◇ **EVIDENCE BASE**



What data will be used to track the impact of this proposal over time, and what measurable outcome do you anticipate? Is that data currently available or must it be developed? Please provide information on the measurement and evaluation plan. Where possible, those plans should include process and outcome components. Pew MacArthur Results First [evidence definitions](#) can help you to establish the evidence-base for your program and their [Clearinghouse](#) allows for easy access to information about the evidence base for a variety of programs.

Section 1. Section 36a-596 of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2022):

As used in sections 36a-595 to 36a-612, inclusive:

(1) “Advertise” or “advertising” has the same meaning as provided in section 36a-485.

(2) “Authorized delegate” means a person designated by a person licensed pursuant to sections 36a-595 to 36a-612, inclusive, to provide money transmission services on behalf of such licensed person.

(3) “Control” means (A) the power to vote, directly or indirectly, at least twenty-five per cent of the outstanding voting shares or voting interests of a licensee or person in control of a licensee; (B) the power to elect or appoint a majority of key individuals or executive officers, managers, directors, trustees, or other persons exercising managerial authority of a person in control of a licensee; or (C) the power to exercise, directly or indirectly, a controlling influence over the management or policies of a licensee or person in control of a licensee. For purposes of this definition: (i) a person is presumed to exercise a controlling influence when the person holds the power to vote, directly or indirectly, at least ten per cent of the outstanding voting shares or voting interests of a licensee or person in control of a licensee, (ii) a person presumed to exercise a controlling influence can rebut the presumption of control if the person is a passive investor, and (iii) for purposes of determining the percentage of control, a person’s interest shall be aggregated with the interest of any other immediate family member, including the person’s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and any other person who shares such person’s home.



[(3)] (4) “Control person” [has the same meaning as provided in section 36a-485.] means any individual in control of a licensee or applicant, any individual that seeks to acquire control of a licensee, or a key individual.

[(4)] (5) “Electronic payment instrument” means a card or other tangible object for the transmission of money or monetary value or payment of money which contains a microprocessor chip, magnetic stripe, or other means for the storage of information, that is prefunded and for which the value is decremented upon each use, but does not include a card or other tangible object that is redeemable by the issuer in the issuer's goods or services.

[(5)] (6) “Holder” means a person, other than a purchaser, who is either in possession of a payment instrument and is the named payee thereon or in possession of a payment instrument issued or endorsed to such person or bearer or in blank. “Holder” does not include any person who is in possession of a lost, stolen or forged payment instrument.

(7) “Key individual” means any individual ultimately responsible for establishing or directing policies and procedures of the licensee, such as an executive officer, manager, director or trustee.

[(6)] (8) “Licensee” means any person licensed or required to be licensed pursuant to sections 36a-595 to 36a-612, inclusive.

[(7)] (9) “Main office” has the same meaning as provided in section 36a-485.

[(8)] (10) “Monetary value” means a medium of exchange, whether or not redeemable in money.

[(9)] (11) “Money transmission” means engaging in the business of issuing or selling payment instruments or stored value, receiving money or monetary value for current or future transmission or the business of transmitting money or monetary value within the United States or to locations outside the United States by any and all means including, but not limited to, payment instrument, wire, facsimile or electronic transfer.



[(10)] (12) “Outstanding” means (A) in the case of a payment instrument or stored value, that: (i) It is sold or issued in the United States; (ii) a report of it has been received by a licensee from its authorized delegates; and (iii) it has not yet been paid by the issuer, and (B) for all other money transmissions, the value reported to the licensee for which the licensee or any authorized delegate has received money or its equivalent value from the customer for transmission, but has not yet completed the money transmission by delivering the money or monetary value to the person designated by the customer.

(13) “Passive investor” means a person that: (A) does not have the power to elect a majority of key individuals or executive officers, managers, directors, trustees, or other persons exercising managerial authority of a person in control of a licensee; (B) is not employed by and does not have any managerial duties of the licensee or person in control of a licensee; (C) does not have the power to exercise, directly or indirectly, a controlling influence over the management or policies of a licensee or person in control of a licensee; and (D) attests to subparagraphs (A), (B) and (C) of this subdivision in a form and in a medium prescribed by the Commissioner.

[(11)] (14) “Payment instrument” means a check, draft, money order, travelers check or electronic payment instrument that evidences either an obligation for the transmission of money or monetary value or payment of money, or the purchase or the deposit of funds for the purchase of such check, draft, money order, travelers check or electronic payment instrument.

[(12)] (15) “Permissible investment” means: (A) Cash in United States currency; (B) time deposits, as defined in section 36a-2, or other debt instruments of a bank; (C) bills of exchange or bankers acceptances which are eligible for purchase by member banks of the Federal Reserve System; (D) commercial paper of prime quality; (E) interest-bearing bills, notes, bonds, debentures or other obligations issued or guaranteed by: (i) The United States or any of its agencies or instrumentalities, or (ii) any state, or any agency, instrumentality, political subdivision, school district or legally constituted authority of any state if such investment is of prime quality; (F) interest-bearing bills or notes, or bonds, debentures or preferred stocks, traded on any national



securities exchange or on a national over-the-counter market, if such debt or equity investments are of prime quality; (G) receivables due from authorized delegates consisting of the proceeds of the sale of payment instruments which are not past due or doubtful of collection; (H) gold; and (I) any other investments approved by the commissioner. Notwithstanding the provisions of this subdivision, if the commissioner at any time finds that an investment of a licensee is unsatisfactory for investment purposes, the investment shall not qualify as a permissible investment.

[(13)] (16) “Prime quality” of an investment means that it is within the top four rating categories in any rating service recognized by the commissioner unless the commissioner determines for any licensee that only those investments in the top three rating categories qualify as “prime quality”.

[(14)] (17) “Purchaser” means a person who buys or has bought a payment instrument or who has given money or monetary value for current or future transmission.

[(15)] (18) “Stored value” means monetary value that is evidenced by an electronic record. For the purposes of this subdivision, “electronic record” means information that is stored in an electronic medium and is retrievable in perceivable form.

[(16)] (19) “Travelers check” means a payment instrument for the payment of money that contains a provision for a specimen signature of the purchaser to be completed at the time of a purchase of the instrument and a provision for a countersignature of the purchaser to be completed at the time of negotiation.

[(17)] (20) “Unique identifier” has the same meaning as provided in section 36a-485.

[(18)] (21) “Virtual currency” means any type of digital unit that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology. Virtual currency shall be construed to include digital units of exchange that (A) have a centralized repository or administrator; (B) are decentralized and have no centralized repository or administrator; or (C) may be created or obtained by computing or manufacturing effort. Virtual currency shall not be construed to include digital units that are used (i) solely within online gaming platforms with no market or application outside such gaming platforms, or (ii)



exclusively as part of a consumer affinity or rewards program, and can be applied solely as payment for purchases with the issuer or other designated merchants, but cannot be converted into or redeemed for fiat currency.

Sec. 2. Subsection (d) of section 36a-598 of the general statutes, as amended by public act 21-138, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2022*):

(1) A money transmission license shall not be transferable or assignable, provided that a licensee may be acquired in accordance with the requirements of this subsection. Any change in any control person of the licensee, except a change of a [director, general partner or executive officer] key individual that is not the result of an acquisition or a 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 by order waive or modify, in whole or in part, any applicable requirement of sections 36a-595 to 36a-612, inclusive, and establish new requirements as necessary to facilitate a streamlined process for certain persons to obtain expedited approval to engage in money transmission in this state when acquiring control of an existing licensee.

Sec. 3. (NEW) (*Effective October 1, 2022*)

(a) Any mortgage servicer that is a covered institution shall comply with the requirements of this section. For purposes of this section, (1) "covered institution" means a mortgage servicer that services, or subservices for others, at least 2,000 mortgage loans primarily for personal, family or household use secured by residential property in the United States, excluding whole loans owned and loans being interim serviced prior to sale, as reported on the mortgage call report on the system or any other document required by the commissioner. "Covered institution" does not include: (A) any person exempt from mortgage servicer licensing requirements pursuant to subdivision (1), (2) or (3) of subsection (b) of section 36a-718, (B) any mortgage servicer that has



the status of a tax-exempt organization under Section 501(c)(3) of Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, or (C) any agency exempt from mortgage servicer requirements pursuant to section 36a-719l; (2) “interim serviced prior to sale” means the activity of collecting a limited number of contractual mortgage payments immediately after origination on loans held for sale but no longer than a period of ninety days prior to the loans being sold into the secondary market; and (3) “whole loans” means loans where a mortgage and the underlying credit risk is owned and held on balance sheet of the entity with all ownership rights.

(b) A covered institution shall maintain capital and liquidity in compliance with this subsection, except for any mortgage servicer that solely: (1) owns reverse mortgage loans, (2) performs subservicing for others with no responsibility to advance monies not yet received in connection with such subservicing activities, or (3) conducts reverse mortgage servicing. For the purposes of complying with the capital and liquidity requirements of this subsection, the reverse mortgage portfolio administered by a covered institution shall be excluded from calculations and all financial data shall be determined in accordance with generally accepted accounting principles.

(A) A covered institution required to comply with this subsection shall maintain the Federal Housing Finance Agency Eligibility Requirements for Enterprise Single-Family Seller/Servicers for minimum capital ratio, net worth and liquidity, as amended from time to time, regardless of whether the mortgage servicer is approved for government sponsored enterprise servicing.

(B) A covered institution required to comply with this subsection shall maintain written policies and procedures implementing the capital and servicing liquidity requirements of this subsection, including a sustainable written methodology for satisfying the requirements of this subsection.

(C) A covered institution required to comply with this subsection shall maintain sufficient allowable assets for liquidity in addition to the amounts required for servicing liquidity, to cover normal business operations. A covered institution shall have in place sound cash management and business operating plans that



match the size and sophistication of the institution to ensure normal business operations. A covered institution shall develop, establish and implement plans, policies and procedures for maintaining operating liquidity sufficient for the ongoing needs of the institution, which shall include sustainable, written methodologies for maintaining sufficient operating liquidity. For purposes of this subsection, “allowable assets for liquidity” means assets that may be used to satisfy the liquidity requirements herein, including unrestricted cash and cash equivalents and unencumbered investment grade assets held for sale or trade such as mortgage backed securities of Fannie Mae, Freddie Mac or Ginnie Mae, and obligations of the United States Department of Treasury.

(c) A covered institution shall establish and maintain a board of directors responsible for oversight of the covered institution. For covered institutions that are not approved to service loans by a government sponsored enterprise or Ginnie Mae, or where a federal agency has granted approval for a board alternative, an institution may establish a similar body constituted to exercise oversight and fulfill the board of directors’ responsibilities specified in this subsection.

(1) The board of directors shall be responsible for: (A) establishing a written corporate governance framework, including appropriate internal controls designed to monitor corporate governance and assess compliance with the corporate governance framework, (B) monitoring and ensuring institution compliance with the corporate governance framework, sections 36a-715 to 36a-719l, inclusive, and accurate and timely regulatory reporting, including the requirements for filing the mortgage call report, and (C) establishing internal audit requirements that are appropriate for the size, complexity and risk profile of the servicer, with appropriate independence to provide a reliable evaluation of the servicer’s internal control structure, risk management and governance.

(d) A covered institution shall annually procure an external audit, including audited financial statements and audit reports conducted by an independent public accountant, which shall include: (1) annual financial statements, including a balance sheet, income statement, cash flows, notes and supplemental schedules prepared in accordance with generally accepted accounting principles, (2) assessment of the internal control structure, (3)



computation of tangible net worth, (4) validation of mortgage servicing rights valuation and reserve methodology, if applicable, (5) verification of adequate fidelity and errors and omissions insurance, and (6) testing of controls related to risk management activities, including compliance and stress testing, where applicable.

(e) A covered institution shall establish a risk management program under the oversight of the board of directors that identifies, measures, monitors, and controls risk commensurate with the complexity of the servicer. The risk management program shall have appropriate processes and models in place to measure, monitor and mitigate financial risks and changes to the risk profile of the servicer and assets being serviced. The risk management program shall be scaled to the complexity of the organization and be sufficient to manage the risk of the institution, including, but not limited to:

(1) *Credit risk*: The potential that a borrower or counterparty will fail to perform on an obligation.

(2) *Liquidity risk*: The potential that the servicer will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding or that it cannot easily unwind or offset specific exposures.

(3) *Operational risk*: The risk resulting from inadequate or failed internal processes, people, and systems or from external events.

(4) *Market risk*: The risk to the servicer's condition resulting from adverse movements in market rates or prices.

(5) *Compliance risk*: The risk of regulatory sanctions, fines, penalties or losses resulting from failure to comply with laws, rules, regulations or other supervisory requirements applicable to the servicer.

(6) *Legal risk*: The potential that actions against the institution that result in unenforceable contracts, lawsuits, legal sanctions or adverse judgments can disrupt or otherwise negatively affect the operations or condition of the servicer; and



(7) *Reputation risk*: The risk to earnings and capital arising from negative publicity regarding the servicer's business practices.

(f) A covered institution shall conduct a risk management assessment on an annual basis concluding with a formal report to the board of directors. The report shall include evidence of risk management activities, any adverse findings relating to the institution's risk management program and proposed corrective actions to remedy any findings noted.

(g) Whenever the commissioner finds as the result of an investigation, inquiry or examination that any risk of a covered institution is of significant concern, the commissioner may order or direct the institution to satisfy additional conditions necessary to ensure that the institution will continue to operate in a safe and sound manner and be able to continue to service loans in compliance with state and federal law and regulations.



Agency Legislative Proposal - 2022 Session

Document Name: AAC Revisions to Consumer Credit Laws

(If submitting electronically, please label with date, agency, and title of proposal – 092621_SDE_TechRevisions)

State Agency: Department of Banking

Liaison: Matt Smith

Phone: 860-240-8105

E-mail: matthew.smith@ct.gov

Lead agency division requesting this proposal: Consumer Credit Division

Agency Analyst/Drafter of Proposal: Stacey L. Serrano

Title of Proposal: AAC Technical Revisions to Consumer Credit Laws

Statutory Reference: Sections 36a-488, 36a-492, 36a-535(2), 36a-671d, 36a-801(i), 36a-802 and 36a-811(b)

Proposal Summary:

The proposal modernizes consumer credit laws to reflect remote office operations of mortgage lenders, brokers and loan originators; revises bond form requirements for consistency with the Nationwide Multistate Licensing System & Registry (“NMLS”); permits consumer collection agencies to hold trust funds in financial institutions without a Connecticut location; increases the required bond amount for consumer collection agencies.

PROPOSAL BACKGROUND

◇ **Reason for Proposal**

The proposal updates the law to reflect current remote office operations of mortgage industry personnel and facilitates the use of electronic surety bonds on NMLS for certain license types. It also reduces the burden placed on consumer collection agencies by removing the requirement that consumer collection agencies must use a financial institution with a Connecticut location to hold monies for creditors and increases the amount of bond required by licensed consumer collection agencies to better protect consumers.

◇ **Origin of Proposal**

New Proposal

Resubmission



If this is a resubmission, please share:

- (1) What was the reason this proposal did not pass, or if applicable, was not included in the Administration's package?
- (2) Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?
- (3) Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?
- (4) What was the last action taken during the past legislative session?

[Click here to enter text.](#)

PROPOSAL IMPACT

◇ **AGENCIES AFFECTED** *(please list for each affected agency)*

Agency Name: [Click here to enter text.](#)

Agency Contact (name, title, phone): [Click here to enter text.](#)

Date Contacted: [Click here to enter text.](#)

Approve of Proposal YES NO Talks Ongoing

Summary of Affected Agency's Comments

[Click here to enter text.](#)

Will there need to be further negotiation? YES NO

◇ **FISCAL IMPACT** *(please include the proposal section that causes the fiscal impact and the anticipated impact)*

Municipal *(please include any municipal mandate that can be found within legislation)*

None

State

None

Federal

None

Additional notes on fiscal impact

[Click here to enter text.](#)



◇ **POLICY and PROGRAMMATIC IMPACTS** *(Please specify the proposal section associated with the impact)*

Click here to enter text.

◇ **EVIDENCE BASE**

What data will be used to track the impact of this proposal over time, and what measurable outcome do you anticipate? Is that data currently available or must it be developed? Please provide information on the measurement and evaluation plan. Where possible, those plans should include process and outcome components. Pew MacArthur Results First [evidence definitions](#) can help you to establish the evidence-base for your program and their [Clearinghouse](#) allows for easy access to information about the evidence base for a variety of programs.

Click here to enter text.

Section 1. Section 36a-488 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

(a) (1) The commissioner shall not issue a mortgage lender license, a mortgage correspondent lender license or a mortgage broker license to any person unless such person meets the following tangible net worth and experience requirements, as applicable: (A) The minimum tangible net worth requirement for a mortgage lender shall be two hundred fifty thousand dollars and the minimum tangible net worth requirement for a mortgage correspondent lender and a mortgage broker shall be fifty thousand dollars, and (B) a mortgage lender, mortgage correspondent lender or mortgage broker shall have, (i) at the main office for which the license is sought, a qualified individual who has supervisory authority over the lending or brokerage activities of the licensee and who is responsible for the actions of the licensee, and (ii) at each branch office, a branch manager who has supervisory authority over the lending or brokerage activities of the branch office, who is responsible for the actions of the branch office, who has at least three years' experience in the mortgage business within the five years immediately preceding the date of the application for the license, and who is licensed as a mortgage loan originator under section 36a-489. As used in this subdivision, "experience in the mortgage business" means paid experience in the origination, processing or underwriting of residential mortgage loans, the



marketing of such loans in the secondary market or in the supervision of such activities, or any other relevant experience as determined by the commissioner. As used in subparagraph (B) of this subdivision, “at the main office” may be established by demonstrating to the satisfaction of the commissioner that the qualified individual [resides within one hundred miles of the main office or] is [otherwise] capable of providing full-time [, in-person] supervision of the main office, and “at each branch office” may be established by demonstrating to the satisfaction of the commissioner that the branch manager [resides within one hundred miles of the branch office or] is [otherwise] capable of providing full-time [, in-person] supervision of the branch office. The commissioner may waive the requirements of subparagraph (B) of this subdivision pertaining to a qualified individual where it is demonstrated to the satisfaction of the commissioner that no activity subject to licensure under sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-534a and 36a-534b will be conducted at the main office and the licensee designates a qualified individual responsible for the actions of the licensee. The commissioner may waive the requirements of subparagraph (B) of this subdivision pertaining to a branch manager where a person licensed as a mortgage lender under section 36a-489 will act only as a mortgage servicer at such branch office, and the individual designated as branch manager meets the requirements for branch manager as set forth in section 36a-719. No person granted a waiver of the requirements of subparagraph (B) of this subdivision shall conduct any activity at the main office or at any branch office that would have precluded issuance of such waiver without first designating a qualified individual or branch manager, as applicable, who meets all applicable requirements and is approved by the commissioner.

(2) Each licensee shall maintain the net worth required by this subsection.

(b) The commissioner may issue a mortgage lender license, a mortgage correspondent lender license, or a mortgage broker license. Each mortgage lender licensee may also act as a mortgage correspondent lender and a mortgage broker, and each mortgage correspondent lender licensee may also act as a mortgage broker. An application for a license as a mortgage lender, mortgage correspondent lender or mortgage broker office or renewal of such license shall be filed, in a form prescribed by the commissioner, with the system. Each such



form shall contain content as set forth by instruction or procedure of the commissioner and may be changed or updated as necessary by the commissioner in order to carry out the purpose of sections 36a-21, 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-498h, 36a-534a and 36a-534b. The applicant shall, at a minimum, furnish to the system information concerning the identity of the applicant, any control person of the applicant, the qualified individual and any branch manager, including personal history and experience in a form prescribed by the system and information related to any administrative, civil or criminal findings by any governmental jurisdiction. In the case of an initial application for a license, the following supplementary information shall be filed, as applicable: (1) For a main office license, a financial statement as of a date not more than twelve months prior to the filing of the application which reflects tangible net worth; (2) a bond as required by section 36a-492, as amended by this act; (3) evidence that the qualified individual or branch manager meets the experience required by subsection (a) of this section; and (4) such other information pertaining to the applicant, the applicant's background, the background of its principals, employees, mortgage loan originators, and loan processors or underwriters, and the applicant's activities as the commissioner may require. For the purpose of this subsection, evidence of experience of the qualified individual or branch manager shall include: (A) A statement specifying the duties and responsibilities of such person's employment, the term of employment, including month and year, and the name, address and telephone number of a supervisor, employer or, if self-employed, a business reference; and (B) if required by the commissioner, copies of W-2 forms, 1099 tax forms or, if self-employed, 1120 corporate tax returns, signed letters from the employer on the employer's letterhead verifying such person's duties and responsibilities and term of employment including month and year, and if such person is unable to provide such letters, other proof satisfactory to the commissioner that such person meets the experience requirement. The commissioner may conduct a criminal history records check of the applicant, any control person of the applicant and the qualified individual or branch manager and require the applicant to submit the fingerprints of such persons and authorization of such persons



for the system and the commissioner to obtain an independent credit report from a consumer reporting agency, as described in Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a, as part of the application.

(c) The commissioner may issue a mortgage loan originator license or a loan processor or underwriter license. Each mortgage loan originator licensee may also act as a loan processor or underwriter. Each mortgage loan originator licensee shall be associated with a specified licensed office [from which such licensee will operate] and be subject to supervision by a qualified individual or branch manager. [The specified office shall be within a one-hundred-mile distance from where such licensee resides, unless such licensee can otherwise demonstrate to the commissioner's satisfaction that the licensee will be subject to supervision by a qualified individual or branch manager.] An application to license an individual as a mortgage loan originator or a loan processor or underwriter or for renewal of such license shall be filed, in a form prescribed by the commissioner, with the system. Each such form shall contain content as set forth by instruction or procedure of the commissioner and may be changed or updated as necessary by the commissioner in order to carry out the purpose of sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-498h, 36a-534a and 36a-534b. The applicant shall, at a minimum, furnish to the system, in a form prescribed by the system, information concerning the applicant's identity, including personal history and experience and information related to any administrative, civil or criminal findings by any governmental jurisdiction. Each applicant for a mortgage loan originator license or a loan processor or underwriter license shall furnish to the system fingerprints for submission to the Federal Bureau of Investigation and any governmental agency or entity authorized to receive such information for a state, national and international criminal history background check. Each applicant shall furnish authorization for the system and the commissioner to obtain an independent credit report from a consumer reporting agency, as described in Section 603(p) of the Fair Credit Reporting Act, 15 USC 1681a.

(d) The commissioner may issue a lead generator license. An application for a license as a lead generator or an application for a license renewal shall be filed, in a form prescribed by the commissioner, with the system, accompanied by the fees required under section 36a-491. Each such form shall contain content as set forth by



instruction or procedure of the commissioner and may be changed or updated as necessary by the commissioner in order to carry out the purposes of sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-498h, 36a-534a and 36a-534b. The applicant shall, at a minimum, furnish to the system information concerning the identity of the applicant, any control person of the applicant and the qualified individual responsible for the actions of the licensee, including, but not limited to, a personal history and experience, in a form prescribed by the system, and information related to any administrative, civil or criminal findings by any governmental jurisdiction. The commissioner, in accordance with section 29-17a, may conduct a state or national criminal history records check of the applicant, any control person of the applicant and the qualified individual, and, in accordance with section 36a-24b, may require the submission of fingerprints of such persons to the Federal Bureau of Investigation or other state, national or international criminal databases as part of the application.

Sec. 2. Section 36a-492 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

(a) (1) Each licensed mortgage lender, mortgage correspondent lender and mortgage broker shall file with the commissioner a single surety bond, written by a surety authorized to write such bonds in this state, covering its main office and [file an addendum to such bond to cover] any branch office, in a penal sum determined in accordance with subsection (d) of this section, provided the penal sum of the bond for licensed mortgage lenders and mortgage correspondent lenders shall be not less than one hundred thousand dollars and the penal sum of the bond for mortgage brokers shall be not less than fifty thousand dollars. The bond shall cover all mortgage loan originators sponsored by such licensee.

(2) Each mortgage loan originator licensee shall be covered by a surety bond with a penal sum in an amount that reflects the dollar amount of loans originated by such mortgage loan originator in accordance with subsection (d) of this section, provided such coverage shall be provided through a single surety bond filed with the commissioner by the person who sponsors such mortgage loan originator.



(3) (A) In the case of an exempt registrant under subdivision (1), (2) or (3) of subsection (a) of section 36a-487: (i) The surety bond shall cover all mortgage loan originators sponsored by such exempt registrant and comply with the requirements set forth in this section, and (ii) the penal sum of such bond shall be in an amount determined in accordance with subsection (d) of this section, provided the penal sum of the bond shall be not less than one hundred thousand dollars; (B) in the case of an exempt registrant under subsection (b) of section 36a-487: (i) The surety bond shall cover all mortgage loan originators sponsored by such exempt registrant and comply with the requirements set forth in this section, and (ii) the penal sum of the bond shall be in an amount determined in accordance with subsection (d) of this section, provided the penal sum shall be not less than fifty thousand dollars; and (C) in the case of a person exempt from licensure as a mortgage lender, mortgage correspondent lender or mortgage broker under subdivision (4) of subsection (a) of section 36a-487, the surety bond shall cover all mortgage loan originators sponsored by such person and comply with the requirements set forth in section 36a-671d, as amended by this act.

(4) The principal on a bond required by this section shall file quarterly reports on the system reflecting residential mortgage loan volume in accordance with subsection (c) of section 36a-534b to confirm that it maintains the required penal sum in an amount required by subsection (d) of this section. The principal shall file such information as the commissioner may require under subsection (d) of this section and shall file, as the commissioner may require, pursuant to subsection (d) of this section, any bond rider or endorsement to the surety bond on file with the commissioner to reflect any changes necessary to maintain the surety bond coverage required by this section.

(5) The commissioner may adopt regulations in accordance with chapter 54 with respect to the requirements for such surety bonds.

(b) Except for the bond required by subparagraph (C) of subdivision (3) of subsection (a) of this section, the 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 lender, mortgage correspondent lender or mortgage broker licensee and any



mortgage loan originator licensee sponsored by such mortgage lender, mortgage correspondent lender or mortgage broker or, in the case of a mortgage loan originator licensee sponsored by an exempt registrant, upon such mortgage loan originator licensee faithfully performing any and all written agreements or commitments with or for the benefit of borrowers and prospective borrowers, truly and faithfully accounting for all funds received from a borrower or prospective borrower by the licensee in the licensee's capacity as a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator, and conducting such mortgage business consistent with the provisions of sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b. Any borrower or prospective borrower who may be damaged by failure to perform any written agreements or commitments, or by the wrongful conversion of funds paid by a borrower or prospective borrower to a licensee, may proceed on such bond against the principal or surety thereon, or both, to recover damages. Any borrower or prospective borrower who may be damaged by a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator licensee's failure to satisfy a judgment against the licensee arising from the making or brokering of a nonprime home loan, as defined in section 36a-760, may proceed on such bond against the principal or surety thereon, or both, to recover the amount of the judgment. The commissioner may proceed on such bond against the principal or surety thereon, or both, to collect any civil penalty imposed upon a licensee pursuant to subsection (a) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65 and, on and after April 1, 2019, any restitution imposed pursuant to subsection (c) of section 36a-50. 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 bond shall run concurrently with the period of the license for the main office 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) 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, written notice of cancellation may 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, 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.

(d) The penal sum of the bond required by subdivisions (1) to (3), inclusive, of subsection (a) of this section shall be determined as follows:

(1) An applicant for an initial mortgage lender license or mortgage correspondent lender license shall file a bond in a penal sum of one hundred thousand dollars in connection with its application for the main office.

(2) An applicant for an initial mortgage broker license shall file a bond in a penal sum of fifty thousand dollars in connection with its application for the main office.

(3) An exempt registrant under subsection (d) of section 36a-487 who is exempt from licensure under subdivision (1), (2) or (3) of subsection (a) of section 36a-487 shall file a bond in a penal sum of one hundred thousand dollars the first time such exempt registrant sponsors a mortgage loan originator.

(4) An exempt registrant under subsection (d) of section 36a-487 who is exempt from licensure under subsection (b) of section 36a-487 shall file a bond in a penal sum of fifty thousand dollars the first time such exempt registrant sponsors a mortgage loan originator.

(5) Persons exempt from licensure under subdivision (4) of subsection (a) of section 36a-487, shall file a bond in a penal sum as set forth in section 36a-671d, as amended by this act.

(6) (A) For mortgage lender and mortgage correspondent lender licensees and persons sponsoring and bonding at least one mortgage loan originator as an exempt registrant under subsection (d) of section 36a-487



and who are exempt from licensing under subdivision (1), (2) or (3) of subsection (a) of section 36a-487, if:

(i) The aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is less than thirty million dollars, the penal sum of the bond shall be one hundred thousand dollars; (ii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is thirty million dollars or more but less than one hundred million dollars, the penal sum of the bond shall be two hundred thousand dollars; (iii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is one hundred million dollars or more but less than two hundred fifty million dollars, the penal sum of the bond shall be three hundred thousand dollars; and (iv) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is two hundred fifty million dollars or more, the penal sum of the bond shall be five hundred thousand dollars.

(B) For mortgage broker licensees and persons who are sponsoring and bonding at least one mortgage loan originator as an exempt registrant under subsection (d) of section 36a-487 and who are exempt from licensing under subsection (b) or (c) of section 36a-487, if: (i) The aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is less than thirty million dollars, the penal sum of the bond shall be fifty thousand dollars; (ii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending June thirtieth is thirty million dollars or more but less than fifty million dollars, the penal sum of the bond shall be one hundred thousand dollars; and (iii) the aggregate dollar amount of all residential mortgage loans originated by such licensee at all licensed locations or by the exempt registrant during the preceding four quarters ending



June thirtieth is fifty million dollars or more, the penal sum of the bond shall be one hundred fifty thousand dollars.

(7) For purposes of this subsection, the aggregate dollar amount of all residential mortgage loans originated by such licensee or exempt registrant includes the aggregate dollar amount of all closed residential mortgage loans that the licensee or exempt registrant originated, brokered or made, as applicable.

(8) Financial information necessary to verify the aggregate dollar amount of residential mortgage loans originated shall be filed with the commissioner, as the commissioner may require, and shall be reported on the system at such time and in such form as the system may require.

(9) The commissioner may require a change in the penal sum of the bond if the commissioner determines at any time that the aggregate dollar amount of all residential mortgage loans originated warrants a change in the penal sum of the bond.

Sec. 3. Section 36a-671d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

(a) (1) No debt negotiation license, and no renewal thereof, shall be granted unless the applicant has filed the surety bond required by this section, which bond shall be written by a surety authorized to write such bonds in this state.

(2) No application for a debt negotiation license for a main office or branch office, and no renewal of such a license, shall be granted unless the applicant has filed a single surety bond with the commissioner in an aggregate amount [of] as follows: fifty thousand dollars for each licensed location, or such other amount required by subdivision (4) of this subsection. [No application for a debt negotiation license branch office, and no renewal of such a license, shall be granted unless the applicant has identified such branch office as a bonded location by addendum to the main office surety bond required by this section.]

(3) Each debt negotiation licensee shall file a single surety bond that complies with the requirements of this section [in connection with the main office license] with the commissioner in an aggregate amount [of] as



follows: fifty thousand dollars for each licensed location or such other amount required in subdivision (4) of this subsection, [, which bond shall identify any licensed branch office as a bonded location on such bond by addendum.]

(4) In the case of a debt negotiation licensee engaging or offering to engage in the business of negotiating residential mortgage loans on behalf of mortgagors, such debt negotiation licensee shall file a bond in the penal sum amount set forth in subsection (e) of this section based on the aggregate dollar amount of the residential mortgage loans negotiated or offered to be negotiated by its sponsored mortgage loan originator licensees. The principal on a bond required by this subdivision shall file quarterly reports on the system reflecting residential mortgage loan volume in accordance with subsection (g) of this section and subsection (m) of section 36a-671 to confirm that it maintains the required penal sum in the amount required by this subdivision.

(5) Each debt negotiation licensee shall file with the commissioner such information as the commissioner may require to confirm that the penal sum of the bond remains consistent with the amount required by this section. The principal shall file, as the commissioner may require, any bond rider or endorsement to the surety bond on file with the commissioner to reflect any changes necessary to maintain the surety bond coverage required by this section.

(b) The form of any surety bond submitted pursuant to subsection (a) of this section shall be approved by the Attorney General. Any surety bond filed under subsection (a) of this section shall be conditioned upon the debt negotiation licensee and any sponsored mortgage loan originator licensee faithfully performing any and all written agreements or commitments with or for the benefit of debtors and mortgagors, as applicable, truly and faithfully accounting for all funds received from a debtor or mortgagor by the principal or a mortgage loan originator sponsored by the principal in the principal's capacity as debt negotiation licensee, and conducting such business consistent with the provisions of sections 36a-485 to 36a-498e, inclusive, 36a-534a, 36a-534b and 36a-671 to 36a-671f, inclusive. Any debtor or mortgagor who may be damaged by a failure to perform any written agreements, by the wrongful conversion of funds paid by a debtor or mortgagor to a debt negotiation



licensee or mortgage loan originator licensee, or by conduct inconsistent with the provisions of sections 36a-485 to 36a-498e, inclusive, 36a-534a, 36a-534b and 36a-671 to 36a-671f, inclusive, may proceed on any such surety bond against the principal or surety thereon, or both, to recover damages. The commissioner may proceed on any such surety bond against the principal or surety thereon, or both, to collect any civil penalty imposed upon the licensee pursuant to subsection (a) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65 and effective April 1, 2019, any restitution imposed pursuant to subsection (c) of section 36a-50. The proceeds of any 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. Any bond required by this section shall be maintained during the entire period of the license granted to the applicant, and the aggregate liability under any such bond shall not exceed the penal amount 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. Any mortgagor or prospective mortgagor who may be damaged by a failure of the debt negotiation licensee or mortgage loan originator licensee to satisfy a judgment against the licensee arising from the negotiation of or offer to negotiate a nonprime home loan, as defined in section 36a-760, may proceed on such bond against the principal or surety on such bond, or both, to recover the amount of the judgment.

(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, written notice of cancellation may 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, 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.

(d) No licensee shall use, attempt to use or make reference to, either directly or indirectly, any word or phrase that states or implies that the licensee is endorsed, sponsored, recommended, bonded or insured by the state.

(e) The penal sum of the bond required by subdivision (4) of subsection (a) of this section shall be determined as follows:

(1) An initial applicant for a debt negotiation license shall file a bond in a penal sum of fifty thousand dollars.

(2) A debt negotiation licensee exempt from licensure as a mortgage lender, mortgage correspondent lender or mortgage broker pursuant to subdivision (4) of subsection (a) of section 36a-487 and sponsoring and bonding at least one mortgage loan originator as an exempt registrant under subdivision (2) of subsection (a) and subsection (d) of section 36a-487 shall file a bond with a penal sum in the following amount:



(A) If the aggregate dollar amount of all residential mortgage loans negotiated or offered to be negotiated by all sponsored mortgage loan originators during the preceding twelve-month period ending July thirty-first of the current year is less than thirty million dollars, the penal sum of the bond shall be fifty thousand dollars;

(B) If the aggregate dollar amount of all residential mortgage loans negotiated or offered to be negotiated by all sponsored mortgage loan originators during the preceding twelve-month period ending July thirty-first of the current year is thirty million dollars or more but less than fifty million dollars, the penal sum of the bond shall be one hundred thousand dollars; and

(C) If the aggregate dollar amount of all residential mortgage loans negotiated or offered to be negotiated by all sponsored mortgage loan originators during the preceding twelve-month period ending July thirty-first of the current year is fifty million dollars or more, the penal sum of the bond shall be one hundred fifty thousand dollars.

(f) For purposes of subsection (e) of this section, “the aggregate dollar amount of all residential mortgage loans negotiated or offered to be negotiated” means the aggregate underlying dollar amount of all residential mortgage loans for which a sponsored mortgage loan originator provides debt negotiation services.

(g) Financial information necessary to verify the aggregate amount of residential mortgage loans negotiated or offered to be negotiated shall be filed with the commissioner as the commissioner may require, and shall be reported on the system at such time and in such form as the system may require. The commissioner may require a change in the penal sum of the bond if the commissioner determines at any time that the aggregate dollar amount of all residential mortgage loans negotiated or offered to be negotiated warrants a change in the penal sum of the bond.

(h) The commissioner may adopt regulations in accordance with chapter 54 with respect to the requirements for such surety bonds.

Sec. 4. Subsection (i) of section 36a-801 of the general statutes, as amended by public act 21-138, is repealed and the following is substituted in lieu thereof (*Effective upon passage*):



(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 provides a bond rider, endorsement or addendum, as applicable, to the surety bond on file with the commissioner that reflects the new name or address, 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. [Any licensee holding, applying for, or seeking renewal of more than one license may, at its option, file the bond required under section 36a-802, as amended by this act, separately for each place of business licensed, or to be licensed, or a single bond, naming each place of business, in an amount equal to twenty-five thousand dollars for each place of business.] 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, 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. 5. Section 36a-802 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2022*):

(a) No such license and no renewal thereof shall be granted to a consumer collection agency, except a consumer collection agency engaged solely in the business of debt buying, unless the applicant has filed with the commissioner a bond to the people of the state in the penal sum [of twenty-five thousand dollars] as follows: one hundred thousand dollars for the main office and fifty thousand dollars for each branch office, approved by the Attorney General as to form and by the commissioner as to sufficiency of the security thereof. Such bond shall be conditioned that such licensee shall well, truly and faithfully account for all funds entrusted to the licensee and collected and received by the licensee in the licensee's capacity as a consumer collection agency. Any person who may be damaged by the wrongful conversion of any creditor, consumer debtor, property tax debtor or federal income tax debtor funds received by such consumer collection agency 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 thereon, or both, to collect any civil penalty imposed upon the licensee pursuant to subsection (a) of section 36a-50 and, effective April 1, 2019, any restitution imposed pursuant to subsection (c) of section 36a-50, and any unpaid costs of examination as determined pursuant to section 36a-65. The proceeds of the bond, even if commingled with other assets of the licensee, shall be deemed by operation of law to be held in trust for the benefit of such claimants against the licensee in the event of bankruptcy of the licensee and shall be immune from attachment by creditors and judgment creditors. The bond shall run concurrently with the period of the license granted to the applicant, and the aggregate liability under the bond shall not exceed the penal sum of the bond.

(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, written notice of cancellation may 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, 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. Subsection (b) of section 36a-811 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

(b) Each consumer collection agency, except a consumer collection agency engaged solely in the business of debt buying, shall deposit funds collected or received from consumer debtors for payment for others on an account, bill or other indebtedness in one or more trust accounts maintained at a federally insured bank, Connecticut credit union, federal credit union or an out-of-state bank [that maintains in this state a branch as defined in section 36a-410], which accounts shall be reconciled monthly. Such funds shall not be commingled with funds of the consumer collection agency or used in the conduct of the consumer collection agency's business. Such account shall not be used for any purpose other than (1) the deposit of funds received from consumer debtors, (2) the payment of such funds to creditors, (3) the refund of any overpayments to be made to consumer debtors, and (4) the payment of earned fees to the consumer collection agency, which shall be



withdrawn on a monthly basis. Except for payments authorized by subdivisions (2) to (4), inclusive, of this subsection, any withdrawal from such account, including, but not limited to, any service charge or other fee imposed against such account by a depository institution, shall be reimbursed by the consumer collection agency to such account not more than thirty days after the withdrawal. Funds received from consumer debtors shall be posted to their respective accounts in accordance with generally accepted accounting principles.



Agency Legislative Proposal - 2022 Session

Document Name: AAC Sales Finance Companies

(If submitting electronically, please label with date, agency, and title of proposal – 092621_SDE_TechRevisions)

State Agency: Department of Banking
Liaison: Matt Smith Phone: 860-240-8105 E-mail: matthew.smith@ct.gov
Lead agency division requesting this proposal: Consumer Credit Division
Agency Analyst/Drafter of Proposal: Stacey L. Serrano

Title of Proposal: AAC Sales Finance Companies
Statutory Reference: Sections 36a-488, 36a-492, 36a-535(2), 36a-671d, 36a-801(i), 36a-802 and 36a-811(b)
Proposal Summary: Clarifies the Department’s licensing requirements for persons servicing retail installment contracts and other installment loan contracts such that servicers of such loans are required to be licensed, regardless of whether or not they own the loan.

PROPOSAL BACKGROUND

◇ Reason for Proposal

The proposal clarifies licensing requirements for sales finance companies doing business in Connecticut.

◇ **Origin of Proposal** **New Proposal** **Resubmission**

- If this is a resubmission, please share:*
- (1) *What was the reason this proposal did not pass, or if applicable, was not included in the Administration’s package?*
 - (2) *Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?*
 - (3) *Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?*
 - (4) *What was the last action taken during the past legislative session?*

Click here to enter text.



PROPOSAL IMPACT

◇ **AGENCIES AFFECTED** *(please list for each affected agency)*

<p>Agency Name: Click here to enter text.</p> <p>Agency Contact (<i>name, title, phone</i>): Click here to enter text.</p> <p>Date Contacted: Click here to enter text.</p> <p>Approve of Proposal <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> Talks Ongoing</p>
<p>Summary of Affected Agency's Comments</p> <p>Click here to enter text.</p>
<p>Will there need to be further negotiation? <input type="checkbox"/> YES <input type="checkbox"/> NO</p>

◇ **FISCAL IMPACT** *(please include the proposal section that causes the fiscal impact and the anticipated impact)*

<p>Municipal <i>(please include any municipal mandate that can be found within legislation)</i></p> <p>None</p>
<p>State</p> <p>None</p>
<p>Federal</p> <p>None</p>
<p>Additional notes on fiscal impact</p> <p>Click here to enter text.</p>

◇ **POLICY and PROGRAMMATIC IMPACTS** *(Please specify the proposal section associated with the impact)*

<p>Click here to enter text.</p>

◇ **EVIDENCE BASE**



What data will be used to track the impact of this proposal over time, and what measurable outcome do you anticipate? Is that data currently available or must it be developed? Please provide information on the measurement and evaluation plan. Where possible, those plans should include process and outcome components. Pew MacArthur Results First [evidence definitions](#) can help you to establish the evidence-base for your program and their [Clearinghouse](#) allows for easy access to information about the evidence base for a variety of programs.

[Click here to enter text.](#)

Sec. 1. Subdivision (2) of section 36a-535 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2022*):

(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 from a retail buyer under a retail installment contract or installment loan contract_ [whether such person owns such contract or has conveyed, assigned or otherwise transferred any interest in such contract to another person.] “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;



Agency Legislative Proposal - 2022 Session

Document Name: 092421_DOB_FIDStatutoryResubmission

(If submitting electronically, please label with date, agency, and title of proposal – 092621_SDE_TechRevisions)

State Agency: Department of Banking

Liaison: Matt Smith

Phone: (860) 240-8105

E-mail: matthew.smith@ct.gov

Lead agency division requesting this proposal: Financial Institutions Division

Agency Analyst/Drafter of Proposal: Matt Saunig

Title of Proposal: Financial Institutions Statutory Changes

Statutory Reference: 36a-145, 36a-412

Proposal Summary:

This proposal is a resubmission giving the Commissioner the authority to consider the CRA rating of out-of-state, state-chartered banks when applying to open a loan production office in Connecticut. This provides parity to Connecticut state-chartered banks by removing an advantage of out-of-state banks whose CRA rating is not considered when applying to open a loan production office in Connecticut. This levels the playing field while addressing inequity in lending here in Connecticut.

PROPOSAL BACKGROUND

◇ **Reason for Proposal**

Please consider the following, if applicable:

- (1) *Have there been changes in federal/state/local laws and regulations that make this legislation necessary?*
- (2) *Has this proposal or something similar been implemented in other states? If yes, what is the outcome(s)? Are other states considering something similar this year?*
- (3) *Have certain constituencies called for this action?*
- (4) *What would happen if this was not enacted in law this session?*

(1) No. (2) We are not aware of similar changes in other states. (3) There have been no calls from constituencies for this action. The changes are proposed based on recommendations from DOB staff. (4) If these changes are not enacted this session, a bank's record of compliance with the Community Reinvestment Act will not be a basis to deny new loan production office applications.



◇ **Origin of Proposal** **New Proposal** **Resubmission**

If this is a resubmission, please share:

- (1) *What was the reason this proposal did not pass, or if applicable, was not included in the Administration's package?*
- (2) *Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?*
- (3) *Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?*
- (4) *What was the last action taken during the past legislative session?*

Last year the proposal was voted out of the house but not taken up in the Senate.

PROPOSAL IMPACT

◇ **AGENCIES AFFECTED** *(please list for each affected agency)*

Agency Name: Department of Banking
Agency Contact (name, title, phone): Matt Smith, Director of Government Relations and Consumer Affairs (860) 240-8105
Date Contacted: [Click here to enter text.](#)

Approve of Proposal **YES** **NO** **Talks Ongoing**

Summary of Affected Agency's Comments

[Click here to enter text.](#)

Will there need to be further negotiation? **YES** **NO**

◇ **FISCAL IMPACT** *(please include the proposal section that causes the fiscal impact and the anticipated impact)*

Municipal *(please include any municipal mandate that can be found within legislation)*

NONE

State

NONE

Federal

NONE

Additional notes on fiscal impact



Click here to enter text.

◇ **POLICY and PROGRAMMATIC IMPACTS** *(Please specify the proposal section associated with the impact)*

Sections 1 and 2 allow for a bank's record of compliance with the Community Reinvestment Act to be considered in the loan production office approval process.

◇ **EVIDENCE BASE**

What data will be used to track the impact of this proposal over time, and what measurable outcome do you anticipate? Is that data currently available or must it be developed? Please provide information on the measurement and evaluation plan. Where possible, those plans should include process and outcome components. Pew MacArthur Results First [evidence definitions](#) can help you to establish the evidence-base for your program and their [Clearinghouse](#) allows for easy access to information about the evidence base for a variety of programs.

Not applicable.

Insert fully drafted bill here

Sec. 1. Subsection (o) of section 36a-145 of the general statutes is repealed and the following is substituted in lieu thereof (*effective July 1, 2022*):

(o) (1) With the approval of the commissioner, a Connecticut bank may establish a loan production office in or outside this state. The commissioner shall not approve the establishment of a loan production office under this subdivision unless the commissioner has considered the Connecticut bank's record of compliance with the Community Reinvestment Act of 1977, 12 USC 2901 et seq., as amended from time to time, and overall Community Reinvestment Act rating.

(2) A Connecticut bank that proposes to close any loan production office shall submit to the commissioner a notice of the proposed closing not later than thirty days prior to the date proposed for such closing. The notice shall include a detailed statement of the reasons for the decision to close the loan production office and the statistical and other information in support of such reasons. After receipt of the notice, the commissioner may require the Connecticut bank to submit any additional information. The Connecticut bank shall provide notice of the proposed closing to its customers by posting a notice in a conspicuous manner on the premises of such loan production office for at least a thirty-day period ending on the date proposed for such closing.



Sec. 2. Subsection (d) of section 36a-412 of the general statutes is repealed and the following is substituted in lieu thereof (*effective July 1, 2022*):

(d) With the approval of the commissioner, any out-of-state bank, other than a foreign bank, may establish a loan production office in this state. The commissioner shall not approve the establishment of a loan production office under this subdivision unless the commissioner has considered the out-of-state bank's record of compliance with the Community Reinvestment Act of 1977, 12 USC 2901 et seq., as amended from time to time, and overall Community Reinvestment Act rating.