

ANNUAL REPORT
OF THE
Bank Commissioner
OF THE
STATE OF CONNECTICUT



FOR THE YEAR ENDED DECEMBER 31, 1977

BANK COMMISSIONER
DAVID H. NEIDITZ

DEPUTY BANK COMMISSIONER
KAY V. BERGIN

Disclosure of Cost of Credit

During the year the division conducted in excess of 2,700 examinations of creditors covered by the Truth in Lending laws. Although many technical violations were noted during these inspections, the degree of substantive compliance among creditors with respect to the more important requirements continues to be regarded as high.

A program of corrective action initiated in 1975, under which creditors who understate the cost of credit were required to make rebates of overcharges, continued during 1977. Corrective action in the form of corrected disclosure statements and additional rights of rescission were also required where appropriate.

Active participation in consumer and creditor education programs remains an important facet of the division's activities.

Small Loan Licensees

There were 119 small loan licensees in 49 communities at the close of the year. During 1977, two new licenses were approved; in addition, one was approved for the purpose of acquiring the assets of an existing licensee. Eight licenses were surrendered for cancellation.

The dollar amount of loans outstanding increased 11.9% to \$105 million, while the number of loans outstanding increased for the first time in many years, reaching 93,352, an increase of 90.

A total of 86,742 loans were made during the year, of which 84,077 or 97% were unsecured, while 2,665 or 3% were secured by various forms of property. Of the total secured loans made, 1,447 or 54% were secured by real estate, 904 or 34% were secured by automobiles, and 314 or 12% were secured by miscellaneous personal property.

The 86,742 loans made during the year were distributed by type of borrower as follows: new borrowers 20,606 or 24%; former borrowers 10,417 or 12%; and present borrowers 55,719 or 64%. Loans to present borrowers totalled \$84,336,419 and involved the refinancing of \$52,041,634 in existing balances and the advancing of \$32,294,785 in additional cash. Details are contained in Tables 45 through 50.

Effective October 1, 1977, Public Act 77-129 greatly increased the lending authority of small loan licensees, permitting both secured and unsecured loans to \$5,000.

With the permission of the commissioner, small loan licensees may permit an affiliated entity to operate another business on the same premises as the small loan licensee. As of December 31, 1977, 104 small loan licensees had secondary mortgage loan licensees operating on the same premises, which licensees had 1,688 secondary mortgage loans totalling \$15,105,359 outstanding at year-end. Similarly, affiliated sales finance company licensees are permitted to operate on the same premises as small loan licensees. Eighty-seven such licensees had 18,192 retail instalment contracts totalling \$6,432,521 outstanding as of December 31, 1977.

Sales Finance Companies and Retail Instalment Sales Financing

Two types of sales finance company licenses are issued by the bank commissioner. A limited license is issued to those who conduct the sales finance business in conjunction with the small loan business, and a regular

license is issued to all others conducting the sales finance business. Licensees are examined for compliance with the Retail Instalment Sales Financing Act (Chapter 733 of the General Statutes) and the Truth in Lending laws.

On December 31, 1977, there were 99 regular licenses and 87 limited licenses in effect. During the year 10 new regular licenses were issued and 9 were surrendered. One limited sales finance company license was issued and four were surrendered.

Debt Adjusters

There are currently no active debt adjuster licenses.

Consumer Collection Agencies

As of December 31, 1977 there were 119 licensed consumer collection agencies. During the year 16 new licenses were issued, 14 existing licensees failed to renew, and two voluntarily surrendered their licenses. A 10 day suspension order was issued against one licensee for a violation of the department's debt collection regulations. That decision has been appealed in court and execution of the suspension order was stayed pending the court's decision.

Legislation

The 1977 session of the General Assembly passed a number of important consumer credit bills. Public Act 77-228 provides for the licensing and regulation of persons engaged in the secondary mortgage loan business, a long awaited and much needed piece of legislation. Public Act 77-418 prohibits creditors from engaging in abusive, harassing, fraudulent, deceptive or misleading debt collection practices and authorizes the bank commissioner to issue interpretive regulations. Public Act 77-129 revises the Small Loan Act to permit loans to \$5,000 and the taking of security, which may include real estate and certain types of personal property. Public Act 77-391 establishes a maximum rate of 18% for the retail instalment sales financing of goods other than motor vehicles, and increases the rate which may be imposed on open-end credit plans operated by non-bank creditors from 1% per month to 1¼% per month on the first \$250 and 1% on the remainder. Other amendments to the Retail Instalment Sales Financing Act expand from \$6,000 to \$25,000 the maximum cash price of goods which fall within the purview of the act, and clarify that repossessed goods may be redeemed by payment of the amount in default plus costs of repossession and storage.

Securities Division

Broker-Dealer and Investment Adviser Registration Section

This section is responsible for analyzing applications from broker-dealers, investment advisers, and agents of both, and to register them to transact business in the securities industry in this state. As of year-end, the section was comprised of a chief and 5 support personnel.

Securities Enforcement and Registration Section

The Securities Enforcement and Registration Section was created through reorganization of the Securities Division into two separate sections to carry out responsibilities mandated by the Connecticut Uniform Securities Act. The responsibilities of this section include periodic examinations of all persons

and firms involved in the offer or sale of securities, registration of new issues, and investigations in response to complaints. This section works closely with the Economic Crime Unit of the Chief States Attorney in its enforcement of fraud in the sale of securities. As of December 31, 1977 the section was comprised of a chief and 7 examiners.

A significant piece of legislation was adopted by the General Assembly, the Connecticut Uniform Securities Act. This act amended the Connecticut Securities Act by providing for the registration of securities with the Bank Commissioner. Registration can be by coordination with the SEC or by qualification if certain requirements are met. The bill also increases registration fees for brokers, dealers, salesmen, investment advisers, and investment advisers' agents. The Bank Commissioner is charged with the supervision and administration of the Securities Act. The Act brings Connecticut law into conformity with the Uniform Securities Act.

Administrative Division

Administration of the Banking Department is the responsibility of the Commissioner, assisted by the Deputy Commissioner and members of the staff comprised of ten persons as of December 31, 1977.

The division establishes policy for all departmental functions, provides supervision and control over examination procedures and techniques, analyzes and interprets economic trends, and evaluates legislation as it affects the industry and the public.

The Commissioner serves on the Connecticut Housing Finance Authority Board and the Deputy Commissioner serves on the Hartford Neighborhood Housing Services Board and the Board of the Connecticut Housing Investment Fund as part of their continuing concern for housing in the state. Key personnel from the Bank Examination Division work closely with the States Attorney's Economic Crime Unit and the Commission on Special Revenue.

Research Project

A federal grant under provisions of Title VI of the Comprehensive Employment and Training Act (CETA), was obtained in August, 1977, enabling the department to hire 24 field researchers. Under the supervision of the staff economist, these researchers have been gathering data from municipal land records which describe sources and terms of mortgage financing for residential real property transactions. This data will be compiled according to the location of the property so that geographical mortgage lending patterns can be observed. The observed patterns will be analyzed by correlating socio-economic data obtained from the United States Census of Population and Housing with the characteristics of mortgage loans in each location. This project is part of the department's effort to study the availability of mortgage financing in Connecticut in order to determine whether financial institutions are adequately meeting the residential financing needs in the state. A preliminary report is expected to be completed by August, 1978.

Public Outreach

The department continues to assist financial institutions and the public in understanding and complying with new federal and state laws involving all aspects of the financial community. Representatives of the Banking

Department have given freely of their time to address groups throughout the state and to represent the department at regional meetings. In addition departmental personnel have participated in conferences, workshops, and panels, and have provided testimony at federal and state levels addressing the many new issues of concern to consumers and the industry alike.

During 1977, the staff of the department assisted the public and the financial community in well over 25,000 instances through telephone contact. The Consumer Complaint Section, which is staffed by a Senior Examiner, responded in 1977 to nearly 2,500 requests for assistance, over 300 of which required further investigation and follow-up.

An analysis of consumer complaints relating to credit problems reveals that banks, retailers, and collection agencies are the types of financial institutions against which most of the complaints are registered. On October 1, 1977, the department began to regulate second mortgage lenders and brokers and creditor collection practices.

The economic analysis section has developed a consumer interest rate survey to be conducted six times a year. Rate data on four types of consumer loans, including mortgage loans, are compiled and summarized in a report for distribution to the public. This report should provide consumers with useful information to encourage and better enable them to shop for the best loan rate among competing financial institutions.

Educational and Training Opportunities

Upgrading and improving skills continue to be a high priority in the department. An internal training program, including a period of supervised field work preliminary to regular assignment, exists for new examiners. This program is an ongoing process; it includes full utilization of industry-related agency schools, and graduate programs for advanced examiners. All divisions participate in educational programs, and staff members at all levels are encouraged to take advantage of educational opportunities.

Equal Employment Opportunity and Affirmative Action

The commitment of the department to equal employment opportunity and affirmative action continues to impact the personnel profile, not only in new hires, but in development programs designed to upgrade present staff. Inspection Aide and Connecticut Careers Trainee positions have been utilized to bring minority and female candidates into the department and special recruitment efforts are employed for every opening. Progress toward affirmative action goals in 1977 is indicated by the hiring and upgrading of female and minority persons to professional and para-professional levels. Revision of job specifications, test validation, and cross-division testing have provided more flexibility in staffing patterns.

Table No. 51
AN ANALYSIS OF SECURITIES BROKERS, DEALERS AND AGENTS
INVESTMENT ADVISERS AND INVESTMENT ADVISER AGENTS

	In effect Dec. 31		Increase	
	1976	1977	1976	1977
Brokers and Dealers	476	494	5.1%	3.8%
Agents	8,926	9,611	13.0	7.7
Investment Advisers	156	186	15.6	19.2
Investment Adviser Agents	355	383	10.2	7.9
Agents of Issuer	0	3

SECURITIES

Table No. 52
CLASSIFICATION OF BROKER AND DEALER REGISTRATIONS

Type of Business	Number		Percent		Main Offices of Registrants	Number		Percent	
	1976	1977	1976	1977		1976	1977	1976	1977
General brokerage	296	307	62.2	62.1	Connecticut	56	62	11.8	12.6
Investment companies	105	124	22.1	25.1	Massachusetts	46	47	9.6	9.5
Other securities	50	54	10.5	10.9	New York	209	209	43.9	42.3
Own securities	25	9	5.2	1.9	Other States	165	176	34.7	35.6
	476	494	100.0	100.0		476	494	100.0	100.0

Table No. 53
TREND IN REGISTRATIONS

Year	Brokers and Dealers	Percent Increase	Salesmen	Percent Increase	Investment Counsel	Percent Increase	Investment Counsel Agents	Percent Increase
1955	251	13.1	1,177	47.3	22	29.4	13	8.3
1960	312	24.3	2,223	88.8	24	8.3	23	77.0
1965	345	10.5	3,268	47.0	42	75.0	62	169.5
1966	346	.0	3,703	13.3	47	11.9	85	37.0
1967	353	2.0	4,112	11.0	56	19.6	110	29.4
1968	390	10.5	5,159	25.7	60	7.1	125	13.6
1969	434	11.3	5,955	15.4	72	20.0	145	16.0
1970	451	3.9	6,429	9.6	81	12.5	171	17.9
1971	464	2.9	6,522	1.4	86	6.2	191	11.7
1972	499	7.5	7,305	12.0	103	19.7	226	18.3
1973	464	(7.0)	7,519	2.9	109	5.8	235	4.0
1974	463	(.2)	7,543	.3	121	11.0	288	22.6
1975	453	(2.2)	7,899	4.7	135	11.6	322	11.8
1976	476	5.1	8,926	13.0	156	15.6	355	10.2
1977	494	3.8	9,611	7.7	186	19.2	383	7.9

SECURITIES

ROSTER

BANKING DEPARTMENT

Administrative Division

David H. Neiditz, **Commissioner**

Kay V. Bergin, **Deputy Commissioner**

Cecie J. Terry, **Secretary to Commissioner**

Ann M. Negrini, **Secretary to Deputy Commissioner**

Marcia B. Goodman, **Exec. Asst.**

Hugh C. McLean, **Economist**

James J. Keleher, **Business Manager**

Staff Assistants

Rose A. Austin
Mildred L. Dillaway

Debra L. Patterson

George A. Real
Lucille E. Varhous

Bank Examination Division

Edward W. Dooley, Jr., **Director**

Raymond Cordani, **Assistant Director**

Chief Examiners

Jack E. Decker

Robert E. Maloney

Joseph A. Pandiscia

Principal Examiners

Joseph M. Cibula
Lewis S. Clark
James M. Convery

Edward H. Farrell
Robert L. Ferree
Robert S. Greenwood
Walter C. Hamlin

Robert J. Kelly
Frank R. Kern, Jr.
Walter C. Wirsul

Associate Examiners

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Benedict A. Cretella
Barry A. Elliott

Glenn W. Hayes
Clifford J. Jones
Leo J. Pelletier

Alfred G. Reutter
Eugene L. Terrill
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Examiner II

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Robert L. Becker
Malcolm G. Campbell, Jr.
Thomas J. Catania
Irene A. Costello
Allen J. Guiot

Edward S. Kaliszewski
Patricia A. Klusek
Samuel Kowal
Leona R. Madeux
Raymond J. Milot
Anders F. Myhr

David L. O'Brien
Andrew J. Paczkowski
Clayton L. Parker
Horace M. Plumb
Everett T. Whitmore
Ronald J. Wood

Examiner I

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Paul M. Portnoy

Rebecca C. Dunn, **Conn. Careers Trainee**

Inspection Aides

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Howard F. Pitkin, Jr.

Sebastian F. Scarfe

Statistical Typing Section

Pamila T. Bozio
Alice M. Ceppetelli

Olga P. Gugliemino, **Supervisor**
Maria L. Hansen

Pearl F. Larson
Elizabeth A. Lauretti

Research and Statistics Division

Leonard A. Rich, **Bank Investment Supervisor**
James E. Nichols, **Bank Verification Examiner**

Staff Assistants

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Edgar C. Watrous

Securities Division

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Maryellen G. Meara, Assistant to Director

Staff Assistants

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Maria E. Colon

Doris A. Kinsley
Leona C. Paridis

Securities Enforcement & Trust Division

Ralph A. Lambiase, Director of Registration
Joseph H. Mulvey, Principal Examiner Arthur F. Kleffke, Examiner II
John T. Stelmach, Examiner I

Staff Assistant

Sidney A. Igdalsky

Credit Union Division

Joseph D. Tirinzoni, Director
James F. Abdo, Principal Examiner Frances S. Morocco, Assistant to Director
Chester E. Uliasz, Associate Examiner

Examiner II

Adeline P. Costa
Robert J. Daly

William J. MacDonald
Russell L. Sarrazin

Examiner I

Thomas J. Zaleski

Staff Assistants

Mary C. Divigard

Barbara M. Kowalewski

Consumer Credit Division

Robert C. Focht, Director
Doris Goldstein, Assistant to Director Roger N. LaBonte, Principal Examiner

Associate Examiners

Harry S. Donnelly, Jr.

Bethel A. Ragaglia

Examiner II

Frank J. Accetura

Rudolph A. Cohen

Examiner I

Edmund J. Ebbraio

Robert F. Maloney

Ruth E. Seagrave