

Agency Legislative Proposal - 2018 Session

Document Name (e.g. OPM1015Budget.doc; OTG1015Policy.doc): [Click here to enter text.](#)

(If submitting electronically, please label with date, agency, and title of proposal – 092611_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 Serrano

Title of Proposal: An Act Concerning Consumer Credit Licenses

Statutory Reference: 36a-1, 36a-3, 36a-17, 36a-51(c), NEW, 36a-65(c)(6), 36a-485, 36a-486(a), 36a-487, 36a-488, 36a-489, 36a-490, 36a-492, 36a-493, 36a-494, 36a-496, 36a-498, 36a-498a(a), 36a-498d, 36a-498e, 36a-498g, 36a-534b, 36a-535, 36a-536, 36a-537, 36a-539, 36a-540, 36a-541, 36a-542, 36a-543, 36a-557(a)(4), 36a-557(c), 36a-560, 36a-562, 36a-564, 36a-565(e), 36a-565(f), 36a-566, 36a-567, 36a-568(b), 36a-570, 36a-573, 36a-580, 36a-581, 36a-582, 36a-583, 36a-584(c), 36a-586(a), 36a-587, 36a-596, 36a-597(a), 36a-598, 36a-599, 36a-600, 36a-601, 36a-602(c), 36a-605, 36a-606, 36a-607(a), 36a-608, 36a-611, 36a-612, 36a-655, 36a-656, 36a-657, 36a-658, 36a-664, 36a-671, 36a-671a, 36a-671d, 36a-715(2), 36a-718, 36a-719, 36a-719a, 36a-719c, 36a-719e, 36a-719h(a), 36a-719j, 36a-800, 36a-801, 36a-802, 36a-804, 36a-805(a), 36a-811(b), 36a-846, 36a-847, 36a-848, 36a-850, 36a-852, 36a-59(b), 36a-544, 36a-546, 36a-679(a), 36a-498f, 36a-572, 36a-719i, 36a-851

Proposal Summary:

This proposal amends various provisions in Title 36a to centralize certain Commissioner authorities existing in mortgage and nonmortgage licensing provisions to reduce redundancy and make them applicable to mortgage and nonmortgage entities that obtain licenses through the Nationwide Multistate Licensing System and Registry (“NMLS” or “System”), e.g., sales finance companies, small loan companies, check cashers, money transmitters, debt adjusters, debt negotiators, consumer collection agencies and student loan servicers. The attached documents illustrate where certain authorities already exist and to which license types this proposal would expand them. To restate consumer credit licensing consistent with Section 36a-24b, Orders of the Commissioner and current use of the NMLS and to maximize consistency in qualifications and procedures for licensure and the Commissioner’s authority across all license types.



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)?
(3) Have certain constituencies called for this action?
(4) What would happen if this was not enacted in law this session?

◇ 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?

The proposal was rather large with insufficient time for LCO to review the submission. Several provisions were extracted and placed into an omnibus banking bill last session. These proposals passed. We have been in talks with the chairs of the Banking Committee and have provided summaries of the latest version of the bill. The Chairs of the committee have expressed interest in working with us this session, including Chair Lesser, Holder-Winfield, Martin and ranking member Simanski.

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.

AN ACT CONCERNING CONSUMER CREDIT LICENSES

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

Section 1. Section 36a-1 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

This title shall be known as the “Banking Law of Connecticut” and shall be applicable to all Connecticut banks, Connecticut credit unions, mortgage lenders, mortgage correspondent lenders, mortgage brokers, mortgage loan originators, loan processors or underwriters, money transmitters, check cashers, trustees under mortgages or deeds of trust of real property securing certain investments, corporations exercising fiduciary powers, small loan lenders, sales finance companies, mortgage servicers, debt adjusters, debt negotiators, consumer collection agencies, student loan servicers, mortgage lead generators and to such other persons as subject themselves to the provisions of this title or who, by violating any of its provisions, become subject to the penalties provided in this title.

Sec. 2. Section 36a-3 of the general statutes, as amended by section 1 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

Other definitions applying to this title or to specified parts thereof and the sections in which they appear are:

“Account”. Sections 36a-155 and 36a-365.

“Additional proceeds”. Section 36a-746e.

“Administrative expense”. Section 36a-237.

“Advance fee”. Sections 36a-485, as amended by this act, and 36a-615.

“Advertise”, “advertisement” or “advertising”. Sections 36a-485, 36a-535, 36a-586, as amended by this act, 36a-596, as amended by this act, 36a-655, as amended by this act, 36a-671, as amended by this act, and 36a-846, as amended by this act.

“Agency bank”. Section 36a-285.

“Agent”. Section 36a-494, as amended by this act.

“Alternative mortgage loan”. Section 36a-265.

“Amount financed”. Section 36a-690.

“Annual percentage rate”. Section 36a-690.

“Annual percentage yield”. Section 36a-316.

“Annuities”. Section 36a-455a.

“Applicant”. Section 36a-736.

“APR”. Section 36a-746a.

“Assessment area”. Section 36a-37.

“Assets”. Section 36a-70.

“Associate”. Section 36a-184.

“Associated member”. Section 36a-458a.
 “Authorized delegate”. Section 36a-596, as amended by this act.
 “Bank”. Section 36a-30.
 “Bankers’ bank”. Section 36a-70.
 “Banking business”. Section 36a-425.
 “Basic services”. Section 36a-437a.
 “Billing cycle”. Section 36a-565, as amended by this act.
 “Bona fide nonprofit organization”. Sections 36a-487 and 36a-655, as amended by this act.
 “Branch”. Sections 36a-145, 36a-410 and 36a-435b.
 “Branch office”. Sections 36a-485 and 36a-715, as amended by this act.
 “Branch or agency net payment entitlement”. Section 36a-428n.
 “Branch or agency net payment obligation”. Section 36a-428n.
 “Broker”. Section 36a-746a.
 “Business and industrial development corporation”. Section 36a-626.
 “Business and property in this state”. Section 36a-428n.
 “Capital”. Section 36a-435b.
 “Cash advance”. Section 36a-564, as amended by this act.
 “Cash price”. Section 36a-770.
 “Certificate of incorporation”. Section 36a-435b.
 “CHFA loan”. Section 36a-760.
 “Clerical or support duties”. Section 36a-485, as amended by this act.
 “Closely related activities”. Sections 36a-250 and 36a-455a.
 “Collective managing agency account”. Section 36a-365.
 “Commercial vehicle”. Section 36a-770.
 “Community bank”. Section 36a-70.
 “Community credit union”. Section 36a-37.
 “Community development bank”. Section 36a-70.
 “Community reinvestment performance”. Section 36a-37.
 “Connecticut holding company”. Sections 36a-53 and 36a-410.
 “Consolidate”. Section 36a-145.
 “Construction loan”. Section 36a-458a.
 “Consumer”. Sections 36a-155 and 36a-695.
 “Consumer Credit Protection Act”. Section 36a-676.
 “Consumer debtor” and “debtor”. Sections 36a-645 and 36a-800, as amended by this act.
 “Consumer collection agency”. Section 36a-800, as amended by this act.
 “Consummation”. Section 36a-746a.
 “Control person”. Sections 36a-485, 36a-535, 36a-580, 36a-596, as amended by this act, 36a-655, as amended by this act, 36a-671, as amended by this act, and 36a-846, as amended by this act.
 “Controlling interest”. Section 36a-276.
 “Conventional mortgage rate”. Section 36a-760.
 “Corporate”. Section 36a-435b.
 “Credit”. Section 36a-645.
 “Credit manager”. Section 36a-435b.
 “Creditor”. Sections 36a-676, 36a-695 and 36a-800, as amended by this act.
 “Credit clinic”. Section 36a-700.
 “Credit rating agency”. Section 36a-695.
 “Credit report”. Section 36a-695.
 “Credit union service organization”. Section 36a-435b.
 “Credit union service organization services”. Section 36a-435b.
 “De novo branch”. Section 36a-410.
 “Debt”. Section 36a-645.

“Debt adjustment”. Section 36a-655, as amended by this act.
 “Debt mutual fund”. Sections 36a-275 and 36a-459a.
 “Debt negotiation”. Section 36a-671, as amended by this act.
 “Debt securities”. Sections 36a-275 and 36a-459a.
 “Debtor”. Section 36a-655 and section 36a-671, as amended by this act.
 “Deliver”. Section 36a-316.
 “Deposit”. Section 36a-316.
 “Deposit account”. Section 36a-316.
 “Deposit account charge”. Section 36a-316.
 “Deposit account disclosures”. Section 36a-316.
 “Deposit contract”. Section 36a-316.
 “Deposit services”. Section 36a-425.
 “Depositor”. Section 36a-316.
 “Depository institution”. Section 36a-485, as amended by this act.
 “Derivative transaction”. Section 36a-262.
 “Director”. Section 36a-435b.
 “Dwelling”. Section 36a-485, as amended by this act.
 “Earning period”. Section 36a-316.
 “Electronic payment instrument”. Section 36a-596, as amended by this act.
 “Eligible collateral”. Section 36a-330.
 “Eligible entity”. Section 36a-34.
 “Employee”. Section 36a-485, as amended by this act.
 “Entity”. Section 36a-380.
 “Equity mutual fund”. Sections 36a-276 and 36a-459a.
 “Equity security”. Sections 36a-276 and 36a-459a.
 “Executive officer”. Sections 36a-263 and 36a-469c.
 “Expedited Connecticut bank”. Section 36a-70.
 “Experience in the mortgage business”. Section 36a-488, as amended by this act.
 “Federal banking agency”. Section 36a-485, as amended by this act.
 “Federal Credit Union Act”. Section 36a-435b.
 “Federal Home Mortgage Disclosure Act”. Section 36a-736.
 “FHA loan”. Section 36a-760.
 “Fiduciary”. Section 36a-365.
 “Filing fee”. Section 36a-770.
 “Finance charge”. Sections 36a-690 and 36a-770.
 “Financial institution”. Sections 36a-41, 36a-44a, 36a-155, 36a-316, 36a-330, 36a-435b, 36a-736 and 36a-755.
 “Financial records”. Section 36a-41.
 “First mortgage loan”. Sections 36a-485, as amended by this act, 36a-705 and 36a-725.
 “Foreclosure rescue services”. Section 36a-671, as amended by this act.
 “Foreign banking corporation”. Section 36a-425.
 “Fully indexed rate”. Section 36a-760b.
 “General facility”. Section 36a-580, as amended by this act.
 “Global net payment entitlement”. Section 36a-428n.
 “Global net payment obligation”. Section 36a-428n.
 “Goods”. Sections 36a-535, as amended by this act, and 36a-770.
 “Graduated payment mortgage loan”. Section 36a-265.
 “Guardian”. Section 36a-365.
 “High cost home loan”. Section 36a-746a.
 “Holder”. Section 36a-596, as amended by this act.
 “Home improvement loan”. Section 36a-736.

“Home purchase loan”. Section 36a-736.
“Home state”. Section 36a-410.
“Housing finance agency”. Section 36a-487, as amended by this act.
“Immediate family member”. Sections 36a-435b and 36a-485, as amended by this act.
“Independent contractor”. Section 36a-485, as amended by this act.
“Individual”. Section 36a-485, as amended by this act.
“Insider”. Section 36a-454b.
“Installment loan contract”. Sections 36a-535, as amended by this act, and 36a-770.
“Insurance”. Section 36a-455a.
“Insurance bank”. Section 36a-285.
“Insurance department”. Section 36a-285.
“Interest”. Section 36a-316.
“Interest rate”. Section 36a-316.
“Interim interest”. Section 36a-746a.
“Investments”. Section 36a-602, as amended by this act.
“Lender”. Sections 36a-746a, 36a-760 and 36a-770.
“Lessor”. Section 36a-676.
“License”. Section 36a-626.
“Licensee”. Sections 36a-596, as amended by this act, 36a-607, as amended by this act, and 36a-626.
“Limited branch”. Section 36a-145.
“Limited facility”. Section 36a-580, as amended by this act.
“Loan broker”. Section 36a-615.
“Loan processor or underwriter”. Section 36a-485, as amended by this act.
“Loss”. Section 36a-330.
“Made in this state”. Section 36a-770.
“Main office”. Section 36a-485, as amended by this act.
“Managing agent”. Section 36a-365.
“Manufactured home”. Section 36a-457b.
“Member”. Section 36a-435b.
“Member business loan”. Section 36a-458a.
“Member in good standing”. Section 36a-435b.
“Membership share”. Section 36a-435b.
“Mobile branch”. Sections 36a-145 and 36a-435b.
“Monetary value”. Section 36a-596, as amended by this act.
“Money transmission”. Section 36a-596, as amended by this act.
“Mortgage”. Section 36a-760g.
“Mortgage broker”. Sections 36a-485, as amended by this act, 36a-705 and 36a-760.
“Mortgage correspondent lender”. Section 36a-485, as amended by this act.
“Mortgage insurance”. Section 36a-725.
“Mortgage lender”. Sections 36a-485, as amended by this act, 36a-705 and 36a-725.
“Mortgage loan”. Sections 36a-261, 36a-265, 36a-457b and 36a-736.
“Mortgage loan originator”. Section 36a-485, as amended by this act.
“Mortgage rate lock-in”. Section 36a-705.
“Mortgage servicer”. Section 36a-715, as amended by this act.
“Mortgagee”. Sections 36a-671 and 36a-715, as amended by this act.
“Mortgagor”. Sections 36a-671 and 36a-715, as amended by this act.
“Motor vehicle”. Section 36a-770.
“Multiple common bond membership”. Section 36a-435b.
“Municipality”. Section 36a-800, as amended by this act.
“Net outstanding member business loan balance”. Section 36a-458a.
“Net worth”. Sections 36a-441a and 36a-458a.

“Network”. Section 36a-155.
 “Nonprime home loan”. Section 36a-760.
 “Nonrefundable”. Section 36a-498, as amended by this act.
 “Nontraditional mortgage product”. Section 36a-489a.
 “Note account”. Sections 36a-301 and 36a-456b.
 “Office”. Sections 36a-23, 36a-316 and 36a-485, as amended by this act.
 “Officer”. Section 36a-435b.
 “Open-end line of credit”. Section 36a-760.
 “Open-end loan”. Section 36a-565, as amended by this act.
 “Organization”. Section 36a-800, as amended by this act.
 “Out-of-state holding company”. Section 36a-410.
 “Outstanding”. Section 36a-596, as amended by this act.
 “Passbook savings account”. Section 36a-316.
 “Payment instrument”. Section 36a-596, as amended by this act.
 “Periodic statement”. Section 36a-316.
 “Permissible investment”. Section 36a-596, as amended by this act.
 “Person”. Sections 36a-184 and 36a-485, as amended by this act.
 “Post”. Section 36a-316.
 “Prepaid finance charge”. Section 36a-746a.
 “Prime quality”. Section 36a-596, as amended by this act.
 “Principal amount of the loan”. Section 36a-485, as amended by this act.
 “Processor”. Section 36a-155.
 “Public deposit”. Section 36a-330.
 “Purchaser”. Section 36a-596, as amended by this act.
 “Qualified financial contract”. Section 36a-428n.
 “Qualified public depository” and “depository”. Section 36a-330.
 “Real estate”. Section 36a-457b.
 “Real estate brokerage activity”. Section 36a-485, as amended by this act.
 “Records”. Section 36a-17, as amended by this act.
 “Registered mortgage loan originator”. Section 36a-485, as amended by this act.
 “Related person”. Section 36a-53.
 “Relocate”. Sections 36a-145 and 36a-462a.
 “Residential mortgage loan”. Section 36a-485, as amended by this act.
 “Residential property”. Section 36a-671, as amended by this act.
 “Residential real estate”. Section 36a-485, as amended by this act.
 “Resulting entity”. Section 36a-34.
 “Retail buyer”. Sections 36a-535, as amended by this act, and 36a-770.
 “Retail credit transaction”. Section 42-100b.
 “Retail installment contract”. Sections 36a-535, as amended by this act, and 36a-770.
 “Retail installment sale”. Sections 36a-535, as amended by this act, and 36a-770.
 “Retail seller”. Sections 36a-535, as amended by this act, and 36a-770.
 “Reverse annuity mortgage loan”. Section 36a-265.
 “Sales finance company”. Sections 36a-535, as amended by this act, and 36a-770.
 “Savings department”. Section 36a-285.
 “Savings deposit”. Section 36a-316.
 “Secondary mortgage loan”. Section 36a-485, as amended by this act.
 “Security convertible into a voting security”. Section 36a-184.
 “Senior management”. Section 36a-435b.
 “Servicing”. Section 36a-846, as amended by this act.
 “Settlement agent”. Section 36a-494, as amended by this act.
 “Share”. Section 36a-435b.

“Short sale”. Section 36a-671, as amended by this act.
“Simulated check”. Section 36a-485, as amended by this act.
“Single common bond membership”. Section 36a-435b.
“Special mortgage”. Section 36a-760c.
“Social purpose investment”. Section 36a-277.
“Sponsored”. Section 36a-485, as amended by this act.
“Standard mortgage loan”. Section 36a-265.
“Stored value”. Section 36a-596, as amended by this act.
“Student education loan”. Section 36a-846, as amended by this act.
“Student loan borrower”. Section 36a-846, as amended by this act.
“Student loan servicer”. Section 36a-846, as amended by this act.
“Table funding agreement”. Section 36a-485, as amended by this act.
“Tax and loan account”. Sections 36a-301 and 36a-456b.
“The Savings Bank Life Insurance Company”. Section 36a-285.
“Time account”. Section 36a-316.
“Travelers check”. Section 36a-596, as amended by this act.
“Troubled Connecticut credit union”. Section 36a-448a.
“Unique identifier”. Section 36a-485, as amended by this act.
“Unsecured loan”. Section 36a-615.
“Value”. Section 36a-603.
“Virtual banking”. Section 36a-170.
“Warehouse agreement”. Section 36a-485, as amended by this act.

Sec. 3. Section 36a-17 of the general statutes is repealed and the following is substituted in lieu thereof
(*Effective October 1, 2018*):

(a) The commissioner, in the commissioner’s discretion, may, subject to the provisions of section 36a-21 and the Freedom of Information Act, as defined in section 1-200; [,] (1) [make] Make such public or private investigations or examinations within or outside this state, concerning any person subject to the jurisdiction of the commissioner, as the commissioner deems necessary to carry out the duties of the commissioner; [,] (2) require or permit any person to testify, produce a record or file a statement in writing, under oath, or otherwise as the commissioner determines, as to all the facts and circumstances concerning the matter to be investigated or about which an action or proceeding is pending; [,] and (3) publish information concerning any violation of any provision of the general statutes within the jurisdiction of the commissioner or any regulation or order adopted or issued under such provision.

(b) Any Connecticut bank, Connecticut credit union or Connecticut credit union service organization which causes or has caused any electronic data processing services to be performed for such bank, credit union or credit union service organization either on or off its premises by an electronic data processing servicer shall

enter into a written contract with such servicer. Such contract shall specify the duties and responsibilities of the bank, credit union or credit union service organization and such servicer and provide that such servicer shall allow the commissioner to examine such servicer's [books,] records [and computer systems] in accordance with this subsection, if required by the commissioner. The Connecticut bank, Connecticut credit union or Connecticut credit union service organization shall promptly notify the commissioner of any material change in its electronic data processing services. In the case of a material change which triggers a notice requirement under 12 USC 1867, a Connecticut bank may satisfy the notice requirements of this subsection by providing the commissioner with a copy of the notice provided to the Federal Deposit Insurance Corporation under 12 USC 1867. The commissioner may examine the [books,] records [and computer systems] of any electronic data processing servicer that performs electronic data processing services for a Connecticut bank, Connecticut credit union or Connecticut credit union service organization, if such services substantially impact the operations of the Connecticut bank, Connecticut credit union or Connecticut credit union service organization as determined by the commissioner, in order to (1) determine whether such servicer has the capacity to protect the customer information of such bank, credit union or credit union service organization, and (2) assess such servicer's potential for continued service. The commissioner may assess a fee of one hundred fifty dollars per day plus costs for each examiner who conducts such examination, the total cost of which the commissioner may allocate on a pro rata basis to all Connecticut banks, Connecticut credit unions and Connecticut credit union service organizations under contract with such servicer.

(c) For the purpose of any investigation, examination or proceeding under this title the commissioner may administer oaths and affirmations, [subpoena witnesses, compel attendance of witnesses, take evidence, require written statements and require the production of any records which the commissioner deems relevant or material.] take evidence, direct, subpoena, order or compel the attendance of and examine under oath all persons whose testimony may be required about the business or subject matter of any such investigation, examination or proceeding, and direct, subpoena or order such person to produce records the commissioner deems relevant or material. The commissioner may require that certified copies of any such records be provided to the commissioner at the commissioner's office. The commissioner may issue subpoenas in this state at the request

of another state, provided (1) the activities concerning which the information is sought would constitute a basis for an investigation, examination or proceeding under this title had such activities occurred in this state, and (2) such other state has reciprocal legal authority to issue subpoenas in such state on behalf of the commissioner.

(d) In addition to any authority provided under this section, the commissioner shall have the authority to conduct investigations and examinations as follows:

(1) For purposes of initial licensing, license renewal, license suspension, license conditioning, license revocation or termination of any license issued on the system, or general or specific inquiry or investigation of persons engaged in a business or activity that is subject to licensure by the commissioner on the system to determine compliance with applicable law, the commissioner may access, receive and use any records, information or evidence including, but not limited to: (A) Criminal, civil and administrative history information; (B) personal history and experience information including independent credit reports obtained from a consumer reporting agency described in Section 603(p) of the federal Fair Credit Reporting Act, 15 USC 1681a; and (C) any other records, information or evidence the commissioner deems relevant to the inquiry or investigation regardless of the location, possession, control or custody of such records, information or evidence.

(2) In conducting any examination or investigation authorized by this subsection, the commissioner may control access to any records of the person under examination or investigation. The commissioner may take possession of the records or place a person in exclusive charge of the records in the place where they are usually kept. During the period of control, no person shall remove or attempt to remove any of the records except pursuant to a court order or with the consent of the commissioner. Unless the commissioner has reasonable grounds to believe the records of the person under examination or investigation have been, or are at risk of being, altered or destroyed for purposes of concealing a violation of applicable law, the owner of the records shall have access to the records as necessary to conduct its ordinary business affairs.

(3) In order to carry out the purposes of this subsection, the commissioner may:

(A) Retain attorneys, accountants or other professionals and specialists as examiners, auditors or investigators to conduct or assist in the conduct of examinations or investigations;

(B) Enter into agreements or relationships with other government officials or regulatory associations in order to improve efficiencies and reduce regulatory burden by sharing resources, standardized or uniform methods or procedures, and records, information or evidence obtained under this subsection;

(C) Use, hire, contract or employ public or privately available analytical systems, methods or software to examine or investigate the person;

(D) In lieu of an examination or investigation conducted by the commissioner, accept and rely on an examination or investigation made by another state or federal supervisory agency, or any organization affiliated with or representing such supervisory agency, or other government official, within or outside this state. Reports so accepted and relied upon by the commissioner are considered official examination or investigation reports of the commissioner; and

(E) Accept audit reports made by an independent certified public accountant and accept such report as an official examination or investigation report of the commissioner or incorporate such report in the report of examination, report of investigation or other writing of the commissioner.

[(d)] (e) Any person who is the subject of any [such] inquiry, investigation, examination or proceeding pursuant to this section shall make its records available to the commissioner in readable form; provide personnel and equipment necessary, including, but not limited to, assistance in the analysis of computer-generated records; provide copies or computer printouts of records when so requested; make or compile reports or prepare other information as directed by the commissioner in order to carry out the purposes of this section, including accounting compilations, information lists and data concerning transactions in a format prescribed by the commissioner or such other information the commissioner deems necessary to carry out the purposes of this section; furnish unrestricted access to all areas of its principal place of business or wherever records may be located; and otherwise cooperate with the commissioner.

[(e)] (f) The superior court for the judicial district of Hartford, upon application of the commissioner, may issue to any person refusing to obey a subpoena issued pursuant to subsection (c) of this section an order requiring that person to appear before the commissioner or any officer designated by the commissioner to

produce records so ordered or to give evidence concerning the matter under investigation or in question. Failure to obey the order of the court may be punished by the court as a contempt of court.

(g) No person subject to inquiry, investigation, examination or proceeding under this section may knowingly withhold, abstract, remove, mutilate, destroy or secrete any records or information.

(h) The authority of this section shall remain in effect, whether a person acts or claims to act under any licensing, registration or other authorizing requirement of the law of this state, or claims to act without such authority.

[(f)] (i) As used in this section, “records” includes, but is not limited to, books, accounts, papers, files, correspondence, memoranda, agreements, diaries, logs, notes, ledgers, journals, visual, audio, magnetic or electronic recordings, computer printouts, [and] computer software, computer systems, and any other documents in any form.

Sec. 4. Subsection (c) of Section 36a-51 of the Connecticut general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

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

subsection (a) of this section up to the date one year after the date of receipt of the license by the commissioner, or, in the case of a license issued through the system, up to the date one year after the date of the acceptance by the commissioner of a request to surrender a license.

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

(3) Withdrawal of an application for a license on the system shall become effective upon the commissioner's acceptance on the system of a withdrawal request. The commissioner may deny an application for a license up to the date that the withdrawal became effective.

Sec. 5. (NEW) (*Effective October 1, 2018*) (a) The Banking Commissioner may order a licensee to remove any individual conducting business from office and from employment or retention as an independent contractor in a business subject to licensure by the commissioner whenever the commissioner finds as the result of an investigation: (1) Such individual has violated any provision of law applicable to the licensed business, or any regulation or order issued thereunder; or (2) any reason that would be sufficient grounds for the commissioner to deny a license for such business, by sending a notice to such individual by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, unless such individual is licensed by the commissioner, in which case the notice may be provided by personal delivery, as defined in section 4-166, in accordance with section 6 of public act 17-233. The notice shall be deemed received by the individual on the earlier of the date of actual receipt, or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the person in accordance with section 6 of public act 17-233.

(b) Any notice issued under subsection (a) of this section shall include: (i) A statement of the time, place and nature of the hearing; (ii) a statement of the legal authority and jurisdiction under which the hearing is to be held; (iii) a reference to the particular sections of the general statutes, regulations or orders alleged to have been violated or which would form the basis for a denial for a license; (iv) a short and plain statement of the matters asserted; and (v) a statement indicating that such individual may file a written request for a hearing on the

matters asserted not later than fourteen days after receipt of the notice. If the commissioner finds that the protection of consumers requires immediate action, the commissioner may suspend any such individual from office and require such individual to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this subsection, by incorporating a finding to that effect in such notice. The suspension or prohibition shall become effective upon receipt of such notice and, unless stayed by a court, shall remain in effect until the entry of a permanent order or the dismissal of the matters asserted.

(c) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such individual fails to appear at the hearing. After the hearing, if the commissioner finds that any of the grounds set forth in subdivision (1) or (2) of subsection (a) of this section exist with respect to such individual, the commissioner may order the removal of such individual from office and from any employment in any business in this state subject to the commissioner's jurisdiction. If such individual fails to appear at the hearing, the commissioner may order the removal of such individual from office and from employment in any business in this state subject to the Commissioner's jurisdiction. No such order shall be issued except in accordance with the provisions of chapter 54.

Sec. 6. Subdivision (6) of subsection (c) of section 36a-65 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(6) A licensee under section 36a-489, as amended by this act, 36a-541, as amended by this act, 36a-556, 36a-581, as amended by this act, 36a-600, as amended by this act, 36a-628, 36a-656, as amended by this act, 36a-671, as amended by this act, 36a-719, [or] as amended by this act, 36a-801, as amended by this act, or 36a-847, as amended by this act, shall pay to the commissioner the actual cost of any examination of the licensee, as such cost is determined by the commissioner. If the licensee fails to pay such cost not later than sixty days after receipt of demand from the commissioner, the commissioner may suspend the license until such costs are paid.

Sec. 7. Section 36a-485 of the general statutes, as amended by section 1 of public act 17-38, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

As used in this section and sections 36a-486 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38, unless the context otherwise requires:

(1) “Advance fee” means any consideration paid or given, directly or indirectly, by a consumer to a person for a residential mortgage loan prior to the closing of such residential mortgage loan, including, but not limited to, loan fees, points, broker’s fees or commissions, transaction fees or similar prepaid finance charges;

(2) “Advertise”, “advertisement” or “advertising” means the use of any announcement, statement, assertion or representation that is placed before the public in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster or over any radio or television station, by means of the Internet, or by other electronic means of distributing information, by personal contact, or in any other way;

(3) “Branch office” means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator;

(4) “Control person” means an individual that directly or indirectly exercises control over another person. Any person that (A) is a director, general partner or executive officer; (B) directly or indirectly has the right to vote ten per cent or more of a class of any voting security or has the power to sell or direct the sale of ten per cent or more of any class of voting securities; (C) in the case of a limited liability company, is a managing member; or (D) in the case of a partnership, has the right to receive upon dissolution, or has contributed, ten per cent or more of the capital, is presumed to be a control person. For purposes of this subdivision, “control” means the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract or otherwise;

(5) “Depository institution” has the same meaning as provided in Section 3 of the Federal Deposit Insurance Act, 12 USC 1813, and includes any Connecticut credit union, federal credit union or out-of-state credit union;

(6) “Dwelling” means a “dwelling”, as defined in Section 103 of the Consumer Credit Protection Act, 15 USC 1602, that is located in this state;

(7) “Employee” means an individual (A) whose manner and means of work performance are subject to the right of control of, or are controlled by, a person, and (B) whose compensation is reported or required to be reported on a W-2 form issued by the controlling person. For purposes of the definition of “registered mortgage

loan originator”, “employee” has the foregoing meaning or such other meaning as the federal banking agencies may issue in connection with such agencies’ implementation of such agencies’ responsibilities under the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC 5101 et seq.;

(8) “Federal banking agency” means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the National Credit Union Administration and the Federal Deposit Insurance Corporation;

(9) “First mortgage loan” means a residential mortgage loan that is secured by a first mortgage;

(10) “Immediate family member” means a spouse, child, sibling, parent, grandparent or grandchild and includes stepparents, stepchildren, stepsiblings and adoptive relationships;

(11) “Independent contractor” means an individual retained on a basis where the individual is not an employee of any person in connection with the services such individual provides and whose compensation is reported or required to be reported on an Internal Revenue Service Form 1099 issued by the retaining person;

(12) “Individual” means a natural person;

(13) “Lead” means any information identifying a potential consumer of a residential mortgage loan;

[(14) “Lead generator” means a person who, for or with the expectation of compensation or gain: (A) Sells, assigns or otherwise transfers one or more leads for a residential mortgage loan; (B) generates or augments one or more leads for another person; or (C) directs a consumer to another person for a residential mortgage loan by performing marketing services, including, but not limited to, online marketing, direct response advertising or telemarketing;]

[(15)] (14) “Loan processor or underwriter” means an individual who performs clerical or support duties. The term “clerical or support duties” includes, subsequent to the receipt of an application, (A) the receipt, collection, distribution and analysis of information common for the processing or underwriting of a residential mortgage loan, and (B) communication with a consumer to obtain the information necessary for the processing or underwriting of a loan to the extent that such communication does not include offering or negotiating loan rates or terms or counseling consumers about residential mortgage loan rates or terms;

[(16)] (15) “Main office” means the main address designated on the system;

[(17)] (16) “Mortgage broker” (A) means a person who (i) for compensation or gain or with the expectation of compensation or gain (I) takes a residential mortgage loan application, or (II) offers or negotiates terms of a residential mortgage loan, and (ii) is not the prospective source of the funds for the residential mortgage loan, and (B) does not include (i) an individual who is licensed as a mortgage loan originator acting as a mortgage loan originator on behalf of such mortgage loan originator’s sponsoring mortgage lender, mortgage correspondent lender, mortgage broker or exempt registrant, or (ii) an individual exempt from mortgage loan originator licensure under subdivision (2) of subsection (b) of section 36a-486 when acting within the scope of such exemption;

[(18)] (17) “Mortgage correspondent lender” means a person engaged in the business of making residential mortgage loans in such person’s own name where the loans are not held by such person for more than ninety days and are funded by another person through a warehouse agreement, table funding agreement or similar agreement;

(18) “Mortgage lead generator” means a person who, for or with the expectation of compensation or gain: (A) Sells, assigns or otherwise transfers one or more leads for a residential mortgage loan; (B) generates or augments one or more leads for another person; or (C) directs a consumer to another person for a residential mortgage loan by performing marketing services, including, but not limited to, online marketing, direct response advertising or telemarketing;

(19) “Mortgage lender” means a person engaged in the business of making residential mortgage loans in such person’s own name utilizing such person’s own funds or by funding loans through a warehouse agreement, table funding agreement or similar agreement;

(20) “Mortgage loan originator” means an individual who for compensation or gain or with the expectation of compensation or gain, either for such individual or for the person employing or retaining such individual, (A) takes a residential mortgage loan application, or (B) offers or negotiates terms of a residential mortgage loan. “Mortgage loan originator” does not include (i) an individual engaged solely as a loan processor or underwriter; (ii) a person who only performs real estate brokerage activities and is licensed in accordance with chapter 392, unless the person is compensated by a mortgage lender, mortgage correspondent lender,

mortgage broker or other mortgage loan originator or by any agent of such mortgage lender, mortgage correspondent lender, mortgage broker or other mortgage loan originator; (iii) a person solely involved in extensions of credit relating to timeshare plans, as that term is defined in Paragraph 53D of 11 USC 101; or (iv) any individual who solely renegotiates terms for existing mortgage loans on behalf of a mortgagee and who does not otherwise act as a mortgage loan originator, unless the United States Department of Housing and Urban Development, the Bureau of Consumer Financial Protection or a court of competent jurisdiction determines that the S.A.F.E. Mortgage Licensing Act of 2008, 12 USC Section 5101 et seq., requires such individual to be licensed as a mortgage loan originator under state laws implementing said S.A.F.E. Mortgage Licensing Act;

(21) “Office” means a branch office or a main office;

(22) “Person” means a natural person, corporation, company, limited liability company, partnership or association;

(23) “Principal amount of the loan” means the gross amount the borrower is obligated to repay including any prepaid finance charge that is financed, and any other charge that is financed;

(24) “Real estate brokerage activity” means any activity that involves offering or providing real estate brokerage services to the public, including (A) acting as a real estate agent or real estate broker for a buyer, seller, lessor or lessee of real property; (B) bringing together parties interested in the sale, purchase, lease, rental or exchange of real property; (C) negotiating, on behalf of any party, any portion of a contract relating to the sale, purchase, lease, rental or exchange of real property, other than in connection with providing financing with respect to any such transaction; (D) engaging in any activity for which a person engaged in the activity is required to be registered or licensed as a real estate agent or real estate broker under any applicable law; and (E) offering to engage in any activity, or act in any capacity, described in this subdivision;

(25) “Registered mortgage loan originator” means any individual who (A) meets the definition of mortgage loan originator and is an employee of a depository institution, a subsidiary that is owned and controlled by a depository institution and regulated by a federal banking agency, or an institution regulated by the Farm Credit Administration; and (B) is registered with and maintains a unique identifier through the system;

(26) “Residential mortgage loan” means any loan primarily for personal, family or household use that is secured by a mortgage, deed of trust or other equivalent consensual security interest on a dwelling or residential real estate upon which is constructed or intended to be constructed a dwelling;

(27) “Residential real estate” means any real property located in this state, upon which is constructed or intended to be constructed a dwelling;

(28) “Secondary mortgage loan” means a residential mortgage loan that is secured, in whole or in part, by a mortgage, provided such property is subject to one or more prior mortgages;

(29) “Simulated check” means a document that imitates or resembles a check but is not a negotiable instrument;

(30) “Sponsored” means employed or retained as an independent contractor;

(31) “Table funding agreement” means an agreement wherein a person agrees to fund mortgage loans to be made in another person’s name and to purchase such loans after they are made;

(32) “Trigger lead” means a consumer report obtained pursuant to subparagraph (B) of subdivision (1) of subsection (c) of Section 604 of the Fair Credit Reporting Act, 15 USC 1681b, as amended from time to time, where the issuance of the report is triggered by an inquiry made with a consumer reporting agency in response to an application for credit;

(33) “Unique identifier” means a number or other identifier assigned by protocols established by the system; and

(34) “Warehouse agreement” means an agreement to provide credit to a person to enable the person to have funds to make residential mortgage loans and hold such loans pending sale to other persons.

Sec. 8. Subsection (a) of section 36a-486 of the general statutes, as amended by section 2 of public act 17-38, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) No person shall engage in the business of making residential mortgage loans or act as a mortgage broker in this state unless such person has first obtained [the] a required license for its main office and for each branch office where such business is conducted in accordance with the provisions of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act. No person shall conduct any activity

that is subject to licensure pursuant to sections 36a-485 to 36a-534b, inclusive, as amended by this act, at any office which is not located in the United States. Any such person who is an individual shall also obtain a mortgage loan originator license prior to conducting such business unless such individual does not engage directly in the activities of a mortgage loan originator. A person, other than a licensed mortgage loan originator acting on behalf of a mortgage lender or mortgage correspondent lender, shall be deemed to be engaged in the business of making residential mortgage loans if such person advertises, causes to be advertised, solicits or offers to make residential mortgage loans, either directly or indirectly. A person, other than a licensed mortgage loan originator acting on behalf of a mortgage broker, shall be deemed to be acting as a mortgage broker if such person advertises or causes to be advertised that such person will negotiate, solicit, place or find a residential mortgage loan, either directly or indirectly. A mortgage correspondent lender shall not be deemed to be acting as a mortgage lender if such mortgage correspondent lender makes a loan utilizing its own funds in a situation where another person does not honor such person's commitment to fund the loan. A licensed mortgage lead generator shall not be deemed to be acting as a mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator when engaged in the activities of a mortgage lead generator, as described in section 36a-485, as amended by this act, if such person does not: (1) Obtain compensation or gain contingent upon the consummation of a residential mortgage loan or the receipt of a residential mortgage loan application, or (2) utilize financial criteria particular to the consumer or the residential mortgage loan transaction to selectively place a lead or to steer a consumer to a specific person for a residential mortgage loan.

Sec. 9. Section 36a-487 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The following are exempt from licensing as a mortgage lender, mortgage correspondent lender or mortgage broker under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act: (1) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured; (2) any wholly-owned subsidiary of any such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same such bank or credit union; (4) any person licensed under sections 36a-671 to 36a-671d,

inclusive, as amended by this act, or exempt from licensure under section 36a-671c, who is negotiating or offering to negotiate terms of a residential mortgage loan as authorized by said sections 36a-671 to 36a-671d, inclusive, as amended by this act; and (5) any person engaged solely in providing loan processing or underwriting services to persons (A) licensed as a mortgage lender, mortgage correspondent lender or mortgage broker, or (B) exempt from such licensure under subdivision (1) of this subsection. Each wholly-owned subsidiary of a Connecticut bank or Connecticut credit union that engages in the business of making residential mortgage loans or acts as a mortgage broker in this state shall provide written notification to the commissioner prior to engaging in such activity.

(b) The following are exempt from licensing as a mortgage lender or mortgage correspondent lender under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act:

(1) Persons making five or fewer residential mortgage loans within any period of twelve consecutive months, provided nothing herein shall relieve such persons from complying with all applicable laws;

(2) Bona fide nonprofit organizations making residential mortgage loans that promote home ownership for the economically disadvantaged;

(3) Agencies of the federal government, or any state or municipal government, or any housing finance agency making residential mortgage loans under the specific authority of the laws of any state or the United States. For purposes of this subdivision, a “housing finance agency” means any authority: (A) Chartered by a state to help meet the affordable housing needs of the residents of the state; (B) supervised directly or indirectly by the state government; (C) subject to audit and review by the state in which it operates; and (D) whose activities make it eligible to be a member of the National Council of State Housing Agencies;

[(4) Persons licensed under sections 36a-555 to 36a-573, inclusive, when making residential mortgage loans authorized by said sections;]

[(5)] (4) Persons owning real property who take back from the buyer of such property a secondary mortgage loan in lieu of any portion of the purchase price of the property;

[(6)] (5) Any corporation or its affiliate that makes residential mortgage loans exclusively for the benefit of its employees or agents;

[(7)] (6) Any corporation, licensed in accordance with section 38a-41, or its affiliate or subsidiary, that makes residential mortgage loans to promote home ownership in urban areas;

[(8)] (7) Persons acting as fiduciaries with respect to any employee pension benefit plan qualified under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, who make residential mortgage loans solely to plan participants from plan assets; and

[(9)] (8) Persons making secondary mortgage loans to immediate family members.

(c) A bona fide nonprofit organization shall be exempt from licensing as a mortgage broker under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, to the extent that such bona fide nonprofit organization acts as a mortgage broker in connection with residential mortgage loans to be exclusively made by persons covered by the exemption set forth in either subdivision [(6) or (7)] (5) or (6) of subsection (b) of this section.

(d) Any person claiming exemption from licensure under this section may register on the system as an exempt registrant for purposes of sponsoring a mortgage loan originator or a loan processor or underwriter pursuant to subdivision (1) of subsection (b) of section 36a-486. Such registration shall not affect the exempt status of such person. Any approval of such registration, or any approval of any renewal of such registration, shall not constitute a determination by the commissioner that such entity is exempt, but rather shall evidence the commissioner's approval to use the system for purposes of sponsoring and bonding.

(e) (1) For purposes of this section, a “bona fide nonprofit organization” means an organization that has filed a written certified submission to the commissioner in a form prescribed by the commissioner and with such documentation as may be required by the commissioner and that demonstrates to the satisfaction of the commissioner that the organization: (A) Has the status of a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended; (B) promotes affordable housing or provides home ownership education or similar services; (C) conducts its activities in a manner that serves public or charitable purposes rather than commercial purposes; (D) receives funding and revenue and charges fees in a manner that does not incentivize it

or its employees to act other than in the best interests of its clients; (E) compensates its employees in a manner that does not incentivize employees to act other than in the best interests of its clients; (F) provides or identifies for the borrower residential mortgage loans (i) with terms favorable to the borrower, which means such terms must be consistent with loan origination in a public or charitable context, not a commercial context, and (ii) comparable to mortgage loans and housing assistance provided under government housing assistance programs; and (G) meets such other standards as the commissioner may by regulation require. Any organization that demonstrates to the satisfaction of the commissioner its status as a bona fide nonprofit organization shall timely report any change in any information previously submitted and, not later than December thirty-first of each year, submit to the commissioner a renewed certification and documentation to update all information last filed in support of such status [and timely report any change in any information previously submitted.] or its exemption shall expire on December thirty-first, except that any organization that obtained initial bona fide nonprofit status from the commissioner after November first of a given year shall submit a renewal certification and documentation by December thirty-first of the following year.

(2) The commissioner may periodically examine the books and activities of a certified bona fide nonprofit organization and may revoke the bona fide nonprofit status of an entity that does not continue to meet the criteria in subdivision (1) of this subsection.

Sec. 10. Section 36a-488 of the general statutes, as amended by section 3 of public act 17-38, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(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 at the main office for which the license is sought, a qualified individual and, at each branch office, a branch manager (i) who is responsible for the actions of the licensee and has supervisory authority over the lending or brokerage activities, (ii) 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 (iii) who is licensed as a mortgage loan originator under section 36a-489, as amended by this act. 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 this subdivision, “at the main office” and “at each branch office” may be satisfied by demonstrating that the qualified individual or branch manager is within a one-hundred-mile commutable distance to the office or otherwise demonstrating to the satisfaction of the commissioner an ability to provide full time, in-person supervision of the 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, 36a-534a and 36a-534b, as amended by this act, 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, as amended by this act, will act, pursuant to subdivision (4) of subsection (b) of section 36a-718, as amended by this act, only as a mortgage servicer at such branch office, and the individual designated as branch manager meets the requirements for branch manager set forth in section 36a-719, as amended by this act. No person who has been 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 a waiver at the time it was given without first designating and obtaining approval from the commissioner of a qualified individual and branch manager who satisfy all applicable requirements.

(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-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38. 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. [The] In the case of an initial application for a license, the following supplementary information shall be filed, [directly with the commissioner: (1) In the case of an initial application for a license for the main office, (A)] 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; [, and if such financial statement is unaudited, the proprietor, general partner, or duly authorized officer, trustee or member shall swear to its accuracy under oath before a notary public, and (B)] (2) a bond as required by section 36a-492, as amended by this act; [(2)] (3) evidence that the qualified individual or branch manager meets the experience required by subsection (a) of this section; and [(3)] (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 [with supervisory authority at the office for which the license is sought] 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. A mortgage loan originator licensee shall be associated with a specified licensed office from which the mortgage loan originator will operate and be subject to required qualified individual or branch manager supervision. The specified office shall be within a one-hundred-mile commutable distance unless it otherwise can be demonstrated, to the commissioner's satisfaction, that the mortgage loan originator will operate out of such other licensed office and be subject to required qualified individual or branch manager supervision. An application to license an individual as a mortgage loan originator or a loan processor or underwriter [for a specified office] 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-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act. 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 mortgage lead generator license. An application for a license as a mortgage 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-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38. 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 applicant shall notify the commissioner on the system of any change to the information submitted in connection with the applicant's most recent application for licensure not later than fifteen days after the applicant has reason to know of such change.] 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. 11. Section 36a-489 of the general statutes, as amended by section 4 of public act 17-38, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) (1) The commissioner shall not issue an initial license for a mortgage lender, mortgage correspondent lender or mortgage broker unless the commissioner, at a minimum, finds that: (A) The applicant meets the requirements of subsection (a) of section 36a-488, as amended by this act; (B) notwithstanding the provisions of section 46a-80, the applicant, the control persons of the applicant and the qualified individual or branch manager [with supervisory authority at the office for which the license is sought] have not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign or military court during the seven-year period preceding the date of the application for licensing or at any time preceding the date of application if such felony involved an act of fraud, dishonesty, a breach of trust or money laundering, provided any pardon or expungement of a conviction shall not be a conviction for purposes of this subdivision; (C) the applicant demonstrates that the financial responsibility, character and general fitness of the applicant, the control persons

of the applicant and the qualified individual or branch manager [having supervisory authority over the office for which the license is sought] are such as to command the confidence of the community and to warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38; (D) the applicant has met the surety bond requirement under section 36a-492, as amended by this act; and (E) the applicant, control persons, qualified individual or any branch manager has not made a material misstatement in the application. If the commissioner fails to make such findings, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. For purposes of this subsection, the level of offense of the crime and the status of any conviction, pardon or expungement shall be determined by reference to the law of the jurisdiction where the case was prosecuted. In the event that such jurisdiction does not use the term “felony”, “pardon” or “expungement”, such terms shall include legally equivalent events.

(2) (A) The minimum standards for license renewal for a mortgage lender, mortgage correspondent lender or mortgage broker shall include the following: (i) The applicant continues to meet the minimum standards under subdivision (1) of this subsection; and (ii) the mortgage lender, mortgage correspondent lender or mortgage broker has paid all required fees for renewal of the license and has paid any outstanding examination fees or other moneys due to the commissioner.

(B) The license of a mortgage lender, mortgage correspondent lender or mortgage broker failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. The commissioner may automatically suspend a mortgage lender, mortgage correspondent lender or mortgage broker license if the licensee receives a deficiency on the system indicating that the payment of renewal fees required by subparagraph (A) of this subdivision was Returned-ACH or returned pursuant to such other term as may be utilized by the system to indicate that the payment was not accepted. After a license has been automatically suspended pursuant to this section, the commissioner shall give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494, as amended by

this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(b) (1) The commissioner shall not issue an initial license for a mortgage loan originator or a loan processor or underwriter unless the commissioner, at a minimum, finds that the applicant has: (A) Never had a mortgage loan originator or equivalent loan processor or underwriter license revoked in any governmental jurisdiction, except that a subsequent formal vacating of such revocation shall not be deemed a revocation; (B) notwithstanding the provisions of section 46a-80, not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign or military court during the seven-year period preceding the date of the application for licensing or at any time preceding such date of application if such felony involved an act of fraud, dishonesty, a breach of trust, or money laundering, provided any pardon or expungement of a conviction shall not be a conviction for purposes of this subdivision; (C) demonstrated financial responsibility, character and general fitness so as to command the confidence of the community and to warrant a determination that the mortgage loan originator or loan processor or underwriter will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38; (D) completed the prelicensing education requirement described in section 36a-489a and passed a written test that meets the test requirement described in section 36a-489a; (E) met the surety bond requirement under section 36a-492, as amended by this act, and, in the case of a mortgage loan originator required to be licensed under section 36a-671e, met the surety bond requirements under sections 36a-492, as amended by this act, and 36a-671d, as amended by this act; and (F) not made a material misstatement in the application. If the commissioner denies an application for a mortgage loan originator or a loan processor or underwriter license, the commissioner shall notify the applicant and may notify the sponsor or any other person the commissioner deems appropriate of the denial and the reasons for such denial. For purposes of this subsection, the level of offense of the crime and the status of any conviction, pardon or expungement shall be determined by reference to the law of the jurisdiction where the case was prosecuted. In the event that such

jurisdiction does not use the term “felony”, “pardon” or “expungement”, those terms shall include legally equivalent events.

(2) (A) The minimum standards for license renewal for a mortgage loan originator or a loan processor or underwriter shall include the following: (i) The licensee continues to meet the minimum standards for license issuance under subdivision (1) of this subsection; (ii) the licensee has satisfied the annual continuing education requirements described in subsection (c) of section 36a-489a; and (iii) the licensee has paid all required fees for renewal of the license and any outstanding examination fees or other monies due to the commissioner.

(B) The license of a mortgage loan originator or a loan processor or underwriter that fails to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. The commissioner may automatically suspend a mortgage loan originator or a loan processor or underwriter license if the licensee receives a deficiency on the system indicating that the payment of renewal fees required by subparagraph (A) of subdivision (2) of this subsection was Returned-ACH or returned pursuant to such other term as may be utilized by the system to indicate that the payment was not accepted, After a license has been automatically suspended pursuant to this section, the commissioner shall give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(c) For purposes of this section, a person has shown that such person is not financially responsible when such person has shown a disregard in the management of such person’s own financial condition. A determination that a person has not shown financial responsibility may include, but is not limited to: (1) Current outstanding judgments, except judgments solely as a result of medical expenses; (2) current outstanding tax liens or other government liens and filings; (3) foreclosures during the three years preceding the date of application for an initial license or renewal of a license; or (4) a pattern of seriously delinquent accounts within the past three years.

(d) (1) The commissioner shall not issue a mortgage lead generator license to an applicant for such license unless the commissioner, at a minimum, finds that: (A) The applicant demonstrates that the character, reputation, integrity and general fitness of the applicant, any control person of the applicant and the qualified individual are such as to command the confidence of the community and warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38; (B) the applicant, [has] control persons, and the qualifying individual have not made a material misstatement in the application; and (C) the applicant has met any other requirements determined by the commissioner. If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the denial and the reasons for such denial. Without limiting the foregoing requirements of this subdivision, and subject to the provisions of section 46a-80, the commissioner may deny an application based on the history of criminal convictions of the applicant, any control person of the applicant or the qualified individual.

(2) (A) The minimum standards for license renewal for a mortgage lead generator shall include the following: (i) The applicant continues to meet the minimum standards under subdivision (1) of this subsection; and (ii) the mortgage lead generator has paid all required fees for renewal of a license and any outstanding examination fees or other moneys due to the commissioner.

(B) The license of a mortgage lead generator who fails to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. The commissioner may automatically suspend a mortgage lead generator license if the licensee receives a deficiency on the system indicating that the payment of renewal fees required by subparagraph (A) of subdivision (2) of this subsection was Returned-ACH or returned pursuant to such other term as may be utilized by the system to indicate that the payment was not accepted. After a license has been automatically suspended pursuant to this section, the commissioner shall (i) give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494, as amended by this act, and an opportunity for a hearing on such action in

accordance with section 36a-51, as amended by this act; and (ii) require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

[(e) (1) Withdrawal of an application for a license filed under this section shall become effective upon receipt by the commissioner of a notice of intent to withdraw such application. The commissioner may deny a license up to the date one year after the effective date of withdrawal. (2) If a license expires under this section due to the licensee's failure to renew, the commissioner may institute a revocation or suspension proceeding or issue an order suspending or revoking such license pursuant to section 36a-494 not later than one year after the date of such expiration.]

[(f)] (e) The commissioner may deem an application for a license under this section abandoned if the applicant fails to respond to any request for information required under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38, or the regulations adopted pursuant to said sections. The commissioner shall notify the applicant on the system that if such information is not submitted not later than sixty days from the date of such request the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38.

Sec. 12. Section 36a-490 of the general statutes, as amended by section 6 of public act 17-38, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a)(1) [A mortgage lender, mortgage correspondent lender, mortgage broker and mortgage lead generator license shall not be transferable or assignable. 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.] Any licensee who intends to permanently cease engaging in the business of making residential mortgage loans or acting as a mortgage broker or mortgage lead generator at any time during a license period for any cause, including, but not limited to, bankruptcy or voluntary dissolution, shall file a request to surrender the license for each office at which the licensee intends to cease to do business,

on the system, not later than fifteen days after the date of such cessation, provided this requirement shall not apply when a license has been suspended pursuant to section 36a-51, as amended by this act. No surrender shall be effective until accepted by the commissioner.

(2) A mortgage loan originator licensee who intends to permanently cease engaging in the business of a mortgage loan originator at any time during a license period for any cause, including, but not limited to, bankruptcy, shall file a request to surrender the license on the system not later than fifteen days after the date of such cessation, provided this requirement shall not apply when a license has been suspended pursuant to section 36a-51, as amended by this act. No surrender shall be effective until accepted by the commissioner.

(3) A loan processor or underwriter licensee who intends to permanently cease engaging in the activities of a loan processor or underwriter at any time during a license period for any cause, including, but not limited to, bankruptcy, shall file a request to surrender the license on the system not later than fifteen days after the date of such cessation, provided this requirement shall not apply when a license has been suspended pursuant to section 36a-51, as amended by this act. No surrender shall be effective until accepted by the commissioner.

(b) (1) A mortgage lender, mortgage correspondent lender, mortgage broker or mortgage lead generator license shall not be transferable or assignable. Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval.

(2) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee may use any name or address other than specified on the license issued by the commissioner. A mortgage lender, mortgage correspondent lender, mortgage broker or mortgage lead generator licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if [(1)] at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a main or branch office, provides [, directly to the commissioner,] a bond rider or endorsement, or addendum, as applicable, to the surety bond on file with the commissioner that reflects the new name or address of the main or branch office, and [(2)] the commissioner does not disapprove such change, in writing, or request

further information within such thirty-day period. [The licensee shall promptly file any change in the information most recently submitted in connection with the license with the system or, if the information cannot be filed on the system, directly notify the commissioner, in writing, of such change in the information.]

(3) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of this subsection, or upon a failure of the licensee to designate a qualified individual or branch manager who meets the requirements set forth in section 36a-488, as amended by this act, within thirty days of a vacancy in the position. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-494, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(c) Except as otherwise specified in subsection (b) of this section, each mortgage lender, mortgage correspondent lender, mortgage broker or mortgage lead generator applicant or licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change. The mortgage lender, mortgage correspondent lender, mortgage broker or mortgage lead generator licensee shall [promptly] file with the system or, if the information cannot be filed on the system, [directly] notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(1) Filing for bankruptcy [,] or the consummation of a corporate restructuring [,] of the licensee;

(2) Filing of a criminal indictment against the licensee in any way related to the lending or brokerage activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony

conviction of any of the licensee's [officers, directors, members, partners or shareholders owning ten per cent or more of the outstanding stock] control persons, branch managers or qualified individual;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers or qualified individual and the reasons therefor;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor;

(5) Receiving notification of a material adverse action with respect to any existing line of credit or warehouse credit agreement;

(6) Suspension or termination of the licensee's status as an approved seller or servicer by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association;

(7) Exercise of recourse rights by investors or subsequent assignees of residential mortgage loans if such loans for which the recourse rights are being exercised, in the aggregate, exceed the licensee's net worth exclusive of real property and fixed assets;

(8) Receiving notification of filing for bankruptcy of any of the licensee's [officers, directors, members, partners or shareholders owning ten per cent or more of the outstanding stock of the licensee] control persons, branch managers or qualified individual; or

(9) A decrease in the net worth required by subsection (a) of section 36a-488, as amended by this act.

(d) Each mortgage loan originator applicant and licensee and each loan processor or underwriter applicant and licensee shall [promptly] file with the system or, if the information cannot be filed on the system, [directly] notify the commissioner, in writing, of any change in the information most recently submitted in connection with the application or license [and] within fifteen days of the date such individual had reason to know of the change. Each mortgage loan originator licensee and each loan processor or underwriter licensee shall file with the system, or if the information cannot be filed on the system, notify the commissioner, in writing, of the

occurrence of any of the following developments within fifteen days of the date that such individual had reason to know of the development:

(1) Filing for bankruptcy of the licensee;

(2) Filing of a criminal indictment against the licensee;

(3) Receiving notification of the institution of license or registration denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee and the reasons therefor; or

(4) Receiving notification of the initiation of any action against the licensee by the Attorney General or the attorney general of any other state and the reasons therefor.

(e) Each mortgage lender, mortgage correspondent lender, mortgage broker, mortgage lead generator, mortgage loan originator and loan processor or underwriter license shall remain in force and effect until it has been surrendered, revoked or suspended, or until it expires or is no longer effective, in accordance with the provisions of this title.

Sec. 13. Section 36a-492 of the general statutes, as amended by section 8 of public act 17-38, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(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, as amended by this act: (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, as amended by this act: (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 [an exempt registrant under] a person exempt from licensure as a mortgage lender, mortgage correspondent lender or mortgage broker pursuant to subdivision (4) of subsection (a) of section 36a-487, as amended by this act, the surety bond shall cover all mortgage loan originators sponsored by such [exempt registrant] person and comply with the requirements set forth in section 36a-671d, as amended by this act.

(4) [(A)] The principal on a bond required by [subdivisions (1) and (2) of] this [subsection] section shall [annually] file quarterly reports on the system reflecting residential mortgage loan volume in accordance with subsection (c) of section 36a-534b, as amended by this act, to confirm [, in connection with any renewal request,] that it maintains the required penal sum in an amount required by subsection (d) of this section. [after review of the preceding four-quarter period ending June thirtieth.] 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 [subdivision] 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.

[(B)] The principal on a bond required by subdivision (3) of this subsection shall annually confirm, in connection with any renewal request, that it maintains the required penal sum in an amount required by subsection (d) of this section after review of the preceding four-quarter period ending June thirtieth. 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) [The] 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-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act. 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, as amended by this act, and effective 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. [Such notice] If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal through the system at least thirty days prior to the date of cancellation. Otherwise, notice of cancellation shall be sent by certified mail to the principal 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. If the surety bond required by this section was issued electronically on the system, written notice may be provided by the surety company to the commissioner through the system not less than thirty days prior to the effective date of cancellation, otherwise, such notice shall be sent to the commissioner by certified mail no later 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, as amended by this act, 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 give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action as in the opinion of the commissioner will 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, as amended by this act, who is exempt from licensure under subdivision (1), (2) or (3) of subsection (a) of section 36a-487, as amended by this act, 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, as amended by this act, who is exempt from licensure under subsection (b) of section 36a-487, as amended by this act, shall file a bond in a penal sum of fifty thousand dollars the first time such exempt registrant sponsors a mortgage loan originator.

(5) [An exempt registrant under subsection (d) of section 36a-487, who is] Persons exempt from licensure under subdivision (4) of subsection (a) of section 36a-487, as amended by this act, 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, as amended by this act, and who are exempt from licensing under subdivision (1), (2) or (3) of subsection (a) of section 36a-487, as amended by this act, 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, as amended by this act, and who are exempt from licensing under subsection (b) or (c) of section 36a-487, as amended by this act, 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. 14. Section 36a-493 of the general statutes, as amended by section 9 of public act 17-38 is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Each mortgage lender, mortgage correspondent lender and mortgage broker licensee and each bona fide nonprofit organization exempt from licensure under subdivision (2) of subsection (b) of section 36a-487, as amended by this act, shall maintain adequate records of each residential mortgage loan transaction at the office named in the license, or, if requested by the commissioner, shall make such records available at such office or send such records to the commissioner by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, not later than five business days after requested by the commissioner to do so. Upon request, the commissioner may grant a licensee or exempt bona fide nonprofit organization additional time to make such records available or send them to the commissioner. Such records shall provide the following information: (1) A copy of any disclosures required under part III of chapter 669; (2) whether the licensee or exempt bona fide nonprofit organization acted as a mortgage lender, a mortgage

correspondent lender, a mortgage broker, a mortgage lender and a mortgage broker, or a mortgage correspondent lender and a mortgage broker; (3) if the licensee or exempt bona fide nonprofit organization is acting as a mortgage lender or mortgage correspondent lender, and retains the residential mortgage loan or receives payments thereon, an adequate loan history for those loans retained or upon which payments are received, itemizing the amount and date of each payment and the unpaid balance at all times; (4) the purpose for which the loan was made; (5) the original or an exact copy of the note, loan agreement or other evidence of indebtedness and mortgage deed; (6) a statement signed by the borrower acknowledging the receipt of such statement which discloses the full amount of any fee, commission or consideration paid to the mortgage lender, mortgage correspondent lender and mortgage broker for all services in connection with the origination and settlement of the residential mortgage loan; (7) the name and address of the mortgage lender, mortgage correspondent lender and the mortgage broker, if any, involved in the loan transaction; (8) a copy of the initial and a copy of the final residential mortgage loan application taken from the borrower; and (9) a copy of all information used in evaluating the application.

(b) For each loan that is made and serviced by a licensee or exempt bona fide nonprofit organization, the licensee or exempt bona fide nonprofit organization shall retain: (1) The records of such loan transaction for not less than two years following the final payment thereon, or the assignment of such loan, whichever occurs first, or such longer period as may be required by any other provision of law, and (2) copies of the note, Closing Disclosure or other settlement statement, or such other records as are sufficient to verify the mortgage lender's or mortgage correspondent lender's compliance with section 36a-498a, as amended by this act, for not less than five years from the date of the transaction.

(c) For each loan transaction in which a licensee or exempt bona fide nonprofit organization acts as a mortgage lender, mortgage correspondent lender or mortgage broker but does not service the loan, the licensee or exempt bona fide nonprofit organization shall retain: (1) The records of such loan transaction for not less than two years from the date of the transaction or such longer period as may be required by any other provision of law, and (2) copies of the note, Closing Disclosure or other settlement statement, or such other records as are

sufficient to verify the mortgage lender's or mortgage correspondent lender's compliance with section 36a-498a, as amended by this act, for not less than five years from the date of the transaction.

(d) Each mortgage lead generator licensee shall maintain adequate records of its lead generation activities at the office named in the license, or, if requested by the commissioner, shall make such records available at such office or send such records to the commissioner by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, not later than five business days after such records are requested by the commissioner. Upon request, the commissioner may grant a mortgage lead generator licensee additional time to make such records available or send such records to the commissioner. Such records shall include, for the preceding two-year period: (1) Copies of all solicitation materials used in the mortgage lead generator's business regardless of medium, including, but not limited to, business cards, telephone scripts, mailers, electronic mail and radio, television and Internet advertisements; (2) records of any contact or attempted contact with a consumer, including the name, date, method and nature of contact, and any information provided to or received from the consumer; and (3) the name, address and, if applicable, unique identifier of any person who received, requested or contracted for leads or referrals and any fees or consideration charged or received for such services.

(e) Any person who furnishes to a licensee or an exempt bona fide nonprofit organization any records required to be maintained under this section or any information necessary to complete such records may charge a fee to the licensee or exempt bona fide nonprofit organization in an amount not to exceed fifty dollars.

Sec. 15. Section 36a-494 of the general statutes, as amended by section 10 of public act 17-38, and section 1 of public act 17-236, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) (1) The commissioner may suspend, revoke or refuse to renew any mortgage lender, mortgage correspondent lender or mortgage broker license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason which would be sufficient grounds for the commissioner to deny an application for such license under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, or if the commissioner finds that the licensee, any control person of the

licensee, the qualified individual or branch manager, [with supervisory authority,] trustee, employee or agent of such licensee has done any of the following: (A) Made any material misstatement in the application; (B) committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any residential mortgage loan transaction, including disclosures required by subdivision (6) of subsection (a) of section 36a-493, as amended by this act, or part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information; (C) violated any of the provisions of this title or of any regulation or order adopted or issued pursuant thereto, and pertaining to any such person, or any other law or regulation applicable to the conduct of its business; or (D) failed to perform any agreement with a licensee or a borrower. For purposes of this subdivision, “agent” includes any settlement agent used by the licensee and “settlement agent” means the person specified in any Closing Disclosure or other settlement statement, provided such settlement agent has been selected by the licensee. Any settlement agent whose name appears on the licensee’s list of approved settlement agents shall be deemed selected by the licensee even if the settlement agent is selected from such list by the borrower.

(2) The commissioner may suspend, revoke or refuse to renew any mortgage loan originator license or any loan processor or underwriter license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason which would be sufficient grounds for the commissioner to deny an application for such license under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, or if the commissioner finds that the licensee has committed any fraud, misappropriated funds, misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any residential mortgage loan transaction or has violated any of the provisions of this title or of any [regulations] regulation or order adopted or issued pursuant [to such title] thereto, or any other law or regulation applicable to the conduct of such licensee’s business.

(3) The commissioner may suspend, revoke or refuse to renew any mortgage lead generator license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason that would be sufficient grounds for the commissioner to deny an application for such license under

sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of Public Act 17-38, or if the commissioner finds that the licensee, any control person of the licensee or qualified individual, trustee, employee or agent of such licensee has done any of the following: (A) Made any material misstatement in the application for licensure; (B) committed any fraud or misrepresentation in connection with such licensee's mortgage lead generator business; or (C) violated any of the provisions of this title [36a] or of any [regulations] regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of such licensee's mortgage lead generator business.

(b) Whenever it appears to the commissioner that (1) any person has violated, is violating or is about to violate any of the provisions of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38 or any regulation adopted pursuant thereto, (2) any person is, was, or would be a cause of the violation of any such provisions or regulation due to an act or omission such person knew or should have known would contribute to such violation, or (3) any licensee has failed to perform any agreement with a borrower, committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any residential mortgage loan transaction, including disclosures required by subdivision (6) of subsection (a) of section 36a-493, as amended by this act, or part III of chapter 669 or regulations adopted pursuant thereto, to anyone entitled to such information, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) [(1)] The commissioner may order a licensee to remove any individual conducting business under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38 from office and from employment or retention as an independent contractor in the mortgage business in this state [whenever the commissioner finds as the result of an investigation that such individual: (A) Has violated any of said sections or any regulation or order issued thereunder; or (B) for any reason that would be sufficient grounds for the commissioner to deny a license under section 36a-489 by sending a notice to such individual by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt. The notice shall be deemed received by such individual

on the earlier of the date of actual receipt or seven days after mailing or sending. Any such notice shall include:

(i) A statement of the time, place and nature of the hearing; (ii) a statement of the legal authority and jurisdiction under which the hearing is to be held; (iii) a reference to the particular sections of the general statutes, regulations or orders alleged to have been violated; (iv) a short and plain statement of the matters asserted; and (v) a statement indicating that such individual may file a written request for a hearing on the matters asserted not later than fourteen days after receipt of the notice. If the commissioner finds that the protection of borrowers requires immediate action, the commissioner may suspend any such individual from office and require such individual to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this subsection, by incorporating a finding to that effect in such notice. The suspension or prohibition shall become effective upon receipt of such notice and, unless stayed by a court, shall remain in effect until the entry of a permanent order or the dismissal of the matters asserted.

(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such individual fails to appear at the hearing. After the hearing, if the commissioner finds that any of the grounds set forth in subparagraph (A) or (B), of subdivision (1) of this subsection exist with respect to such individual, the commissioner may order the removal of such individual from office and from any employment in the mortgage business in this state. If such individual fails to appear at the hearing, the commissioner may order the removal of such individual from office and from employment in the mortgage business in this state.] in accordance with section 5 of this act.

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. [The commissioner shall give the licensee an opportunity for a hearing on such action in accordance with section 36a-52. Such temporary order shall become effective upon receipt by the licensee and, unless set aside or modified by a court, shall remain in effect until the effective date of a permanent order or dismissal of the matters asserted in the notice.] Such temporary order shall be issued in accordance with subsection (j) of section 36a-24b and section 36a-52.

Sec. 16. Section 36a-496 of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2018):

No person engaged in the business of making residential mortgage loans in this state, whether licensed in accordance with the provisions of sections 36a-485 to [36a-498a] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, or exempt from licensing, shall accept applications or referral of applicants from, or pay a fee to, any mortgage broker or mortgage loan originator who is required to be licensed under said sections but was not, as of the time of the performance of such mortgage broker's or mortgage loan originator's services in connection with loans made or to be made by the mortgage lender or mortgage correspondent lender, licensed to act as such by the commissioner, if the mortgage lender or mortgage correspondent lender has actual knowledge that the mortgage broker or mortgage loan originator was not licensed by the commissioner.

Sec. 17. Section 36a-498 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Except as provided in subsection (c) of this section, every advance fee paid or given, directly or indirectly, to a mortgage lender, mortgage correspondent lender or mortgage broker required to be licensed pursuant to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, shall be refundable.

(b) No mortgage loan originator required to be licensed pursuant to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, shall accept payment of any advance fee except an advance fee on behalf of a mortgage lender, mortgage correspondent lender or mortgage broker licensee. Nothing in this subsection shall be construed as prohibiting the mortgage lender, mortgage correspondent lender or mortgage broker licensee from paying a mortgage loan originator all or part of an advance fee, provided such advance fee paid is not refundable under this section.

(c) Subsection (a) of this section shall not apply if: (1) The person providing the advance fee and the mortgage lender, mortgage correspondent lender or mortgage broker agree in writing that the advance fee shall not be refundable, in whole or in part; and (2) the written agreement complies in all respects with the provisions of subsection (d) of this section.

(d) An agreement under subsection (c) of this section shall meet all of the following requirements to be valid and enforceable: (1) The agreement shall be dated, signed by both parties, and be executed prior to the

payment of any advance fee; (2) the agreement shall expressly state the total advance fee required to be paid and any amount of the advance fee that shall not be refundable; (3) the agreement shall clearly and conspicuously state any conditions under which the advance fee will be retained by the mortgage lender, mortgage correspondent lender or mortgage broker; (4) the term “nonrefundable” shall be used to describe each advance fee or portion thereof to which the term is applicable, and shall appear in boldface type in the agreement each time it is used; and (5) the form of the agreement shall (A) be separate from any other forms, contracts, or applications utilized by the mortgage lender, mortgage correspondent lender or mortgage broker, (B) contain a heading in a size equal to at least ten-point boldface type that shall title the form “AGREEMENT CONCERNING NONREFUNDABILITY OF ADVANCE FEE”, (C) provide for a duplicate copy which shall be given to the person paying the advance fee at the time of payment of the advance fee, and (D) include such other specifications as the commissioner may by regulation prescribe.

(e) An agreement under subsection (c) of this section that does not meet the requirements of subsection (d) of this section shall be voidable at the election of the person paying the advance fee.

(f) (1) No mortgage lender, mortgage correspondent lender or mortgage broker required to be licensed pursuant to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, shall enter into an agreement with or otherwise require any person to pay the mortgage lender, mortgage correspondent lender or mortgage broker for any fee, commission or other valuable consideration lost as a result of such person failing to consummate a residential mortgage loan, provided the mortgage lender, mortgage correspondent lender or mortgage broker may collect such fee, commission or consideration as an advance fee subject to the requirements of this section.

(2) No mortgage broker required to be licensed pursuant to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, shall enter into an agreement with or otherwise require any person to pay the mortgage broker any fee, commission or other valuable consideration for the prepayment of the principal of a residential mortgage loan by such person before the date on which the principal is due.

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

(A) “Unfair or deceptive act or practice” means (i) the failure to clearly and conspicuously state in the initial phase of the solicitation that the solicitor is not affiliated with the mortgage lender, mortgage correspondent lender or mortgage broker with which the consumer initially applied, (ii) the failure to clearly and conspicuously state in the initial phase of the solicitation that the solicitation is based on personal information about the consumer that was purchased, directly or indirectly, from a consumer reporting agency without the knowledge or permission of the mortgage lender, mortgage correspondent lender or mortgage broker with which the consumer initially applied, (iii) the failure in the initial solicitation to comply with the provisions of the federal Fair Credit Reporting Act relating to prescreening solicitations that use consumer reports, including the requirement to make a firm offer of credit to the consumer, or (iv) knowingly or negligently using information from a mortgage trigger lead (I) to solicit consumers who have opted out of prescreened offers of credit under the federal Fair Credit Reporting Act, or (II) to place telephone calls to consumers who have placed their contact information on a federal or state Do Not Call list; and

(B) “Mortgage trigger lead” means a consumer report obtained pursuant to Section 604(c)(1)(B) of the federal Fair Credit Reporting Act, 15 USC 1681b, where the issuance of the report is triggered by an inquiry made with a consumer reporting agency in response to an application for credit. “Mortgage trigger lead” does not include a consumer report obtained by a mortgage lender or mortgage correspondent lender that holds or services existing indebtedness of the applicant who is the subject of the report.

(2) No mortgage lender, mortgage correspondent lender, mortgage broker or mortgage loan originator shall engage in an unfair or deceptive act or practice in soliciting an application for a residential mortgage loan when such solicitation is based, in whole or in part, on information contained in a mortgage trigger lead. Any violation of this subsection shall be deemed an unfair or deceptive trade practice under subsection (a) of section 42-110b.

(h) No mortgage lender or mortgage correspondent lender shall include in a residential mortgage loan for which an application is received by such lender on or after October 1, 2009, a provision that increases the interest rate as a result of a default other than a failure to comply with a provision to maintain an automatic

electronic payment feature where such maintenance provision has been provided in return for an interest rate reduction and the increase is no greater than such reduction.

Sec. 18. Subsection (a) of section 36a-498a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) No mortgage lender licensee or mortgage correspondent lender licensee under section 36a-489, as amended by this act, and no person exempt from licensure under [subdivision (1)] subdivisions (1) to (3), inclusive, of subsection (a) and subdivisions (1) [, (4) and (5)] and (4) of subsection (b) of section 36a-487, as amended by this act, making a first mortgage loan may charge, impose or cause to be paid, directly or indirectly, prepaid finance charges that exceed in the aggregate, the greater of five per cent of the principal amount of the loan or two thousand dollars. If the proceeds of the loan are used to refinance an existing loan, the aggregate of the prepaid finance charges for the current refinancing and any previous financings by such licensee or exempt person or affiliate of such licensee or exempt person within two years of the current refinancing shall not exceed the greater of five per cent of the principal amount of the initial loan or two thousand dollars. The provisions of this section shall not prohibit such licensee or exempt person from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in addition to those permitted by this section in connection with any additional proceeds received by the borrower in the refinancing, provided such prepaid finance charges on the additional proceeds shall not exceed five per cent of the additional proceeds.

Sec. 19. Section 36a-498d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The unique identifier of any mortgage loan originator or loan processor or underwriter licensed under section 36a-489, as amended by this act, shall be clearly shown on all residential mortgage loan application forms. [,] The unique identifier of any mortgage lender, mortgage correspondent lender, mortgage broker or mortgage lead generator licensed under section 36a-489, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The unique identifier of a mortgage loan originator or loan processor or underwriter licensed

under section 36a-489, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements if such solicitation or advertisement identifies the services of a particular mortgage loan originator or loan processor or underwriter.

(b) The advertising of any person licensed under section 36a-489, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-485 to 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 20. Section 36a-498e of the general statutes, as amended by section 12 of public act 17-38, section 9 of public act 17-233, and section 24 of public act 17-236, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2018*):

(a) No person who is required to be licensed and who is subject to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, may, directly or indirectly:

(1) Employ any scheme, device or artifice to defraud or mislead borrowers or lenders or to defraud any person;

(2) Engage in any unfair or deceptive practice toward any person;

(3) Obtain property by fraud or misrepresentation;

(4) Solicit or enter into a contract with a borrower that provides in substance that such person or individual may earn a fee or commission through “best efforts” to obtain a loan even though no loan is actually obtained for the borrower;

(5) Solicit, advertise or enter into a contract for specific interest rates, points or other financing terms unless the terms are actually available at the time of soliciting, advertising or contracting;

(6) Conduct any business as a mortgage lender, mortgage correspondent lender, mortgage broker, mortgage lead generator, mortgage loan originator or loan processor or underwriter without holding a valid

license as required under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act-17-38 or assist or aid and abet any person in the conduct of business as a mortgage lender, mortgage correspondent lender, mortgage broker, mortgage loan originator or loan processor or underwriter without a valid license as required under said sections;

(7) Fail to make disclosures as required by sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act-17-38, and any other applicable state or federal law including regulations thereunder;

(8) Fail to comply with sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act-17-38, or rules or regulations adopted under said sections or fail to comply with any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections;

(9) Make, in any manner, any false or deceptive statement or representation including, with regard to the rates, points or other financing terms or conditions for a residential mortgage loan, or engage in bait and switch advertising;

(10) Negligently make any false statement or knowingly and wilfully make any omission of material fact in connection with any information or reports filed with a governmental agency or the system, as defined in section 36a-2, or in connection with any investigation conducted by the commissioner or another governmental agency;

(11) Make any payment, threat or promise, directly or indirectly, to any person for the purposes of influencing the independent judgment of the person in connection with a residential mortgage loan as defined in section 36a-485, as amended by this act, or make any payment, threat or promise, directly or indirectly, to any appraiser of a property, for the purposes of influencing the independent judgment of the appraiser with respect to the value of the property;

(12) Collect, charge, attempt to collect or charge or use or propose any agreement purporting to collect or charge any fee prohibited by sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act-17-38;

(13) Cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer; or

(14) Fail to truthfully account for moneys belonging to a party to a residential mortgage loan transaction.

(b) (1) No person, other than an individual, who is required to be licensed and is subject to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38 and no qualifying individual or branch manager shall fail to establish, enforce and maintain policies and procedures reasonably designed to achieve compliance with subsection (a) of this section.

(2) No individual who (A) is required to be licensed as a mortgage loan originator, (B) is subject to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and (C) supervises loan processors or loan underwriters shall fail to enforce any policies and procedures established in accordance with subdivision (1) of this subsection.

(3) No violation of this subsection shall be found unless the failure to establish, enforce and maintain policies and procedures resulted in conduct in violation of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a to 36a-534b, inclusive, as amended by this act, or section 16 of public act-17-38, or rules or regulations adopted under said sections or any other state or federal law, including the rules and regulations thereunder, applicable to any business authorized or conducted under said sections.

Sec. 21. Section 36a-498g of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

If any provision or application of section 36a-21, sections 36a-485 to [36a-498f] 36a-498e, inclusive, or sections 36a-534a and 36a-534b, as amended by this act, or section 16 of public act 17-38 to any person or circumstance is held invalid by a court of this state, the remainder of said sections or the application of such provision to other persons or circumstances shall not be affected.

Sec. 22. Section 36a-534b of the general statutes as amended by section 14 of public act 17-38 is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) (1) In addition to any other duties imposed upon the commissioner by law, the commissioner shall require mortgage lenders, mortgage correspondent lenders, mortgage brokers, mortgage lead generators,

mortgage loan originators and loan processors or underwriters to be licensed and registered through the system. In order to carry out this requirement, the commissioner shall participate in the system and permit the system to process applications for mortgage lender, mortgage correspondent lender, mortgage broker, mortgage lead generator, mortgage loan originator and loan processor or underwriter licenses in this state and receive and maintain records related to such licenses that are allowed or required to be maintained by the commissioner. For this purpose, the commissioner may establish requirements as necessary for participation in the system, including: (A) Background checks for criminal history through (i) fingerprint or other databases, (ii) civil or administrative records, or (iii) credit history or any other information as deemed necessary by the system; (B) the payment of fees to apply for or renew licenses through the system; (C) the setting or resetting of renewal or reporting dates; and (D) the requirements for amending or surrendering a license or any other such activities as the commissioner deems necessary for participation in the system. For the purpose of participating in the system, the commissioner may waive or modify, in whole or in part, by regulation or order, any requirement of this section and sections 36a-485 to [36a-498f] 36a-498e, inclusive, and 36a-534a, as amended by this act, and section 16 of public act 17-38, and establish new requirements as reasonably necessary to participate in the system. For the purposes of implementing an orderly and efficient licensing process, the commissioner may adopt licensing regulations, in accordance with the provisions of chapter 54, and interim procedures for licensing and acceptance of applications. For previously licensed individuals, the commissioner may establish expedited review and licensing procedures.

(2) The commissioner shall report regularly to the system violations of and enforcement actions under sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38, and other relevant information.

(3) The commissioner may establish relationships or enter into contracts with the system or other entities designated by the system to collect and maintain records and process transaction fees or other fees related to licensees or other persons subject to sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38.

(4) For the purposes of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38, and to reduce the points of contact that the Federal Bureau of Investigation may have to maintain for purposes of subsections (b) to (d), inclusive, of section 36a-488, as amended by this act, the commissioner may use the system as a channeling agent for requesting information from and distributing information to the United States Department of Justice or any governmental agency.

(5) For the purposes of sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act, and section 16 of public act 17-38, and to reduce the points of contact that the commissioner may have to maintain for purposes of subsections (b) to (d), inclusive, of section 36a-488, as amended by this act, and section 16 of public act 17-38, the commissioner may use the system as a channeling agent for requesting and distributing information to and from any source, as directed by the commissioner.

(6) Mortgage lenders, mortgage correspondent lenders, mortgage brokers, mortgage lead generators, mortgage loan originators and loan processors or underwriters may challenge information entered into the system by the commissioner. Such challenge shall (A) be made in writing to the commissioner, (B) set forth the specific information being challenged, and (C) include any evidence which supports the challenge. Challenges shall be limited to the factual accuracy of information within the system. If the commissioner determines that the information entered into the system is factually inaccurate, the commissioner shall take prompt action to correct such information. Nothing in this subdivision shall be construed to permit a challenge under this section to the merits or factual basis of any administrative action taken by the commissioner pursuant to this title.

(b) Any licensing or license-related filings shall be submitted exclusively through the system, except as directed by the commissioner.

(c) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each mortgage lender, mortgage correspondent lender, mortgage broker, mortgage lead generator, mortgage loan originator and loan processor or underwriter licensee and each exempt registrant, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form

and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision. Failure of an exempt registrant to timely and accurately submit a report of condition shall form a basis to inactivate the licenses of all sponsored mortgage loan originators or loan processor or underwriters. To the extent that the system does not require submission of reports of condition by individual mortgage loan originator or loan processor or underwriter licensees, such individual licensees shall timely and accurately report all required information in their possession to their sponsor for purposes of their sponsor's reporting obligation. Failure of an individual licensee to timely and accurately report required information in such licensee's possession to such licensee's sponsor shall constitute a violation of this provision.

Sec. 23. Section 36a-535 of the general statutes, as amended by section 10 of public act 17-233 and section 12 of public act 17-236, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

As used in sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act, unless the context otherwise requires:

(1) The terms "goods", "retail installment sale", "retail installment contract", "installment loan contract", "retail seller" and "retail buyer" have the same meanings as provided in section 36a-770;

[(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) acquiring retail installment loan contracts or installment loan contracts as described in subparagraph (A) of this subsection and subsequently conveying, assigning or otherwise transferring any interest in such contract to another person, but continuing to receive payments of principal and interest from a retail buyer under such contract. "Sales finance company" does not include a bank, out-of-state bank, Connecticut credit union, federal credit union, or out-of-state credit union, if so engaged.]

[(3)] (2) "Advertise" or "advertising" has the same meaning as provided in section 36a-485, as amended by this act;

(3) “Branch office” means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a sales finance company;

(4) “Control person” has the same meaning as provided in section 36a-485, [.] as amended by this act;

(5) “Main Office” means the main address designated on the system;

(6) “Sales finance company” means any person engaged 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; and

(7) “Unique identifier” has the same meaning as provided in section 36a-485, as amended by this act.

Sec. 24. Section 36a-536 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2018)*:

No person, unless excluded from the definition of a “sales finance company” as provided in section 36a-535, as amended by this act, shall engage in the business of a sales finance company unless [licensed as provided in sections 36a-535 to 36a-546, inclusive.] such person has first obtained a required license for its main office and for each branch office where such business is conducted in accordance with the provisions of sections 36a-535 to 36a-547, inclusive, as amended by this act. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-535 to 36a-547, inclusive, as amended by this act, at any office which is not located in the United States. A licensee under said sections shall not be required to obtain any other license in this state in order to perform any act permitted or required to be performed by such licensee under said sections.

Sec. 25. Section 36a-537 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2018)*:

[The application for a license as a sales finance company shall be on a form prescribed by the commissioner, in writing and under oath, together with such exhibits and other pertinent information as the

commissioner may require. The application shall include (1) the history of criminal convictions of the applicant; and the partners, if the applicant is a partnership; the members, if the applicant is a limited liability company or association; or the officers, directors and principal employees if the applicant is a corporation; and (2) sufficient information pertaining to the history of criminal convictions, in a form acceptable to the commissioner, on such applicant, partners, directors, members, officers, and principal employees as the commissioner deems necessary to make findings under section 36a-541. The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the applicant and of each partner, member, officer, director and principal employee of the applicant.]

(a) An application for an initial or a renewal license as a sales finance company shall be made and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-535 to 36a-547, inclusive, as amended by this act. 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 responsible for the actions of the licensee, including, but not limited to information related to their personal history and experience and 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control persons of the applicant, the qualified individual and any branch manager and require 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 amended from time to time, as part of an application.

(b) The commissioner may deem an application for a license as a sales finance company abandoned if the applicant fails to respond to any request for information required under sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act, or any regulations adopted pursuant to said sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act. The commissioner shall notify the applicant [, in writing,] on the system that if such information is not submitted not later than sixty days after such request, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this section shall not be refunded. Abandonment of an application pursuant to this section shall not preclude the applicant from submitting a new application for a license under sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act.

Sec. 26. Section 36a-539 of the general statutes, as amended by section 11 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) [Each person applying to the commissioner for a sales finance company license shall pay a license fee of eight hundred dollars, provided if such application is filed not earlier than one year before the date such license will expire, such person shall pay a license fee of four hundred dollars. Each license issued pursuant to sections 36a-535 to 36a-546, inclusive, shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance unless such license is renewed, provided any license that is renewed effective July 1, 2003, shall expire on September 30, 2005. Whenever an application for a license is filed under this section by any person who was a licensee under sections 36a-535 to 36a-546, inclusive, and whose license expired less than sixty days prior to the date such application was filed, such application shall be accompanied by a one-hundred-dollar processing fee in addition to the application fee.] Each applicant for a sales finance license shall pay to the system any required fees or charges and a license fee of four hundred dollars. Such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a sales finance license shall pay to

the system any required fees or charges and a renewal fee of four hundred dollars. 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 receipt of an application and the payment of the appropriate license fee.

(b) [If the commissioner determines that a check filed with the commissioner to pay a fee under subsection (a) of this section has been dishonored, the commissioner shall automatically suspend the license. The commissioner shall give the licensee notice of the automatic suspension pending proceedings for revocation and an opportunity for a hearing on such action in accordance with section 36a-51.] In accordance with section 36a-24b, the commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-543, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(c) No abatement of the license fee shall be made if the application is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. All fees required by this section [and section 36a-542] shall be nonrefundable.

(d) No person who is required to be licensed and who is subject to the provisions of sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act, and no control person shall, directly or indirectly: (1) Employ any scheme, device or artifice to defraud or mislead any person in connection with a retail installment contract or a retail installment loan; (2) engage in any unfair or deceptive practice toward any person in connection with a retail installment contract or a retail installment loan; (3) obtain property by fraud or misrepresentation; (4) solicit, advertise or offer rates or other financing terms for a retail installment contract or a retail installment loan unless those rates or terms are actually available at the time of soliciting, advertising or offering such rates or terms; (5) fail to comply with the provisions of sections 36a-535 to [36a-546] 36a-547,

inclusive, as amended by this act, or the rules or regulations adopted under said sections, or fail to comply with any other state or federal law, including the rules and regulations thereunder; (6) make, in any manner, any false or deceptive statement or representation, including with regard to rates or other financing terms or conditions or engage in bait and switch advertising; (7) negligently make any false statement or knowingly and wilfully make any omission of material fact in connection with any information or reports filed with a governmental agency or the system, or in connection with any investigation conducted by the commissioner or another governmental agency; (8) make any payment, threat or promise to any person for the purposes of influencing the independent judgment of the person in connection with the business of sales finance company; (9) fail to truthfully account for moneys belonging to a party to a retail installment contract or retail installment loan; or (10) fail to establish, enforce and maintain policies and procedures for supervising employees, agents and office operations that are reasonably designed to achieve compliance with applicable laws and regulations concerning sales finance companies.

Sec. 27. Section 36a-540 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Each license shall specify the location at which the business is to be conducted. [Each license shall be maintained at the location for which it was issued and shall be available for public inspection.] Such license shall not be transferable or assignable. [Any change of location of a licensee shall require only prior written notice to the commissioner. No licensee shall use any name other than the name specified on the license issued by the commissioner.] Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval.

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

with the system and the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

(c) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of subsection (a) or (b). After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-543, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(d) Not later than fifteen days after a licensee ceases to engage in this state in the business of a sales finance company for any reason, including a business decision to terminate operations in this state, [license revocation,] bankruptcy or voluntary dissolution, such licensee shall surrender to the commissioner [in person or by registered or certified mail] its license for each location in which such licensee has ceased to engage in such business in accordance with subsection (c) of section 36a-51, as amended by this act.

Sec. 28. Section 36a-541 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) If the commissioner finds, upon the filing of an application for a license as a sales finance company, that the financial responsibility, character, reputation, integrity and general fitness of the applicant, [and of the partners thereof if the applicant is a partnership, of the members if the applicant is a limited liability company or association, and of the officers, directors and principal employees if the applicant is a corporation,] its control persons, its qualified individual and any branch manager are such as to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act, the commissioner may thereupon issue the applicant the license. If the commissioner fails to make such findings, or if the commissioner finds that the applicant has made any material misstatement in the application, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. The commissioner may deny an application if the

commissioner finds that the applicant, [or any partner, member, officer, director or principal employee of the applicant] its control persons, its qualified individual or any branch manager has been convicted of any misdemeanor involving any aspect of the sales finance business, or any felony. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80. [Withdrawal of an application for a license shall become effective upon receipt by the commissioner of a notice of intent to withdraw such application. The commissioner may deny a license up to the date one year after the date the withdrawal became effective.]

(b) The minimum standards for renewal of a sales finance license shall include the following: (1) The applicant continues to meet the minimum standards under subsection (a) of this section; (2) the applicant has paid all required fees for renewal of the license; and (3) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a sales finance licensee failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system.

(c) Every license shall remain in force and effect until the license has been surrendered, revoked, suspended, or has expired in accordance with the provisions of sections 36a-535 to 36a-547, inclusive, as amended by this act.

Sec. 29. Section 36a-542 of the general statutes is repealed and the following is substituted in lieu thereof *(Effective October 1, 2018)*:

[(a) Each person licensed as a sales finance company may renew such license by filing with the commissioner on or before September first of the year in which the license expires or, in the case of a license that expires on June 30, 2003, on or before June 1, 2003, a renewal application on a form prescribed by the commissioner under oath, together with such exhibits and other pertinent information as the commissioner may require. The license fee shall be eight hundred dollars, provided the license fee for renewal of a license that expires on June 30, 2003, shall be nine hundred dollars. Any renewal application filed with the commissioner under this section after September first, or in the case of a license that expires on June 30, 2003, after June 1,

2003, shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182.

(b) If the commissioner determines that a check filed with the commissioner to pay a fee under subsection (a) of this section for a renewal application has been dishonored, the commissioner shall automatically suspend the license or a renewal license that has been issued but is not yet effective. The commissioner shall 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.]

(a) Except as otherwise specified in subsections (a) and (b) of section 36a-540, as amended by this act, each sales finance applicant, each such licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change. A sales finance licensee shall file with the system or, if the information cannot be filed on the system, notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(2) Filing of a criminal indictment against the licensee in any way related to the sales finance activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons, branch managers or its qualified individual;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers, or its qualified individual and the reasons therefor;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor; or

(5) Receiving notification of filing for bankruptcy of any of the licensee's control persons, branch managers, or its qualified individual.

(b) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each sales finance licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision.

(c) The unique identifier of any person licensed under section 36a-541, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-541, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-535 to 36a-547, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 30. Section 36a-543 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may suspend, revoke or refuse to renew any sales finance company license or take any other action, in accordance with section 36a-51, as amended by this act, if any fact or condition exists which, if it had existed at the time of the original application for such license, would have warranted the commissioner's denial of such license or if the commissioner finds that [: (1) The] the licensee, [knowingly] any control person of the licensee, the qualified individual or branch manager, trustee, employee or agent of such licensee has done any of the following: (1) Knowingly or without the exercise of due care to prevent such violation, has violated any provision of [sections 36a-535 to 36a-546, inclusive, or any other law regulating

installment sales financing, or has] this title, or of any regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business; (2) failed to comply with any demand or requirement [,] made by the commissioner under and within the commissioner's authority; [of sections 36a-535 to 36a-546, inclusive; or (2) there has been] (3) made any material misstatement [or failure to give a true reply to a question] in the application [for] or in any filing made in connection with the license; or [(3) the licensee has] (4) defrauded any retail buyer to the buyer's damage; or (5) wilfully failed to perform any written agreement with any retail buyer. [; or (4) any fact or condition exists which, if it had existed at the time of the original application for such license, would have warranted the commissioner's denial of such license originally; or (5) in the case of a licensee other than a natural person, (A) any officer, director, trustee, member or partner of such licensee has been guilty of any act or omission which would be cause for revoking or suspending a license of such party as an individual; or (B) any other agent or employee of such licensee has been guilty of such act or omission and the licensee has approved or had knowledge thereof and, after such approval or knowledge, has retained the benefit, proceeds, profit or advantage of such act or omission or otherwise ratified it.]

(b) The commissioner in the commissioner's discretion may revoke or suspend only the particular license with respect to which grounds for revocation or suspension are of general application to all locations, or if to more than one location, operated by such licensee, the commissioner shall revoke or suspend all of the licenses issued to such licensee or those licenses to which the grounds for revocation or suspension apply, as the case may be.

(c) No suspension, revocation or surrender of any license shall impair or affect the obligation of any installment contract, obligation or credit agreement lawfully acquired previously thereto by the licensee.

(d) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate any provision within the jurisdiction of the commissioner of sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act, or any regulation adopted under said sections, or [that any] (2) person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation; or (3) licensee has defrauded any retail

buyer to the buyer's damage or wilfully failed to perform any written agreement with any retail buyer, the commissioner may take action against such person or such licensee in accordance with sections 36a-50 and 36a-52.

(e) The commissioner may order a licensee to remove any individual conducting business under sections 36a-535 to 36a-547, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the sales finance business in this state in accordance with section 5 of this act.

(f) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 31. Subdivision (4) of subsection (a) of section 36a-557 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(4) A person who is a passive buyer of a small loan. For purposes of this subdivision, "passive buyer" means a person who: (A) Has acquired a small loan for investment purposes from a person who is either licensed or exempt from licensure under subdivisions (1) to (3), inclusive, of [this] subsection (b); (B) will receive the principal and interest and any other moneys due under the small loan through a person who is either licensed or exempt from licensure under subdivisions (1) to (3), inclusive, of [this] subsection (b) of this section; and (C) has had and will have no communications of any kind with the Connecticut borrower regarding the small loan it has acquired;

Sec. 32. Subsection (c) of section 36a-557 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(c) Loans made or offered to be made by an exempt person described in subsection (b) of this section shall be exempt from the provisions of sections 36a-555 to 36a-573, inclusive, as amended by this act, including, without limitation, the provisions applicable to licensed persons, even if: (1) The exempt person utilizes the services of a person exempt from licensing, or required to be licensed pursuant to section 36a-556, in connection with the small loans that are made or offered to be made by the exempt person described in subsection (b) of this section; and (2) a person exempt from licensing or required to be licensed pursuant to

section 36a-556 engages in activities intended to assist a prospective Connecticut borrower or a Connecticut borrower in obtaining a small loan that is made or offered to be made by an exempt person described in subsection (b) of this section. Nothing in this subsection shall be construed as exempting persons required to be licensed pursuant to section 36a-556 from the requirements to obtain and maintain a license or from the provisions of sections 36a-562 to 36a-573, inclusive, as amended by this act. Notwithstanding the foregoing, no person licensed or required to be licensed under section 36a-556 shall engage in any of the activities described in subsection (a) of section 36a-556 for any small loan that has a disclosed APR in excess of thirty-six per cent if that small loan contains any condition or provision inconsistent with the requirements of subsections (d) to (g), inclusive, of section 36a-558.

Sec. 33. Section 36a-560 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

No licensee shall:

(1) Cause a borrower, including, but not limited to, a comaker or guarantor, to owe at any time more than fifteen thousand dollars in principal on one or more small loans;

(2) Induce or permit a borrower to split or divide any small loan or loans, or induce or permit a borrower to become obligated, directly or indirectly, under more than one contract of loan at the same time, primarily for the purpose of obtaining rates or charges that would otherwise be prohibited by any applicable provision of sections 36a-555 to 36a-573, inclusive, as amended by this act;

(3) Take any (A) confession of judgment, (B) power of attorney, (C) note or promise to pay that does not state the actual amount of the loan, the time period for which the loan is made, [of] and the charges for such loan, or (D) instrument related to the loan in which blanks are left to be filled after the loan is made;

(4) Offer the borrower any other product or service for which there is or will ever be any cost to the borrower in connection with a small loan unless (A) permitted by sections 36a-555 to 36a-573, inclusive, as amended by this act, (B) authorized under another license, or by applicable exemption from any requirement for such licensure, to offer such product or services, or (C) if no separate license or exemption therefrom is required to offer such product or services, authorized in advance, in writing, by the commissioner upon being satisfied

that such other product or service is of such a character that the granting of such authority would not permit or easily facilitate evasion of the provisions of sections 36a-555 to 36a-573, inclusive, as amended by this act, or of any regulations promulgated thereunder; or

(5) Renew or refinance a small loan unless the renewal or refinancing of the loan will result in a distinct advantage to the borrower, provided restoration to a contractually up-to-date condition shall not, in itself, constitute a distinct advantage to the borrower.

Sec. 34. Section 36a-562 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

In each case where a license is required by section 36a-556, the licensee shall have a main office license and may have a branch office license. All offices shall be located in the United States. Each main office shall have a qualified individual, who shall be responsible for the actions of the licensee and for supervising all aspects of the licensee's small loan business. Each branch shall have a branch manager, who shall be responsible for the actions of the licensee and for supervising all aspects of the branch's small loan business.

Sec. 35. Section 36a-564 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Each applicant for a small loan license shall pay to the system any required fees or charges and a license fee of four hundred dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a small loan license shall pay to the system any required fees or charges and a renewal fee of four hundred dollars.

(b) In accordance with section [36a-27b] 36a-24b, the commissioner [shall] may automatically suspend any license if such person receives a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not

accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-570, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(c) No abatement of the license fee shall be made if an application is denied or withdrawn prior to the issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which the license was issued. All fees required by this section shall be nonrefundable.

Sec. 36. Subsections (e) and (f) of section 36a-565 of the general statutes is repealed and the following in substituted in lieu thereof (*Effective October 1, 2018*):

(e) The minimum standards for renewal of a small loan license shall include the following: (1) The applicant continues to meet the minimum standards under subsection (a) to (d), inclusive, of this section; (2) the applicant has paid all required fees for renewal of the license; and (3) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a small loan lender failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system.

(f) [(1) Withdrawal of an application for a license shall become effective upon the commissioner's acceptance on the system of a withdrawal request. The commissioner may deny a license up to the date one year after the date the withdrawal became effective.] Surrender of a license shall be governed by subsection (c) of section 36a-51, as amended by this act. Not later than fifteen days after a licensee ceases to engage in this state in the business of a small loan lender for any reason, including a business decision to terminate operations in this state, [license revocation,] bankruptcy or voluntary dissolution, such licensee shall request surrender of the license on the system for each location in which such licensee has ceased to engage in such business.

[(2) If the license expires due to the licensee's failure to renew, the commissioner may institute a revocation or suspension proceeding or issue an order suspending or revoking such license pursuant to section 36a-570 not later than one year after the date of such expiration.]

Sec. 37. Section 36a-566 of the general statutes is repealed and the following is substituted in lieu thereof
(Effective October 1, 2018):

(a) No license issued under section 36a-556 shall be assignable or transferable. Any [proposed] change in [the] any control [persons] person shall be the subject of an advance change notice filed on the system at least [thirty] sixty days prior to the effective date of such change and any change [to the control persons] shall not occur without the commissioner's approval.

(b) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves of such name. No licensee shall engage in any activity requiring a small loan license under any other name or at any other place of business than that named in the license. Any proposed change in a licensee's name or to the licensee's place of business 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 any change to the licensee's name or place of business shall not be made without the commissioner's approval of such change.

(c) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of this section, or upon a failure of the licensee to designate a qualified individual or branch manager who meets the requirements set forth in section 36a-562, as amended by this act, within thirty days of a vacancy in the position. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-570, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner will effectuate the purposes of this section.

Sec. 38. Section 36a-567 of the general statutes is repealed and the following is substituted in lieu thereof
(Effective October 1, 2018):

(a) [A] Except as otherwise specified in section 36a-566, as amended by this act, each applicant, licensee, control person, qualified individual and branch manager shall file any change in [the] their respective

information most recently submitted to the system in connection with the application or license [with the system] or, if the information cannot be filed on the system, [directly] notify the commissioner, in writing, of such change in the information not later than fifteen days after the [licensee has] person had reason to know of such change.

(b) A licensee shall file with the system or, if the information cannot be filed on the system, [directly] notify the commissioner, in writing, of the occurrence of any of the following developments not later than fifteen days after the licensee had reason to know of the occurrence: (1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee; (2) filing of a criminal indictment against the licensee in any way related to the activities of the licensee or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons or qualified individual or branch manager; (3) receiving notification of the institution of a license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers, or its qualified individual and the reasons therefor; (4) receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor; (5) receiving notification of a material adverse action with respect to any existing line of credit or warehouse credit agreement; (6) receiving notification of any of the licensee's control persons or qualified individual or branch manager filing or having filed for bankruptcy; or (7) a decrease in the available funds required by section 36a-565, as amended by this act.

Sec. 39. Subsection (b) of section 36a-568 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(b) The advertising of a licensee: (1) Shall not include any statement that [it] such licensee is endorsed in any way by this state, except it may include a statement that [it] such licensee is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall be retained for [one year] two years from the date of its use; and (4) shall otherwise conform to the requirements of sections 36a-555 to 36a-573, inclusive, as amended by this act, and any regulations issued thereunder.

Sec. 40. Section 36a-570 of the general statutes is repealed and the following is substituted in lieu thereof
(Effective October 1, 2018):

(a) The commissioner may suspend, revoke or refuse to renew any license issued under sections 36a-555 to 36a-573, inclusive, as amended by this act, or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason that would be sufficient grounds for the commissioner to deny an application for such license under sections 36a-555 to 36a-573, inclusive, as amended by this act, or if the commissioner finds that the licensee or any control person of the licensee, qualified individual or branch manager with supervisory authority, trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any small loan transaction to anyone entitled to such information, including, but not limited to, any disclosures required by part III of chapter 669 or regulations adopted pursuant thereto; (3) violated any of the provisions of this title [, any regulation] or of any regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (4) failed to perform any agreement with a licensee or a borrower.

(b) Whenever it appears to the commissioner that (1) any person has violated, is violating or is about to violate any of the provisions of sections 36a-555 to 36a-573, inclusive, as amended by this act, or any regulation adopted pursuant thereto, (2) any person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation, or (3) any licensee has failed to perform any agreement with a borrower, committed any fraud, misappropriated funds or misrepresented, concealed, suppressed, intentionally omitted or otherwise intentionally failed to disclose any of the material particulars of any small loan transaction to anyone entitled to such information, including disclosures required by part III of chapter 669 or regulations adopted pursuant thereto, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) (1) The commissioner may order a licensee to remove any individual conducting business under sections 36a-555 to 36a-573, inclusive, as amended by this act, from office and from employment or retention as

an independent contractor in the small loan business in this state [whenever the commissioner finds as the result of an investigation that such individual: (A) Has violated any of said sections or any regulations adopted pursuant thereto or any order issued thereunder, or (B) for any reason that would be sufficient grounds for the commissioner to deny a license under section 36a-565, by sending a notice to such individual by registered or certified mail, return receipt requested or by any express delivery carrier that provides a dated delivery receipt. The notice shall be deemed received by such individual on the earlier of the date of actual receipt or seven days after mailing or sending. Any such notice shall include: (i) A statement of the time, place and nature of the hearing; (ii) a statement of the legal authority and jurisdiction under which the hearing is to be held; (iii) a reference to the particular sections of the general statutes, regulations or orders alleged to have been violated; (iv) a short and plain statement of the matters asserted; and (v) a statement indicating that such individual may file a written request for a hearing on the matters asserted not later than fourteen days after receipt of the notice. If the commissioner finds that the protection of borrowers requires immediate action, the commissioner may suspend any such individual from office and require such individual to take or refrain from taking such action as, in the opinion of the commissioner, will effectuate the purposes of this subsection, by incorporating a finding to that effect in such notice. The suspension or prohibition shall become effective upon receipt of such notice and, unless stayed by a court, shall remain in effect until the entry of a permanent order or the dismissal of the matters asserted.] in accordance with section 5 of this act.

[(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such individual fails to appear at the hearing. After the hearing, if the commissioner finds that any of the grounds set forth in subparagraph (A) or (B) of subdivision (1) of this subsection exist with respect to such individual, the commissioner may order a licensee to remove such individual from office and from any employment in the small loan business in this state. If such individual fails to appear at the hearing, the commissioner may order the removal of such individual from office and from employment in the small loan business in this state.]

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. [The commissioner shall give the licensee an opportunity

for a hearing on such action in accordance with section 36a-52. Such temporary order shall become effective upon receipt by the licensee and, unless set aside or modified by a court, shall remain in effect until the effective date of a permanent order or dismissal of the matters asserted in the notice.] Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 41. Section 36a-573 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

The commissioner may adopt such regulations, in accordance with chapter 54, as the commissioner deems necessary to administer and enforce the provisions of this section and sections 36a-555 to [36a-572] 36a-570, inclusive, as amended by this act.

Sec. 42. Section 36a-580 of the general statutes, as amended by section 16 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) For purposes of this chapter:

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

(2) “Branch office” means a location other than the main office at which a licensee or any person on behalf of a licensee engages in the business of cashing checks, drafts or money orders for consideration;

(3) “Control person” has the same meaning as provided in section 36a-485, as amended by this act.

[(3)] (4) “General facility” means a facility at a fixed location where a licensee may engage in the business of cashing checks, drafts or money orders and which is open to the general public for at least six hours per day four days per week.

[(4)] (5) “Limited facility” means a mobile facility, where on no more than two days per week, on property occupied by an employer, a licensed operator of a general facility may, under written contract with such employer, engage in the business of cashing payroll checks for the employees of the employer.

(6) “Main Office” means the main address designated on the system.

(7) “Unique identifier” has the same meaning as provided in section 36a-485, as amended by this act.

(b) The provisions of this section and sections 36a-581 to 36a-589, inclusive, as amended by this act, shall not apply to: (1) Checks, drafts or money orders cashed without consideration or charge; (2) checks, drafts or money orders cashed as an incident to the conduct of any other lawful business where not more than fifty cents is charged for cashing such check, draft or money order; or (3) any institution subject to and under the general supervision of any agency of the United States or any Connecticut bank or Connecticut credit union.

Sec. 43. Section 36a-581 of the general statutes, as amended by section 34 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Except as provided for in section 36a-580, as amended by this act, no person shall engage in the business of cashing checks, drafts or money orders for consideration without obtaining a required general facility license [to operate a general facility or a license to operate a limited facility] for its main office and a general facility or limited facility license for each branch office location where such business is to be conducted. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-580 to 36a-589, inclusive, as amended by this act, at any office which is not located in the United States.

(b) Each licensee of a limited facility shall continuously maintain at least one operating general facility. A licensee of a limited facility shall not pay any compensation or consideration to any employer.

[(c) An application for a check cashing license or renewal of such license shall be in writing, under oath and on a form provided by the commissioner. The application shall set forth: (1) The name and address of the applicant; (2) if the applicant is a firm or partnership, the names and addresses of each member of the firm or partnership; (3) if the applicant is a corporation, the names and addresses of each officer, director, authorized agent and each shareholder owning ten per cent or more of the outstanding stock of such corporation; (4) if the applicant is a limited liability company, the names and addresses of each member and authorized agent of such limited liability company; (5) (A) the history of criminal convictions of the applicant; the members, if the applicant is a firm or partnership; the officers, directors, authorized agent and each shareholder owning ten per cent or more of the outstanding stock of the applicant, if the applicant is a corporation, and (B) sufficient information pertaining to the history of criminal convictions in a form acceptable to the commissioner on such applicant, members, officers, directors, authorized agent and shareholders as the commissioner deems necessary

to make the findings under subsection (e) of this section; (6) each location where the check cashing business is to be conducted and the type of facility that will be operated at that location; (7) the business plan, which shall include the proposed days and hours of operation; (8) the amount of liquid assets available for each location which shall not be less than the amount specified in subdivision (7) of subsection (e) of this section; (9) for each limited facility, a copy of the executed contract evidencing the proposed arrangement between the applicant and the employer; and (10) any other information the commissioner may require. The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the applicant and of each member, officer, director, authorized agent and shareholder owning ten per cent or more of the outstanding stock of the applicant.

(d) A licensee shall not change the name or the location specified on its license unless, prior to such change in name or location, the licensee files an application with the commissioner accompanied by the applicable name change fee or location transfer fee specified in section 36a-582 and receives the approval of the commissioner. A licensee of a limited facility shall not change its approved days and hours of operation unless, prior to any such change, the licensee files an application with and receives the approval of the commissioner. No licensee shall use any name other than the name specified on the license issued by the commissioner.]

(c) An application for an initial or a renewal check cashing license shall be made and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-580 to 36a-589, inclusive, as amended by this act. 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 branch managers responsible for the actions of the licensee, including, but not limited to information related to their personal history and experience and 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control persons of the applicant, the qualified individual, and any branch manager and require 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 amended from time to time, as part of an application. In addition, each application for an initial license shall include the following: Each location where the check cashing business is to be conducted and the type of facility that will be operated at that location; the business plan, which shall include the proposed days and hours of operation; the amount of liquid assets available for each location which shall not be less than the amount specified in subdivision (4) of subsection (e) of this section; for each limited facility, a copy of the executed contract evidencing the proposed arrangement between the applicant and the employer; and any other information the commissioner may require.

(d) (1) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee shall use any name or address other than specified on the license issued by the commissioner. 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, the licensee files such change with the system and the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period. (2) A licensee of a limited facility shall not change its approved days and hours of operation unless, prior to any such change, the licensee files an amendment on the system at least thirty days prior to the effective date of such change and receives the approval of the commissioner.

(e) Upon the filing of the required application, [and] the applicable license fee, and [location fees] any other required fees or charges, the commissioner shall investigate the facts and may issue a license if the commissioner finds that [(1)] the applicant, [is] its control persons, the qualified individual and any branch manager are in all respects (1) properly qualified and of good character, including but not limited to financial character, (2) [if the applicant is a firm or partnership, each member of the firm or partnership is in all respects

properly qualified and of good character, (3) if the applicant is a corporation, each officer, director, authorized agent and each shareholder owning ten per cent or more of the outstanding stock of such corporation is in all respects properly qualified and of good character, (4) if the applicant is a limited liability company, each member and authorized agent is in all respects properly qualified and of good character, (5)] granting such license would not be against the public interest, [(6)] (3) the applicant has a feasible plan for conducting business, [(7)] (4) the applicant has available and shall continuously maintain liquid assets of at least ten thousand dollars for each general facility location and at least two thousand five hundred dollars for each limited facility location specified in the application, and [(8)] (5) the name of the applicant is not likely to cause a consumer to reasonably believe that such applicant is in any way endorsed by or affiliated with the state. If the commissioner fails to make such findings, or if the commissioner finds that the applicant has made any material misstatement in the application, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. The commissioner may deny an application if the commissioner finds that the applicant, [or any member, officer, director or authorized agent or shareholder owning ten per cent or more of the outstanding stock of the applicant] its control persons, qualified individual, or any branch manager has been convicted of any misdemeanor involving any aspect of the check cashing services business, or any felony. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80.

(f) [An applicant or licensee shall promptly notify the commissioner, in writing, of any change in the information provided in its initial or renewal application for licensure or most recent renewal of such license.] Except as otherwise specified in subdivision (1) of subsection (a) of section 36a-583, as amended by this act, and subdivision (1) of subsection (d) of section 36a-581, as amended by this act, each check cashing applicant, each such licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change. A check cashing licensee shall file with the system or, if the information cannot be filed on the

system, notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(2) Filing of a criminal indictment against the licensee in any way related to the check cashing activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons, branch managers or its qualified individual;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers, or its qualified individual and the reasons therefor;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor;

(5) Receiving notification of filing for bankruptcy of any of the licensee's control persons, branch managers, or its qualified individual; or

(6) Any decrease in the amount of liquid assets available for each location from the minimum amount that is required pursuant to subdivision (4) of subsection (e) of this section.

(g) The commissioner may deem an application for a license for a general facility or limited facility abandoned if the applicant fails to respond to any request for information required under sections 36a-580 to 36a-589, inclusive, as amended by this act, or any regulations adopted pursuant to said sections 36a-580 to 36a-589, inclusive, as amended by this act. The commissioner shall notify the applicant [, in writing,] on the system that if such information is not submitted not later than sixty days after such request, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections [36a-560] 36a-580 to 36a-589, inclusive, as amended by this act.

(h) The minimum standards for renewal of a check cashing license shall include the following: (1) The applicant continues to meet the minimum standards under subsection (e) of this section; (2) the applicant has paid all required fees for renewal of the license; and (3) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a check cashing licensee failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. Every license shall remain in force and effect until the license has been surrendered, revoked, suspended, or has expired in accordance with the provisions of sections 36a-580 to 36a-589, inclusive, as amended by this act.

Sec. 44. Section 36a-582 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Each applicant for a check cashing license shall pay to the [commissioner] system any required fees or charges and a nonrefundable initial license fee of [two] one thousand one hundred dollars, [and a nonrefundable location fee of two hundred dollars for each location, except that if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay to the commissioner a nonrefundable initial license fee of one thousand dollars and a nonrefundable location fee of one hundred dollars for each location. Each licensee shall pay to the commissioner a nonrefundable (1) name change fee of one hundred dollars for each application to change a name, and (2) location transfer fee of one hundred dollars for each application to transfer a location.] Each license issued pursuant to section 36a-581, as amended by this act, shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. [September thirtieth of the odd-numbered year following its issuance unless such license is renewed, provided any license that is renewed effective July 1, 2007, shall expire on September 30, 2009, unless renewed. Each licensee shall, on or before September first of the year in which the license expires, pay to the commissioner a renewal license fee of one thousand five hundred dollars and a renewal location fee for each location of one hundred dollars for the succeeding two years, commencing October first. In the case of a license that expires on June 30, 2007, each

licensee shall, on or before June 1, 2007, pay to the commissioner a renewal license fee of one thousand six hundred eighty-eight dollars and a renewal location fee of one hundred thirteen dollars. Any renewal application filed with the commissioner after September first, or in the case of a license that expires on June 30, 2007, after June 1, 2007, shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182. Each licensee shall file with the commissioner, not later than September first of each even-numbered year, the information required by subdivision (8) of subsection (c) of section 36a-581.] An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a check cashing license shall pay to the system any required fees or charges and a nonrefundable renewal fee of eight hundred dollars.

(b) [If the commissioner determines that a check filed with the commissioner to pay a license or location fee has been dishonored, the commissioner shall automatically suspend the license or approval or a renewal license that has been issued but is not yet effective. The commissioner shall give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew such license and an opportunity for a hearing on such actions in accordance with section 36a-51.] In accordance with section 36a-24b, the commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-587, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(c) Each [applicant or] licensee shall pay the expenses of any examination or other investigation under sections 36a-580 to 36a-589, inclusive, as amended by this act.

(d) No abatement of [the license or location fee] any fee required by this section shall be made if the application is denied or withdrawn prior to issuance of the license or if the license is surrendered, cancelled, revoked or suspended prior to the expiration of the period for which it was issued.

Sec. 45. Section 36a-583 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) (1) [The license for each facility shall be conspicuously posted in that facility during the hours of operation. Such] A license issued under section 36a-581, as amended by this act, shall not be transferable or assignable. A change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval.

(2) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of subdivision (1) of this subsection or for a violation of subdivision (1) of subsection (d) of section 36a-581, as amended by this act. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-587, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(b) Not later than fifteen days after a licensee ceases to engage in this state in the business of cashing checks, drafts or money orders for consideration at a general facility or limited facility for any reason, including, but not limited to, a business decision to terminate operations in this state, [license revocation,] bankruptcy or voluntary dissolution, such licensee shall surrender its license [to the commissioner in person or by registered or certified mail] in accordance with subsection (c) of section 36a-51, as amended by this act, for each location in which such licensee has ceased to engage in such business.

Sec. 46. Subsection (c) of section 36a-584 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(c) [Not later than January 15, 2006, and quarterly thereafter, each check cashing licensee shall submit a report to the commissioner that specifies the type of checks cashed by such licensee and the number of checks cashed that exceed two thousand five hundred dollars during the previous calendar quarter.] Each check cashing licensee shall quarterly submit a report to the commissioner that specifies the number and type of checks cashed by such licensee that exceed six thousand dollars during the previous calendar quarter, unless no such activity occurred in the previous quarter, in which case, the licensee shall file a written statement to that effect. Each check cashing licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit timely and accurate reports shall constitute a violation of this provision. Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system.

Sec. 47. Subsection (a) of section 36a-586 of the general statutes, as amended by section 17 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The unique identifier of any person licensed under section 36a-581, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-581, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-580 to 36a-589, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use. Each check cashing licensee shall use and maintain at a general facility in this state, in the form satisfactory to the commissioner, such books, records and accounts as will enable the commissioner to determine whether the licensee is complying with the provisions of sections 36a-580 to 36a-589, inclusive, as amended by this act. Each licensee shall retain such books, records and

accounts for not less than the periods of time specified in regulations adopted by the commissioner in accordance with section 36a-588.

Sec. 48. Section 36a-587 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may suspend, revoke or refuse to renew any license issued pursuant to section 36a-581, as amended by this act, or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason which would be sufficient grounds for the commissioner to deny an application for a license under sections 36a-580 to 36a-589, inclusive, as amended by this act, or if the commissioner finds that the licensee or [any owner, director, officer, member, partner, shareholder,] any control person of the licensee, the qualified individual or branch manager, trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud, engaged in dishonest activities or made any misrepresentation; (3) violated any [provision of sections 36a-580 to 36a-589, inclusive,] of the provisions of this title or of any regulation [promulgated under said sections] or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (4) demonstrated incompetency or untrustworthiness to act as a licensed check cashing service.

(b) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate any of the provisions of sections 36a-580 to 36a-589, inclusive, as amended by this act, or any regulation adopted pursuant to said sections, or (2) person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation; or (3) any licensee or any [owner, director, officer, member, partner, shareholder,] control person of the licensee, the qualified individual or branch manager, trustee, employee or agent of such licensee has committed any fraud, engaged in dishonest activities or made any misrepresentation, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) The commissioner may order a licensee to remove any individual conducting business under sections 36a-580 to 36a-589, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the check cashing business in this state in accordance with section 5 of this act.

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 49. Section 36a-596 of the general statutes, as amended by section 18 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

As used in sections 36a-595 to 36a-612, inclusive, as amended by this act:

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

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

(3) “Control person” has the same meaning as provided in section 36a-485, as amended by this act.

(4) “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) “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.

(6) “Licensee” means any person licensed or required to be licensed pursuant to sections 36a-595 to 36a-612, inclusive, as amended by this act.

(7) “Main Office” means the main address designated on the system.

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

[(8)] (9) “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.

[(9)] (10) “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.

[(10)] (11) “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.

[(11)] (12) “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.

[(12)] (13) “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”.

[(13)] (14) “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.

[(14)] (15) “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.

[(15)] (16) “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) “Unique Identifier” has the same meaning as provided in section 36a-485, as amended by this act.

[(16)] (18) “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. 50. Subsection (a) of section 36a-597 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) No person shall engage in the business of money transmission in this state, or advertise or solicit such services, without a required main office license issued by the commissioner as provided in sections 36a-595 to 36a-612, inclusive, as amended by this act, except as an authorized delegate of a person that has been issued a

license by the commissioner and in accordance with section 36a-607, as amended by this act. No person shall conduct activity subject to licensure under sections 36a-595 to 36a-612, inclusive, as amended by this act, or conduct any activity permitted without a license in the capacity of an authorized delegate in accordance with section 36a-607, as amended by this act, at any office which is not located in the United States. A person engaged in the business of money transmission is acting in this state under this section if such person: (1) Has a place of business located in this state, (2) receives money or monetary value in this state or from a person located in this state, (3) transmits money or monetary value from a location in this state or to a person located in this state, (4) issues stored value or payment instruments that are sold in this state, or (5) sells stored value or payment instruments in this state. [The licensee shall promptly notify the commissioner, in writing, of the termination of the contract between such licensee and authorized delegate.]

Sec. 51. Section 36a-598 of the general statutes, as amended by section 19 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Each application for an initial or renewal license required under sections 36a-595 to 36a-612, inclusive, as amended by this act, shall be made [in writing and under oath to the commissioner in such form as the commissioner may prescribe.] and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-595 to 36a-612, inclusive, as amended by this act. 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 responsible for the actions of the licensee, including, but not limited to information related to their personal history and experience and 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of

the applicant, any control persons of the applicant, and the qualified individual, and require 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 amended from time to time, as part of an application. [The] An application for an initial license shall also include:

(1) The exact name of the applicant and, if incorporated, the date of incorporation and the state where incorporated;

(2) The complete address of the principal office from which the business is to be conducted and of the office where the books and records of the applicant are to be maintained;

(3) The complete name and address of each of the applicant's locations and authorized delegates, if any, through which the applicant intends to engage in the business of money transmission in this state;

(4) The name, title, address and telephone number of the person to whom notice of the commissioner's approval or disapproval of the application shall be sent and to whom any inquiries by the commissioner concerning the application shall be directed;

(5) The name and residence address of the individual, if the applicant is an individual; the partners, if the applicant is a partnership; the directors, trustees, principal officers, and any shareholder owning ten per cent or more of each class of its securities, if the applicant is a corporation or association; or the members, if the applicant is a limited liability company;]

[(6)] (1) (A) A copy of the applicant's audited financial statements for the most recent fiscal year. [, (B) if] If the applicant is a wholly-owned subsidiary of another corporation, [(i)] the applicant shall include: (i) the most recent audited consolidated annual financial statements of the parent corporation or the applicant's most recent audited consolidated annual financial statement, and (ii) the most recent audited unconsolidated financial statement of the applicant, including its balance sheet and receipts and disbursements for the preceding year. [, (C) if] (B) If the applicant is publicly traded, a copy of the most recent 10-K report that such applicant filed with the Securities Exchange Commission or, if the applicant is a wholly-owned subsidiary of a publicly traded company, a copy of the parent company's most recent 10-K report that was filed with the Securities and Exchange Commission. [, and (D) if] If the applicant or parent company of a wholly-owned subsidiary

applicant is publicly traded on a foreign exchange, a copy of documentation similar to the 10-K report [filed pursuant to subparagraph (C) of this subdivision] that was filed with the applicable securities regulator;

[(7)] (2) A list of the applicant's permissible investments, the book and market values of such investments, and the dollar amount of the applicant's aggregate outstanding money transmissions (A) as of the date of the financial statement filed in accordance with subdivision [(6)] (1) of this subsection; and (B) as of a date no earlier than thirty business days prior to the filing of the application;

[(8)] (A) The history of criminal convictions of the individual, if the applicant is an individual; the partners, if the applicant is a partnership; the directors, trustees, principal officers and any shareholder owning ten per cent or more of each class of its securities if the applicant is a corporation or association; or the members, if the applicant is a limited liability company, and (B) sufficient information pertaining to the history of criminal convictions, in a form acceptable to the commissioner, on such individual or the partners, directors, trustees, principal officers, members and any shareholder owning ten per cent or more of each class of the applicant's securities;]

[(9)] (3) (A) The surety bond required by subsection (a) of section 36a-602, if applicable;

(B) A list of the investments maintained in accordance with subsection (d) of section 36a-602, if applicable, and the book and market values of any such investments (i) as of the date of the financial statement filed in accordance with subdivision [(6)] (1) of this subsection; and (ii) as of a date no earlier than thirty business days prior to the filing of the application;

[(10)] (4) A statement describing the type of money transmission business that will be conducted by the applicant in this state and whether such money transmission will include the transmission of monetary value in the form of virtual currency;

[(11)] (5) The name and address of any financial institution used by the applicant for its money transmission business in this state;

[(12)] (6) For each authorized delegate, a sample of the contract evidencing the proposed arrangement between the applicant and the authorized delegate; and

[(13)] (7) Any other information the commissioner may require.

(b) [The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the individual applicant and of each partner, director, trustee, principal officer, member and shareholder owning ten per cent or more of each class of the securities of the applicant.] The commissioner may deem an application for a license to engage in the business of money transmission in this state abandoned if the applicant fails to respond to any request for information required under sections 36a-595 to 36a-612, inclusive, as amended by this act, or any regulations adopted pursuant to said sections. The commissioner shall notify the applicant [, in writing,] on the system that if the applicant fails to submit such information not later than sixty days after such request, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections 36a-595 to 36a-612, inclusive, as amended by this act.

(c) [An] Except as otherwise specified in subsections (d) and (e) of this section, each applicant, [or] licensee, control person and qualified individual shall [notify the commissioner, in writing, of] file with the system any change in [the] their respective information [provided in the application for license or most recent renewal of such license] most recently submitted to the system in connection with the application or license, or if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information not later than fifteen days after the [applicant or licensee] person has reason to know of such change.

(d) [A licensee shall not change the name specified on its license unless, prior to such change in name, the licensee files an application with the commissioner accompanied by the name change fee specified in subsection (a) of section 36a-599 and receives the approval of the commissioner.] (1) A money transmission license shall not be transferable or assignable. Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval. (2) No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. No licensee may use any name or address other than specified on

the license issued by the commissioner. 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, the licensee files such change with the system and provides a bond rider or endorsement, or addendum, as applicable, to the surety bond on file with the commissioner that reflects the new name or address, and the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period. (3) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of this subsection. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-608, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(e) A licensee shall file with the system, or if the information cannot be filed on the system, provide a written notice to the commissioner not later than one business day after the licensee has reason to know of the occurrence of any of the following events:

(1) The filing of a petition by or against the licensee under the United States Bankruptcy Code for bankruptcy or reorganization and receiving notification of filing for bankruptcy of any of the control persons, qualified individuals or authorized delegates;

(2) The filing of a petition by or against the licensee for receivership, the commencement of any other judicial or administrative proceeding for its dissolution or reorganization, or the making of a general assignment for the benefit of its creditors;

(3) The commencement of a proceeding to revoke or suspend its license to engage in money transmission in another state or a foreign country, or other formal or informal regulatory action by any governmental agency against the licensee, its control persons, qualified individual or authorized delegates and the reasons therefor;

(4) The commencement of any action by the Attorney General or the attorney general of any other state against the licensee, its control persons, qualified individual or authorized delegates and the reasons therefor;

(5) The cancellation or other impairment of the licensee's bond or other security, including notice of claims filed against the licensee's bond or other security;

(6) A conviction or indictment of the licensee or of [a partner, director, trustee, principal officer, member or shareholder owning ten per cent or more of each class of the licensee's securities] any control person or qualified individual for a misdemeanor involving the money transmission business or a felony; or

(7) A conviction or indictment of an authorized delegate for a misdemeanor involving the money transmission business or a felony.

Sec. 52. Section 36a-599 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) [Each application for an initial license shall be accompanied by a nonrefundable investigation fee of six hundred twenty-five dollars and a nonrefundable license fee of two thousand two hundred fifty dollars, except that if such application is filed not earlier than one year before the date such license will expire, the applicant shall pay a nonrefundable investigation fee of six hundred twenty-five dollars and a nonrefundable license fee of one thousand two hundred fifty dollars. Each application for a renewal license shall be accompanied by a nonrefundable license fee of two thousand two hundred fifty dollars. Each licensee shall pay to the commissioner a nonrefundable name change fee of two hundred dollars for each application to change a name. No licensee shall use any name other than the name specified on the license issued by the commissioner.] Each applicant for a money transmission license shall pay to the system any required fees or charges and a license fee of one thousand eight hundred seventy-five dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a money transmission license shall pay to the system any required fees or charges and a renewal fee of one thousand one hundred twenty-five dollars.

(b) [A license issued pursuant to sections 36a-595 to 36a-612, inclusive, as amended by this act, shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance, unless renewed or earlier surrendered, suspended or revoked pursuant to said sections.] Not later than fifteen days after a licensee ceases to engage in the business of money transmission in this state for any reason, including a business decision to terminate operations in this state, [license revocation,] bankruptcy or voluntary dissolution, such licensee shall [provide written notice of surrender and] request surrender [to the commissioner its license] of the license in accordance with subsection (c) of section 36a-51, as amended by this act, for each location [in which] where such licensee has ceased to engage in such business. The [written notice of surrender] licensee shall also identify in writing to the commissioner the location where the records of the licensee will be stored and the name, address and telephone number of an individual authorized to provide access to the records. The surrender of a license does not reduce or eliminate the licensee's civil or criminal liability arising from acts or omissions occurring prior to the surrender of the license, including any administrative actions undertaken by the commissioner to revoke or suspend a license, assess a civil penalty, order restitution or exercise any other authority provided to the commissioner.

(c) Every license shall remain in force and effect until the license has been surrendered, revoked, suspended or has expired in accordance with the provisions of sections 36a-595 to 36a-612, inclusive, as amended by this act. No abatement of the license fee shall be made if the application is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. All fees required by this section shall be nonrefundable.

Sec. 53. Section 36a-600 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Upon the filing of an application for an initial license, and the payment of [the fees for investigation and license] required fees, the commissioner shall investigate the financial condition and responsibility, financial and business experience, character and general fitness of the applicant, its control persons and its qualified individual. The commissioner may issue a license if the commissioner finds that:

- (1) The applicant's financial condition is sound;

(2) The applicant's business will be conducted honestly, fairly, equitably, carefully and efficiently within the purposes and intent of sections 36a-595 to 36a-612, inclusive, as amended by this act, and in a manner commanding the confidence and trust of the community;

(3) [(A) If the applicant is an individual, such individual is in all respects properly qualified and of good character, (B) if the applicant is a partnership, each partner is in all respects properly qualified and of good character, (C) if the applicant is a corporation or association, each president, chairperson of the executive committee, senior officer responsible for the corporation's business, chief financial officer or any other person who performs similar functions as determined by the commissioner, director, trustee and each shareholder owning ten per cent or more of each class of the securities of such corporation is in all respects properly qualified and of good character, or (D) if the applicant is a limited liability company, each member is in all respects properly qualified and of good character;] The control persons of the applicant and its qualified individual are in all respects properly qualified and of good character, including but not limited to assessment of their financial responsibility;

(4) The applicant is in compliance with the provisions of sections 36a-602 to 36a-604, inclusive, as amended by this act;

(5) No person on behalf of the applicant knowingly has made any incorrect statement of a material fact in the application, or in any report or statement made pursuant to sections 36a-595 to 36a-612, inclusive, as amended by this act;

(6) No person on behalf of the applicant knowingly has omitted to state any material fact necessary to give the commissioner any information lawfully required by the commissioner; and

(7) The applicant has paid the [investigation fee and license fee] fees required under section 36a-599, as amended by this act.

(b) The commissioner may deny an application if the commissioner finds that the applicant, [or any of its partners, directors, trustees, principal officers or shareholders owning ten per cent or more of the shares of the applicant or members are] its control persons or qualified individual: (1) Are listed on the specially designated nationals and blocked persons list prepared by the United States Department of the Treasury, or (2) have been

convicted of any misdemeanor involving any aspect of the money transmission business or any felony. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80.

(c) Notwithstanding the provisions of this section, the commissioner may deny any application of a person who will or may engage in the business of transmitting monetary value in the form of virtual currency if, in the commissioner's discretion, the issuance of such a license would represent undue risk of financial loss to consumers, considering the applicant's proposed business model.

(d) The commissioner may, in the commissioner's discretion, place additional requirements, restrictions or conditions upon the license of any applicant who will or may engage in the business of transmitting monetary value in the form of virtual currency, including the amount of surety bond required by section 36a-602, as amended by this act.

Sec. 54. Section 36a-601 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

[(a) A license may be renewed for the ensuing twenty-four-month period upon the filing of an application containing all information required by section 36a-598. Such renewal application shall be filed on or before September first of the year in which the license expires. Any renewal application filed with the commissioner after September first shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182. If an application for a renewal license has been filed with the commissioner on or before the date the license expires, the license sought to be renewed shall continue in full force and effect until the issuance by the commissioner of the renewal license applied for or until the commissioner has notified the licensee in writing of the commissioner's refusal to issue such renewal license together with the grounds upon which such refusal is based. The commissioner may refuse to issue a renewal license on any ground on which the commissioner might refuse to issue an initial license.

(b) If the commissioner determines that a check filed with the commissioner to pay an investigation or license fee has been dishonored or if made by ACH, has been returned, the commissioner shall automatically suspend a renewal license that has been issued but is not yet effective. The commissioner shall give the licensee

notice of the automatic suspension pending proceedings for refusal to renew such license and an opportunity for a hearing on such actions in accordance with section 36a-51.]

(a) The minimum standards for renewal of a license shall include the following: (1) The applicant continues to meet the minimum standards under section 36a-600, as amended by this act, (2) the applicant has paid all required fees for renewal of the license; and (3) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a money transmitter failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system.

(b) In accordance with section 36a-24b, the commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-608, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

Sec. 55. Subsection (c) of section 36a-602 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(c) The surety company may cancel the bond at any time by a written notice to the licensee, stating the date cancellation shall take effect. [Such] If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal through the system at least thirty days prior to the date of cancellation. Otherwise, notice of cancellation shall be sent by certified mail to the licensee 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. If the surety bond required by this section was issued electronically on the system, written notice may be provided by the surety company to the commissioner through the system not less

than thirty days prior to the effective date of cancellation, otherwise, such notice shall be sent to the commissioner by certified mail no later than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless the licensee, prior to such date, submits (1) a letter of reinstatement of the bond from the surety company, (2) a new bond, (3) evidence that all of the principal sum of such surety bond has been invested as provided in subsection (d) of this section, (4) a new bond that replaces the surety bond in part and evidence that the remaining part of the principal sum of such surety bond has been invested as provided in subsection (d) of this section, or (5) evidence that the licensee has ceased business and has surrendered the license. After a license has been automatically suspended, the commissioner shall give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew such license and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and require the licensee to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section.

Sec. 56. Section 36a-605 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

In connection with the examination of a licensee under section 36a-17, as amended by this act, the commissioner may also examine the authorized delegates of such licensee. [The commissioner, in lieu of conducting an examination, may accept the report of examination of any other state or federal supervisory agency or any organization affiliated with or representing such supervisory agency with respect to the examination or other supervision of any person subject to the provisions of sections 36a-595 to 36a-612, inclusive, or a report prepared by an independent accounting firm, and reports so accepted are considered for purposes of sections 36a-595 to 36a-612, inclusive, as an official examination report of the commissioner.]

Sec. 57. Section 36a-606 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) [On or before the thirtieth day of April each year, each licensee shall file with the commissioner:

(1) (A) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Licensees shall complete any reports of condition and any reports relating to authorized delegates required by the system. Any such reports shall be timely and accurately filed on the system in accordance with the due dates and formats required by the system.

(b) No later than ninety days from its fiscal year end, each licensee shall also file with the commissioner:

(1) A copy of audited financial statements for the most recent fiscal year. [, (B) if] If the licensee is a wholly-owned subsidiary of another corporation, it shall file (i) the most recent audited consolidated annual financial statements of the parent corporation or the licensee's most recent audited consolidated annual financial statement, and (ii) the most recent audited unconsolidated financial statement of the licensee, including its balance sheet and receipts and disbursements for the preceding year. [, (C) if] If the licensee is publicly traded, it shall file a copy of the most recent 10-K report that was filed with the Securities and Exchange Commission or, if the licensee is a wholly-owned subsidiary of a publicly-traded company, a copy of the parent company's most recent 10-K report that was filed with said commission. [, and (D) if a] If the licensee or parent company of a wholly-owned subsidiary licensee is publicly traded on a foreign exchange, it shall file a copy of documentation similar to the 10-K report [filed pursuant to subparagraph (C) of this subdivision] that was filed with the applicable securities regulator;

(2) The following information, to the extent it is not already captured by a required report of condition: A list of permissible investments, the book and market value of such investments, and the dollar amount of the licensee's aggregate outstanding money transmissions; and

(3) The following information, to the extent it is not already captured by a required report of condition: A list of investments maintained in accordance with subsection (d) of section 36a-602, if applicable, the book and market values of such investments and the dollar amount of the licensee's aggregate outstanding money transmissions in this state.

[(b)] (c) The lists and other information filed as provided in subdivisions (2) and (3) of subsection [(a)] (b) of this section shall be as of the same date as the financial statement filed in accordance with subdivision (1) of subsection [(a)] (b) of this section.

[(c)] (d) The commissioner may require of any licensee such additional reports, under oath, certified, or otherwise, concerning such licensee's business in this state as the commissioner may consider necessary for the enforcement of sections 36a-595 to 36a-612, inclusive, as amended by this act. Any licensee that fails to timely and accurately furnish any report required by this section shall be in violation of this section.

Sec. 58. Subsection (a) of section 36a-607 of the general statutes, as amended by section 21 of public act 17-233, is repeal and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) A licensee may conduct its business at one or more locations within this state as follows:

(1) The business may be conducted by the licensee or through or by means of such authorized delegates as the licensee may periodically designate or appoint on the system in such form and manner as required by the commissioner. The licensee shall pay any associated processing fees imposed by the system. The licensee shall notify the commissioner on the system of all authorized delegates that act on its behalf. An authorized delegate may not engage in the business of money transmission in this state on behalf of a licensee through or by means of any person who is not identified on the system as an authorized delegate of the licensee.

(2) No license under sections 36a-595 to 36a-612, inclusive, as amended by this act, shall be required of any authorized delegate.

(3) Each authorized delegate shall, from the moment of receipt, hold the proceeds of a sale or delivery of a licensee's money transmissions in this state in trust for the benefit of such licensee.

(4) A licensee shall be liable for the loss caused to any purchaser or holder of the licensee's payment instruments or stored value sold in this state by the failure of an authorized delegate to forward to the licensee the amount due from the proceeds of a sale or delivery of the licensee's payment instruments or stored value, or money or monetary value received for transmission.

(5) The licensee shall enter into a contract with each of its authorized delegates that requires the authorized delegate to operate in full compliance with sections 36a-595 to 36a-612, inclusive, as amended by

this act, and provides that appointment of the authorized delegate is not effective during any period when the license of the licensee has been suspended. The licensee shall provide each authorized delegate with policies and procedures sufficient to ensure compliance with sections 36a-595 to 36a-612, inclusive, as amended by this act.

(6) An authorized delegate shall remit all money owing to the licensee in accordance with the terms of the contract between the licensee and the authorized delegate.

(7) An authorized delegate shall not provide money transmission services in this state outside the scope of activity permissible under the contract between the authorized delegate and the licensee.

Sec. 59. Section 36a-608 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner shall make such investigations as the commissioner considers necessary to determine whether any licensee or any other person has violated, is violating or is about to violate any of the provisions of sections 36a-595 to 36a-612, inclusive, as amended by this act, or whether any licensee has acted in such manner as otherwise would justify the suspension or revocation of the license or a refusal to renew the license. The provisions of section 36a-17, as amended by this act, shall apply to such investigation. For purposes of this section, “unsafe or unsound practice” means a practice or conduct by a licensee or an authorized delegate that is likely to result in a material loss, insolvency or dissipation of the licensee’s assets or otherwise materially prejudice the interests of purchasers.

(b) The commissioner may suspend, [or] revoke or refuse to renew a license or take any other action, in accordance with section 36a-51, as amended by this act; [, on] (1) On any ground on which the commissioner might [refuse to issue] deny an initial license, (2) for any violation [of sections 36a-595 to 36a-612, inclusive,] by the licensee, its control persons or qualified individual, trustee, employee or agent, including but not limited to its authorized delegates of the provisions of this title or of any regulation or order adopted [under said sections, for noncompliance with an order that the commissioner may issue under said sections to a licensee,] or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business, (3) for failure of the licensee to pay a judgment ordered by any court within or outside this state within thirty days after the

judgment becomes final or within thirty days after expiration or termination of a stay of execution of the judgment, (4) for engaging in fraud, intentional misrepresentation or gross negligence, or (5) for engaging in an unsafe or unsound practice.

(c) Whenever it appears to the commissioner that any: [person] Person has violated, is violating or is about to violate any provision of sections 36a-595 to 36a-612, inclusive, as amended by this act, or any regulation adopted under said sections, [or any] (2) person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation; or (3) licensee has failed to pay a judgment ordered by any court within or outside of this state thirty days after the date on which the judgment becomes final or thirty days after the date of the expiration or termination of a stay of execution of the judgment, or engaged in fraud, intentional misrepresentation or gross negligence, or engaged in an unsafe or unsound practice, the commissioner may take action against such person in accordance with sections 36a-50 and 36a-52.

(d) The commissioner may order a licensee to terminate its relationship with any authorized delegate if the commissioner finds that: (1) The authorized delegate violated any provision of sections 36a-595 to 36a-612, inclusive, as amended by this act, or any regulation adopted under said sections or any other law or regulation applicable to the conduct of its business; (2) the authorized delegate failed to cooperate with an examination or investigation by the commissioner; (3) the authorized delegate engaged in fraud, intentional misrepresentation, or gross negligence or misappropriated funds; (4) the authorized delegate has been convicted of a violation of a state or federal anti-money laundering statute; (5) the competence, experience, character or general fitness of the authorized delegate or [a manager, partner, director, trustee, principal officer, member or shareholder owning ten per cent or more of each class of the authorized delegate's securities] any of its control persons demonstrates that it would not be in the public interest to permit such authorized delegate to engage in the business of money transmission in this state on behalf of a licensee; (6) the authorized delegate is engaging in an unsafe or unsound practice; or (7) the authorized delegate is convicted of any act involving fraud or dishonesty.

(e) The commissioner may order a licensee to remove any individual conducting business under sections 36a-595 to 36a-612, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the money transmission business in this state in accordance with section 5 of this act.

(f) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 60. Section 36a-611 of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2018):

(a) Each licensee [, as defined in section 36a-596,] shall maintain and prepare such records as will enable the [Banking Commissioner] commissioner to determine whether the licensee and any of its authorized delegates are complying with the provisions of sections 36a-595 to [36a-609] 36a-612, inclusive, [this section, and section 36a-612] as amended by this act, at the office named in the license, or, if requested by the commissioner, shall make such records available at such office or send such records to the commissioner by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, not later than five business days after such request by the commissioner. Upon request, the commissioner may grant a licensee additional time to make such records available or send such records to the commissioner.

(b) Each licensee shall maintain the following records for at least five years:

- (1) A record of each payment instrument or stored-value obligation sold within this state;
- (2) A general ledger posted at least monthly containing all asset, liability, capital, income and expense accounts;
- (3) Bank statements and bank reconciliation records;
- (4) Records of outstanding money transmissions in this state;
- (5) Records of each payment instrument and stored value obligation paid during the previous five years;
- (6) A list of the last known names and addresses of all of the licensee's authorized delegates; and
- (7) Any other records the commissioner may require.

(c) The unique identifier of any person licensed under section 36a-600, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-600, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-595 to 36a-612, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 61. Section 36a-612 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

A licensee [, as defined in section 36a-596,] shall notify the [Banking Commissioner in writing] commissioner on the system in the form and manner required by the commissioner not later than fifteen days after any change in the list of the licensee's authorized delegates or locations where the licensee or the licensee's authorized delegates engage in the business of money transmission in this state. Such notice shall state the name and address of each location and authorized delegate removed or added to the licensee's list.

Sec. 62. Section 36a-655 of the general statutes, as amended by section 22 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

As used in sections 36a-655 to 36a-665, inclusive, as amended by this act:

(1) "Advertise" or "advertising" has the same meaning as provided in section 36a-485, as amended by this act.

(2) "Bona fide nonprofit organization" means any organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time.

(3) "Branch office" means a location other than the main office at which a licensee or any person on behalf of a licensee engages in the business of debt adjustment;

[(3)] (4) “Control person” has the same meaning as provided in section 36a-485, as amended by this act.

[(4)] (5) “Debt adjustment” means, for or with the expectation of a fee, commission or other valuable consideration, receiving, as agent of a debtor, money or evidences thereof for the purpose of distributing such money or evidences thereof among creditors in full or partial payment of obligations of the debtor.

[(5)] (6) “Debtor” means any individual who has incurred indebtedness or owes a debt for personal, family or household purposes.

(7) “Main office” means the main address designated on the system.

(8) “Unique identifier” has the same meaning as provided in section 36a-485, as amended by this act.

Sec. 63. Section 36a-656 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

[(a) No person shall engage in the business of debt adjustment in this state without a debt adjuster license. Any person desiring to obtain such a license shall file with the commissioner an application under oath, setting forth such information as the commissioner may require. Each applicant for a license and each licensee shall notify the commissioner of any change in the applicant’s business from that stated in the application for the license.]

(a) No person shall engage in the business of debt adjustment in this state unless such person has first obtained a required license for its main office and for each branch office where such business is conducted in accordance with the provisions of sections 36a-655 to 36a-665, inclusive, as amended by this act. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-655 to 36a-665, inclusive, as amended by this act, at any office which is not located in the United States.

(b) [An application for a debt adjuster license or renewal of such license shall be in writing on a form provided by the commissioner and shall include (1) the history of criminal convictions of the applicant; the partners, if the applicant is a partnership; the members, if the applicant is a limited liability company or association; or the officers, directors and principal employees if the applicant is a corporation, and (2) sufficient information pertaining to the history of criminal convictions, in a form acceptable to the commissioner, on such applicant, partners, members, officers, directors and principal employees as the commissioner deems necessary

to make the findings under subsection (c) of this section. The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the applicant and of each partner, member, officer, director and principal employee of the applicant.] An application for an initial or a renewal license as a debt adjuster shall be made and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-655 to 36a-665, inclusive, as amended by this act. 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 branch managers responsible for the actions of the licensee, including, but not limited to information related to their personal history and experience and 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control person of the applicant, the qualified individual, and any branch manager and require 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 amended from time to time, as part of an application.

(c) (1) If the commissioner finds, upon the filing of an application for a debt adjuster license, that: [(1)] (A) The financial responsibility, character, reputation, integrity and general fitness of the applicant, [and of the partners thereof if the applicant is a partnership, of the members if the applicant is a limited liability company or association, and of the officers, directors and principal employees if the applicant is a corporation,] its control persons, its qualified individual and any branch manager are such as to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-655 to 36a-665, inclusive, as amended by this act; [and (2)] (B) the applicant is solvent and no proceeding in

bankruptcy, receivership or assignment for the benefit of creditors has been commenced against the applicant, and (C) the applicant has the bond required by section 36a-664, as amended by this act, the commissioner may thereupon issue the applicant a debt adjuster license. If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the reasons for such denial. The commissioner may deny an application if the commissioner finds that the applicant, [or any partner, member, officer, director or principal employee of the applicant] its control persons, qualified individual or branch manager has been convicted of any misdemeanor involving any aspect of the debt adjuster business, or any felony or has made a material misstatement in the application. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80. [Withdrawal of an application for a license shall become effective upon receipt by the commissioner of a notice of intent to withdraw such application. The commissioner may deny a license up to the date one year after the effective date of withdrawal.] (2) The minimum standards for renewal of a debt adjuster license shall include the following: (A) The applicant continues to meet the minimum standards under subdivision (1) of this subsection, (B) the applicant has paid all required fees for renewal of the license; and (C) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a debt adjuster failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system.

[(d) Each applicant for an original debt adjuster license that is a bona fide nonprofit organization shall, at the time of making such application, pay to the commissioner an application fee of two hundred fifty dollars. Each applicant for an original or a renewal of a debt adjuster license that is not a bona fide nonprofit organization shall, at the time of making such application, pay to the commissioner an application fee of one thousand six hundred dollars or, in the case of an application that is filed not earlier than the date one year before the date of expiration of such license, a license fee of eight hundred dollars. Each such license shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance unless such license is renewed. Each licensee shall, on or before September first of the year in which the license expires, file such renewal application as the commissioner may require.

(e) If the commissioner determines that a check filed with the commissioner to pay an application fee has been dishonored, the commissioner shall automatically suspend the license or a renewal license that has been issued but is not yet effective. The commissioner shall 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.]

(d) Each applicant for a debt adjuster license shall pay to the system any required fees or charges and a license fee as follows: (1) For a bona fide nonprofit organization, two hundred fifty dollars; (2) if not a bona fide nonprofit organization, eight hundred dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant seeking renewal of a debt adjuster license shall pay to the system any required fees or charges and if not a bona fide nonprofit organization, a license fee of eight hundred dollars.

(e) In accordance with section 36a-24b, the commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-657, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(f) No abatement of the license fee shall be made if the application is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. [The] All fees required by subsection (d) of this section shall be nonrefundable.

(g) The commissioner may deem an application for a license to engage in the business of debt adjustment abandoned if the applicant fails to respond to any request for information required under sections 36a-655 to 36a-665, inclusive, as amended by this act, or any regulations adopted pursuant to said sections 36a-655 to 36a-665, inclusive, as amended by this act. The commissioner shall notify the applicant [, in writing,] on the system that if the applicant fails to submit such information not later than sixty days after the date on which such request for information was made, the application shall be deemed abandoned. In the event an application is deemed abandoned, any application filing fee paid prior to the date on which the application was filed is deemed abandoned and shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections 36a-655 to 36a-665, inclusive, as amended by this act.

(h) Every license shall remain in force and effect until the license has been surrendered, revoked, suspended or has expired in accordance with the provisions of sections 36a-655 to 36a-665, inclusive, as amended by this act. Not later than fifteen days after a licensee ceases to engage in this state in the business of a debt adjuster for any reason, including a business decision to terminate operations in this state, bankruptcy or voluntary dissolution, such licensee shall surrender to the commissioner its license for each location in which such licensee has ceased to engage in such business in accordance with subsection (c) of section 36a-51, as amended by this act.

Sec. 64. Section 36a-657 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may suspend, revoke or refuse to renew any license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason which would be sufficient grounds for the commissioner to deny an application for a license under sections 36a-655 to 36a-665, inclusive, as amended by this act, or if the commissioner finds that the licensee or any [proprietor, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager, trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud or misappropriated funds; (3) violated any of the provisions of [sections 36a-655 to

36a-665, inclusive,] this title or of any [other law or] regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (4) failed to perform any agreement with a debtor.

(b) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate the provisions of sections 36a-655 to 36a-665, inclusive, as amended by this act, or any regulation adopted thereunder; (2) person is, was or would be the cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation; or (3) any licensee, [or any proprietor, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager, trustee, employee or agent of such licensee has committed any fraud, misappropriated funds or failed to perform any agreement with a debtor, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) The commissioner may order a licensee to remove any individual conducting business under sections 36a-655 to 36a-665, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the debt adjuster business in this state in accordance with section 5 of this act.

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 65. Section 36a-658 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) Each license shall state the location at which the business is to be conducted and shall state fully the name of the licensee. If the licensee desires to engage in the business of debt adjustment in more than one location, the licensee shall procure a license for each location where the business is to be conducted. [Each license shall be maintained at the location for which the license was issued and shall be available for public inspection. Such license] A license issued under section 36a-656, as amended by this act, shall not be transferable or assignable, [, provided any change of location of a licensee shall require only prior written notice to the commissioner.] Any change in any control person shall be the subject of an advance change notice filed

on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval.

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

(c) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of subsection (a) or (b) of this section. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-657, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(d) Not later than fifteen days after a licensee ceases to engage in this state in the business of debt adjustment for any reason, including a business decision to terminate operations in this state, [license revocation,] bankruptcy or voluntary dissolution, such licensee shall surrender to the commissioner [in person or by registered or certified mail] its license for each location in which such licensee has ceased to engage in such business in accordance with subsection (c) of section 36a-51, as amended by this act.

(e) Except as otherwise specified in subsections (a) and (b) of this section, each debt adjuster applicant, each such licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in

writing, of such change in the information within fifteen days from the date such person had reason to know of the change. A debt adjuster licensee shall file with the system or, if the information cannot be filed on the system, notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(2) Filing of a criminal indictment against the licensee in any way related to the debt adjuster activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons, branch managers or its qualified individual;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers, or its qualified individual and the reasons therefor;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor; or

(5) Receiving notification of filing for bankruptcy of any of the licensee's control persons, branch managers, or its qualified individual.

(f) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each debt adjuster licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision.

(g) The unique identifier of any person licensed under section 36a-656, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-656, as amended by

this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-655 to 36a-665, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 66. Section 36a-664 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) (1) Except as provided in subdivision (2) of this subsection, no such license, and no renewal thereof, shall be granted unless the applicant has filed a surety bond with the commissioner written by a surety authorized to write such bonds in this state, provided any applicant that files applications for licenses for more than one location shall file a single bond. Except as provided in this subdivision, for every applicant, the principal amount of the bond shall be the greater of (A) forty thousand dollars, or (B) (i) twice the amount of the average daily balance of the payments received by the applicant from Connecticut debtors in connection with the applicant's debt adjustment activity during the preceding twelve months ending [July thirty-first] June thirtieth of each year, or (ii) in the case of an applicant that has acquired the business of a predecessor debt adjuster, the lesser of the amount of the predecessor's debt adjustment activity during such preceding period or one million dollars. The commissioner may require a larger bond if the commissioner determines that a licensee has engaged in a pattern of conduct resulting in bona fide consumer complaints of misconduct and that such increased bond is necessary for the protection of consumers, or may increase or decrease the amount of the bond based upon the applicant's or licensee's financial condition, business plan and the actual or estimated aggregate amount of payments and fees paid by Connecticut debtors to such applicant. [Each] To the extent not captured on a required report of condition on the system, licensee shall submit to the commissioner, by September first of each year, in a form and manner as may be prescribed by the commissioner, a report containing information on the average daily balance of the payments received by the licensee from Connecticut debtors during the preceding twelve months ending [July thirty-first] June thirtieth of each such year. [The report shall be subscribed and affirmed as true by the licensee and shall be in a form prescribed by the commissioner.]

(2) If a licensee or applicant for renewal of a license establishes that such licensee or applicant is unable to comply with the bond required by subdivision (1) of this subsection, it shall file a bond for the highest principal amount it can obtain, provided such amount shall be a minimum of forty thousand dollars, and the licensee or applicant for renewal shall, in lieu of the balance of the required amount of the bond, deposit a sum equal to the amount of the bond required by subdivision (1) of this subsection, less the amount of the bond filed with the commissioner, in cash or cash equivalents, with such bank, out-of-state bank that has a branch in this state, Connecticut credit union or federal credit union as such applicant or licensee may designate and the commissioner may approve, and subject to such conditions as the commissioner deems necessary for the protection of consumers and in the public interest. No licensee or applicant shall make such deposit until the depository institution and the licensee or applicant executes a deposit agreement satisfactory to the commissioner. The deposit agreement shall pledge the amount deposited to the commissioner and provide that the depository institution shall not release any of the moneys pledged without the authorization of the commissioner. The amount deposited shall secure the same obligation as would a surety bond filed under this section and shall be held at such banks or credit unions to cover claims during the period the license remains in full force and effect and the succeeding two years after such license has been surrendered, revoked or suspended or has expired. The licensee or applicant may collect interest on such deposit in accordance with its deposit agreement. The deposits made pursuant to this section shall be deemed, by operation of law, to be held in trust for the benefit of any debtor, who may be damaged by failure of a licensee or applicant to perform any written agreements or by the wrongful conversion of funds paid to a licensee in the event of the bankruptcy of the licensee, and shall be immune from attachment by creditors or judgment creditors.

(3) The form of any surety bond submitted pursuant to this section shall be approved by the Attorney General. Any surety bond filed under this section shall be conditioned upon the licensee faithfully performing any and all written agreements with debtors, truly and faithfully accounting for all funds received by the licensee in the licensee's capacity as a debt adjuster, and conducting such business consistent with the provisions of sections 36a-655 to 36a-665, inclusive, as amended by this act. Any debtor who may be damaged by failure to perform any written agreements, or by the wrongful conversion of funds paid to a licensee, 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 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, as amended by this act. The proceeds of any 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. 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 principal amount of the bond or the limit of liability.

(b) The surety shall have the right to cancel any bond filed under subsection (a) of this section at any time by a written notice to the licensee, stating the date cancellation shall take effect. [Such notice] If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal through the system at least thirty days prior to the date of cancellation. Otherwise, notice of cancellation shall be sent by certified mail to the licensee 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. If the surety bond required by this section was issued electronically on the system, written notice may be provided by the surety company to the commissioner through the system not less than thirty days prior to the effective date of cancellation, otherwise, such notice shall be sent to the commissioner by certified mail no later than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the licensee of the date such bond cancellation shall take effect. The commissioner shall automatically suspend the license on such date, unless prior to such date the licensee submits a letter of reinstatement of the bond from the surety or a new bond or the licensee has surrendered the license. After a license has been automatically suspended, the commissioner shall give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-

51, as amended by this act, and require the licensee to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section.

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

Sec. 67. Section 36a-671 of the general statutes, as amended by section 24 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) As used in this section and sections 36a-671a to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233:

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

(2) “Branch office” means a location other than the main office at which a licensee or any person on behalf of a licensee engages or offers to engage in debt negotiation.

[(2)] (3) “Control person” has the same meaning as provided in section 36a-485, as amended by this act.

[(3)] (4) “Debt negotiation” means, for or with the expectation of a fee, commission or other valuable consideration, assisting a debtor in negotiating or attempting to negotiate on behalf of a debtor the terms of a debtor’s obligations with one or more mortgagees or creditors of the debtor, including the negotiation of short sales of residential property or foreclosure rescue services.

[(4)] (5) “Debtor” means any individual who has incurred indebtedness or owes a debt for personal, family or household purposes.

[(5)] (6) “Foreclosure rescue services” means services related to or promising assistance in connection with (A) avoiding or delaying actual or anticipated foreclosure proceedings concerning residential property; or (B) curing or otherwise addressing a default or failure to timely pay with respect to a mortgage loan secured by residential property, and includes, but is not limited to, the offer, arrangement or placement of a mortgage loan secured by residential property or other extension of credit when those services are advertised, offered or promoted in the context of foreclosure related services.

(7) “Main office” means the main address designated on the system.

[(6)] (8) “Mortgagee” means the original lender under a mortgage loan secured by residential property or its agents, successors or assigns.

[(7)] (9) “Mortgagor” means a debtor who is an owner of residential property, including, but not limited to, a single-family unit in a common interest community, who is also the borrower under a mortgage encumbering such residential property.

[(8)] (10) “Residential property” means a one-to-four family owner-occupied real property.

[(9)] (11) “Short sale” means the sale of residential property by a mortgagor for an amount less than the outstanding balance owed on the loan secured by such property where, prior to the sale, the mortgagee or an assignee of the mortgagee agrees to accept less than the outstanding loan balance in full or partial satisfaction of the mortgage debt and the proceeds of the sale are paid to the mortgagee or an assignee of the mortgagee.

(12) “Unique identifier” has the same meaning as provided in section 36a-485, as amended by this act.

(b) No person shall engage or offer to engage in debt negotiation in this state [without a license issued under this section for each location where debt negotiation will be conducted. Any person desiring to obtain such a license shall file with the commissioner an application under oath, setting forth such information as the commissioner may require. Each applicant for a license and each licensee shall notify the commissioner of any change in the applicant’s business from that stated in the application for the license.] unless such person has first obtained a required license for its main office and for each branch office where such business is conducted in accordance with the provisions of sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233 at any office which is not located in the United States. A person is engaging in debt negotiation in this state if such person: (1) Has a place of business located within this state; (2) has a place of business located outside of this state and the debtor is a resident of this state who negotiates or agrees to the terms of the services in person, by mail, by telephone or via the Internet; or (3) has its place of business located outside of this state and the services concern a debt that is secured by property located within this state.

(c) [An application for an original or renewal debt negotiation license shall be in writing on a form provided by the commissioner and shall include (1) the history of criminal convictions of the (A) applicant, (B) partners, if the applicant is a partnership, (C) members, if the applicant is a limited liability company or association, or (D) officers, directors and principal employees, if the applicant is a corporation; and (2) sufficient information pertaining to the history of criminal convictions, in a form acceptable to the commissioner, on such applicant, partners, members, officers, directors and principal employees as the commissioner deems necessary to make the findings under subsection (d) of this section. The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the applicant and of each partner, member, officer, director and principal employee of the applicant.] An application for an initial or a renewal license as a debt negotiator shall be made and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233. 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 responsible for the actions of the licensee, including, but not limited to, information related to their personal history and experience and 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control person of the applicant, the qualified individual, and any branch manager and require 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 amended from time to time, as part of an application. The commissioner may deem an application for a debt negotiation

license abandoned if the applicant fails to respond to any request for information required under sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233 or any regulations adopted pursuant to said sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233. The commissioner shall notify the applicant [, in writing,] on the system that if the applicant fails to submit such information not later than sixty days after the date on which such request for information was made, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233.

(d) (1) If the commissioner finds, upon the filing of an application for a debt negotiation license, that: [(1)] (A) The financial responsibility, character, reputation, integrity and general fitness of the [(A)] applicant, [(B) partners thereof, if the applicant is a partnership, (C) members, if the applicant is a limited liability company or association, and (D) officers, directors and principal employees, if the applicant is a corporation,] its control persons, qualified individual and branch managers are such as to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233; [and (2)] (B) the applicant is solvent and no proceeding in bankruptcy, receivership or assignment for the benefit of creditors has been commenced against the applicant; [,] and (C) the applicant has the bond required by section 36a-671d, as amended by this act, the commissioner may thereupon issue the applicant a debt negotiation license. [Such debt negotiation license shall not be transferable. Any change of location of a licensee shall require prior written notice to the commissioner. No licensee shall use any name unless such name has been approved by the commissioner.] If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the reasons for such denial. The commissioner may deny an application if the commissioner finds that the applicant, [or any partner, member, officer, director or principal employee] or a control person, qualified individual or branch manager of the applicant has been convicted of any misdemeanor

involving any aspect of the debt negotiation business or any felony or has made a material misstatement in the application. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80. [Withdrawal of an application for a license shall become effective upon receipt by the commissioner of a notice of intent to withdraw such application. The commissioner may deny a license up to the date one year after the effective date of withdrawal.] (2) The minimum standards for renewal of a debt negotiation license shall include the following: (A) The applicant continues to meet the minimum standards under subdivision (1) of this subsection; (B) the applicant has paid all required fees for renewal of the license; and (C) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a debt negotiator failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system.

(e) Each applicant for an original or renewal debt negotiation license shall, at the time of making such application, pay to the commissioner an application fee of one thousand six hundred dollars, provided, if such application is filed not earlier than one year before the date such license will expire, such person shall pay a license fee of eight hundred dollars. Each such license shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance unless such license is renewed. Each licensee shall, on or before September first of the year in which the license expires, file such renewal application as the commissioner may require. Whenever an application for a license is filed under this section by any person who was a licensee under this section and whose license expired less than sixty days prior to the date such application was filed, such application shall be accompanied by a one-hundred-dollar processing fee in addition to the application fee.

(f) If the commissioner determines that a check filed with the commissioner to pay an application fee has been dishonored, the commissioner shall automatically suspend the license or a renewal license that has been issued but is not yet effective. The commissioner shall 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.]

(e) Each applicant for a debt negotiation license shall pay to the system any required fees or charges and a license fee of eight hundred dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a debt negotiation license shall pay to the system any required fees or charges and a renewal fee of eight hundred dollars.

(f) In accordance with section 36a-24b, the commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-671a, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(g) No abatement of the license fee shall be made if the application is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. [The fee] All fees required by subsection (e) of this section shall be nonrefundable.

(h) A license issued under section 36a-671 as amended by this act, shall not be transferable or assignable. Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval.

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

such name. A licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if: (1) At least thirty calendar days prior to such change, the licensee files such change with the system, and provides to the commissioner a bond rider or endorsement or addendum, as applicable; and (2) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

(j) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of subsection (h) or (i) of this section. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-671a, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(k) Not later than fifteen days after a licensee ceases to engage in this state in the business of debt negotiation for any reason, including a business decision to terminate operations in this state, bankruptcy or voluntary dissolution, such licensee shall surrender to the commissioner its license for each location in which such licensee has ceased to engage in such business in accordance with subsection (c) of section 36a-51, as amended by this act.

(l) Except as otherwise specified in subsection (h) or (i) of this section, each debt negotiator applicant, each such licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change. A debt negotiator licensee shall file with the system or, if the information cannot be filed on the system, notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(2) Filing of a criminal indictment against the licensee in any way related to the debt negotiation activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons, branch managers or its qualified individual;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers or its qualified individual and the reasons therefor;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor; or

(5) Receiving notification of filing for bankruptcy of any of the licensee's control persons, branch managers, or its qualified individual.

(m) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each debt negotiator licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision.

(n) The unique identifier of any person licensed under section 36a-671, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-671, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 68. Section 36a-671a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may suspend, revoke or refuse to renew any license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason that would be sufficient grounds for the commissioner to deny an application for a license under sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233 or if the commissioner finds that the licensee or any [proprietor, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager, trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud or misappropriated funds; (3) violated any of the provisions of [sections 36a-671 to 36a-671e, inclusive,] this title or of any regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (4) failed to perform any agreement with a debtor.

(b) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate the provisions of sections 36a-671 to 36a-671e, inclusive, as amended by this act, or any regulation adopted thereunder, and section 25 of public act 17-233; (2) person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation; or [any] (3) licensee or any [proprietor, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager, trustee, employee or agent of such licensee has committed any fraud, misappropriated funds or failed to perform any agreement with a debtor, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52. For purposes of sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233, each engagement and each offer to engage in debt negotiation shall constitute a separate violation.

(c) Upon complaint, the commissioner may review any fees or charges assessed by a person engaging or offering to engage in debt negotiation services and order the reduction of such fees or charges or repayment of such amount of the fees or charges that the commissioner deems excessive, taking into consideration the fees that other persons performing similar debt negotiation services charge for such services and the benefit to the

consumer of such services. In conducting an investigation pursuant to this subsection, the commissioner shall have the same authority as specified in section 36a-17, as amended by this act.

(d) The commissioner may order a licensee to remove any individual conducting business under sections 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233 from office and from employment or retention as an independent contractor in the debt negotiation business in this state in accordance with section 5 of this act.

(e) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 69. Section 36a-671d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(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, 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 fifty thousand dollars, 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 fifty thousand dollars 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 [annually] 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, as amended by this act, to confirm that it maintains the required penal sum in the amount required by this subdivision.

[Not later than September 1, 2012, and each September first thereafter, a] (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 [not later than September first of the applicable year, or on such other date] as the commissioner may require, [pursuant to subsection (g) 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.

(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-498f] 36a-498e, inclusive, 36a-534a, 36a-534b, as amended by this act, and 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233. 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-498f] 36a-498e, inclusive, 36a-534a, 36a-534b, as amended by this act, and 36a-671 to 36a-671e, inclusive, as amended by this act, and section 25 of public act 17-233 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, as amended by this act, 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 stating the date cancellation shall take effect. [Such notice] If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal through the system at least thirty days prior to the date of cancellation. Otherwise, notice of cancellation shall be sent by certified mail to the licensee 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. If the surety bond required by this section was issued electronically on the system, written notice may be provided by the surety company to the commissioner through the system not less than thirty days prior to the effective date of cancellation, otherwise, such notice shall be sent to the commissioner by certified mail no later than thirty days prior to the effective date of the 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 give the debt negotiation licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and shall require the debt negotiation licensee to take or refrain from taking such action as, in the opinion of the commissioner, will 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, as amended by this act, 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, [as defined in section 36a-485,] 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. 70. Subdivision (2) of section 36a-715 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

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

Sec. 71. Section 36a-718 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) On and after January 1, 2015, no person shall act as a mortgage servicer, directly or indirectly, without first obtaining a required license under section 36a-719, as amended by this act, from the commissioner for its main office and for each branch office where such business is conducted, unless such person is exempt from licensure pursuant to subsection (b) of this section. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-715 to 36a-719l, inclusive, as amended by this act, at any office which is not located in the United States.

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

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

Sec. 72. Section 36a-719 of the general statutes, as amended by section 15 of public act 17-38, and section 26 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The [Banking Commissioner] commissioner shall issue a mortgage servicer license to an applicant for such license if the commissioner finds that: (1) The applicant has identified a qualified individual for its main office and a branch manager for each branch office where such business is conducted, provided such qualified individual and branch manager have supervisory authority over the mortgage servicer activities at the respective office location and at least three years' experience in the mortgage servicing business within the five years immediately preceding the date of the application for licensure, [;] except that: (A) The commissioner may waive the requirements of subdivision (1) of this subsection relating to supervision and experience of a qualified individual where the applicant establishes, to the satisfaction of the commissioner, that it will conduct no activity at the main office subject to licensure under sections 36a-715 to 36a-719l, inclusive, as amended by this act, and has designated a qualified individual who is responsible for the actions of the applicant; and (B) the commissioner may waive the requirements of subdivision (1) of this subsection relating to supervision and experience of either a qualified individual or a branch manager where the applicant establishes, to the satisfaction of the commissioner, that at such main office or branch office it only holds mortgage servicing rights, conducts no other activity, and has designated a qualified individual or branch manager at such office who is responsible for the actions of the applicant. No person licensed as a mortgage servicer granted a waiver hereunder shall engage in any activity that would have precluded the waiver at the time it was granted without first designating a qualified individual or branch manager, as the case may be, who meets all applicable requirements and is approved by the commissioner; (2) notwithstanding the provisions of section 46a-80, the applicant, the control persons of the applicant, the qualified individual and any branch manager [with supervisory authority at the office for which the license is sought] have not been convicted of or pled guilty or nolo contendere to, in a domestic, foreign or military court, a felony during the seven-year period preceding the date of the application for licensing or a felony involving an act of fraud or dishonesty, a breach of trust or money laundering at any time preceding the date of application, provided any pardon or expungement of a

conviction shall not be a conviction for purposes of this subdivision; (3) the applicant demonstrates that the financial responsibility, character and general fitness of the applicant, the control persons of the applicant, the qualified individual and any branch manager [having supervisory authority over the office for which the license is sought] command the confidence of the community and warrant a determination that the applicant will operate honestly, fairly and efficiently within the purposes of sections 36a-715 to 36a-719l, inclusive, as amended by this act; (4) the applicant has met the surety bond, fidelity bond and errors and omissions coverage requirement under section 36a-719c, as amended by this act; (5) the applicant, its control persons, and its qualified individual and any branch manager has not made a material misstatement in the application; and (6) the applicant has met any other similar requirements as determined by the commissioner. If the commissioner fails to make such findings, the commissioner shall not issue a license, and shall notify the applicant of the denial and the reasons for such denial. For purposes of this subsection, the level of offense of the crime and the status of any conviction, pardon or expungement shall be determined by reference to the law of the jurisdiction where the case was prosecuted. In the event such jurisdiction does not use the term “felony”, “pardon” or “expungement”, such terms shall include legally equivalent events. For purposes of subdivision (1) of this subsection, “experience in the mortgage servicing business” means paid experience in the (A) servicing of mortgage loans, (B) accounting, receipt and processing of payments on behalf of mortgagees or creditors, or (C) supervision of such activities, or any other relevant experience as determined by the commissioner. For purposes of subdivision (1) of this subsection, “at the respective office location” may be demonstrated if the qualified individual or branch manager is within a one-hundred-mile commutable distance to the office or otherwise demonstrates to the satisfaction of the commissioner an ability to provide full time, in-person supervision of the office.

(b) An application for a license as a mortgage servicer or renewal of such license shall be [filed,] made and processed on the system pursuant to section 36a-24b in a form prescribed by the commissioner [, with] on the system and accompanied by the fees required by section 36a-719b. 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-715 to [36a-718, inclusive, and sections 36a-

719a to] 36a-719l, inclusive, as amended by this act. 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. [The applicant shall notify the commissioner on the system of any change to the information submitted in connection with its most recent application for licensure not later than fifteen days after the applicant has reason to know of such change.] For the purpose of this subsection, evidence of experience of the qualified individual and any branch manager shall include: (1) 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 (2) 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, the qualified individual and any branch manager with supervisory authority at the office for which the license is sought and require the applicant to submit the fingerprints of such persons as part of the application.] 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control person of the applicant, the qualified individual, and any branch manager and require 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 amended from time to time, as part of an application.

(c) (1) The minimum standards for license renewal for a mortgage servicer shall include the following:
(A) The applicant continues to meet the minimum standards under subsection (a) of this section; [and] (B) the mortgage servicer has paid all required fees for renewal of the license; and (C) the applicant has paid any outstanding examination fees or other moneys due to the commissioner.

(2) The license of a mortgage servicer failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. [The] In accordance with section 36a-24b, the commissioner may automatically suspend a mortgage servicer license if the licensee receives a deficiency on the system indicating that the payment required by section 36a-719b was Returned-ACH or returned pursuant to such other term as may be utilized by the system to indicate that the payment was not accepted. After a license has been automatically suspended pursuant to this section, the commissioner shall give such licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-719j, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

[(d) (1) Withdrawal of an application for a license filed under this section shall become effective upon the commissioner's acceptance on the system of a withdrawal request. The commissioner may deny a license up to one year after the effective date of withdrawal.

(2) If the license of a mortgage servicer expires due to the licensee's failure to renew, the commissioner may institute a revocation or suspension proceeding or issue an order suspending or revoking such license pursuant to subsection (a) of section 36a-719j not later than one year after the date of such expiration.]

[(e)] (d) The commissioner may deem an application for a license under this section abandoned if the applicant fails to respond to any request for information required under sections 36a-715 to 36a-719l, inclusive, as amended by this act, or the regulations adopted pursuant to said sections. The commissioner shall notify the applicant on the system that if such information is not submitted not later than sixty days from the date of such request, the application shall be deemed abandoned. An application filing fee paid prior to the date an

application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license.

[(f)] (e) As part of its application and upon a change to such information, a mortgage servicer shall file with the commissioner a current schedule of the ranges of costs and fees it charges mortgagors for its servicing-related activities.

(f) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each mortgage servicer licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision. At least annually, a licensee shall file with the commissioner a report in a form and format acceptable to the commissioner detailing the mortgage servicer's activities in the state, including (1) the number of residential mortgage loans the mortgage servicer is servicing, (2) the type and characteristics of the residential mortgage loans in this state, (3) the number of serviced residential mortgage loans in default, along with a breakdown of thirty-day, sixty-day and ninety-day delinquencies, (4) information on loss mitigation activities, and (5) information on foreclosures commenced in this state.

(g) The unique identifier of any person licensed under this section shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-719, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-715 to 36a-719l, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 73. Section 36a-719a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) A mortgage servicer license shall not be transferable or assignable. [No licensee may use any name other than its legal name or a fictitious name approved by the Banking Commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name.] Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval. Any licensee who intends to permanently cease acting as a mortgage servicer at any time during a license period for any cause, including, but not limited to, bankruptcy or voluntary dissolution, shall file a request to surrender the license in accordance with subsection (c) of section 36a-51, as amended by this act, for each office at which the licensee intends to cease to do business [, on the system,] not later than fifteen days after the date of such cessation, provided this requirement shall not apply when a license has been suspended pursuant to section 36a-51, as amended by this act. No surrender shall be effective until accepted by the commissioner.

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

(c) [The] Except as otherwise specified in subsections (a) and (b) of this section, each mortgage servicer applicant, each such licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in

connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change. A mortgage servicer licensee shall file with the system or, if the information cannot be filed on the system, directly notify the commissioner, in writing, not later than [five] fifteen business days after the licensee has reason to know of the occurrence of any of the following events:

(1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(2) Filing of a criminal indictment against the licensee or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's [officers, directors, members, partners or shareholders owning ten per cent or more of the outstanding stock;] control persons, or its qualified individual or any branch manager;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal regulatory action by any governmental agency against the licensee, its control persons, qualified individual or branch manager and the reasons for such action;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons for such action;

(5) Suspension or termination of the licensee's status as an approved seller or servicer by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association;

(6) Receiving notification that certain servicing rights of the licensee will be rescinded or cancelled, and the reasons provided therefor;

(7) Receiving notification of filing for bankruptcy of any of the licensee's [officers, directors, members, partners or shareholders owning ten per cent or more of the outstanding stock of the licensee;] control persons, its qualified individual or any branch manager; or

(8) Receiving notification of the initiation of a class action lawsuit on behalf of consumers against the licensee that is related to the operation of the licensed business.

(d) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of subsection (a) or (b) of this section, or upon a failure of the licensee to designate a qualified individual or branch manager who meets the requirements set forth in section 36a-719, as amended by this act, within thirty days of a vacancy in the position. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-719j, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

Sec. 74. Section 36a-719c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

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

(b) The surety bond required by subsection (a) of this section shall be (1) in a form approved by the Attorney General; and (2) conditioned upon the mortgage servicer licensee or person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718, as amended by this act,

faithfully performing any and all written agreements or commitments with or for the benefit of mortgagors and mortgagees, truly and faithfully accounting for all funds received from a mortgagor or mortgagee in such person's capacity as a mortgage servicer, and conducting such mortgage business consistent with the provisions of sections 36a-715 to 36a-719l, inclusive, as amended by this act. Any mortgagor that may be damaged by the failure of a mortgage servicer licensee or person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718, as amended by this act, to perform any written agreements or commitments, or by the wrongful conversion of funds paid by a mortgagor to such licensee or person, may proceed on such bond against the principal or surety thereon, or both, to recover damages. The commissioner may proceed on such bond against the principal or surety on such bond, or both, to collect any civil penalty imposed pursuant to subsection (a) of section 36a-50, any restitution imposed pursuant to subsection (c) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65, as amended by this act. The proceeds of the bond, even if commingled with other assets of the principal, shall be deemed by operation of law to be held in trust for the benefit of such claimants against the principal in the event of bankruptcy of the principal and shall be immune from attachment by creditors and judgment creditors. The surety bond shall run concurrently with the period of the license for the main office of the mortgage servicer or mortgage lender 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 fidelity bond and errors and omissions coverage required by subsection (a) of this section shall name the commissioner as an additional loss payee on drafts the surety issues to pay for covered losses directly or indirectly incurred by mortgagors of residential mortgage loans serviced by the mortgage servicer. The fidelity bond shall cover losses arising from dishonest and fraudulent acts, embezzlement, misplacement, forgery and similar events committed by employees of the mortgage servicer. The errors and omissions coverage shall cover losses arising from negligence, errors and omissions by the mortgage servicer with respect to the payment of real estate taxes and special assessments, hazard and flood insurance or the maintenance of

mortgage and guaranty insurance. The fidelity bond and errors and omissions coverage shall each be in the following principal amounts based on the mortgage servicer's volume of servicing activity most recently reported to the commissioner:

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

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

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

(d) A surety shall have the right to cancel the surety bond, fidelity bond and errors and omissions coverage required by this section at any time by a written notice to the principal stating the date cancellation shall take effect. [Such notice] If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal through the system at least thirty days prior to the date of cancellation. Otherwise, notice of cancellation shall be sent by certified mail to the principal at least thirty days prior to the date of cancellation. A surety bond, fidelity bond or errors and omissions coverage shall not be cancelled unless the surety notifies the commissioner, in writing, not less than thirty days prior to the effective date of cancellation. If the surety bond required by this section was issued electronically on the system, written notice may be provided by the surety company to the commissioner through the system not less than thirty days prior to the effective date of cancellation, otherwise, such notice shall be sent to the commissioner by certified mail no later than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the principal of the date such cancellation shall take effect. The commissioner shall automatically suspend the

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

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

Sec. 75. Section 36a-719e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

Upon assignment of servicing rights on a residential mortgage loan, the mortgage servicer shall disclose to the mortgagor: (1) Any notice required by the Real Estate Settlement Procedures Act of 1974, 12 USC Section 2601 et seq., as from time to time amended, and the regulations promulgated thereunder, and within the time periods prescribed therein; and (2) a schedule of the ranges and categories of its costs and fees for its servicing-related activities, which shall comply with state and federal law and, if such disclosure is made by a mortgage servicer licensee, shall not exceed those reported to the [Banking Commissioner] commissioner in accordance with subsection [(f)] (e) of section 36a-719, as amended by this act.

Sec. 76. Subsection (a) of section 36a-719h of the general statutes, as amended by section 28 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2018*):

(19) Collect, charge, attempt to collect or charge or use or propose any agreement purporting to collect or charge any fee prohibited by sections 36a-485 to [36a-498f] 36a-498e, inclusive, 36a-534a and 36a-534b, as amended by this act.

Sec. 77. Section 36a-719j of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The [Banking Commissioner] commissioner may suspend, revoke or refuse to renew any mortgage servicer license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason which would be sufficient grounds for the commissioner to deny an application for such license under section 36a-719, as amended by this act, or if the commissioner finds that the licensee, any control person of the licensee, the qualified individual or any branch manager, [with supervisory authority,] trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud or misrepresentation or misappropriated funds; (3) violated any of the provisions of this title or of any [regulations] regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business; or (4) failed to perform any agreement with a mortgagee or a mortgagor.

(b) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate section 49-8 or 49-10a, any of the provisions of this title or of any regulations adopted pursuant

thereto, [or any] (2) person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation, or (3) licensee has failed to perform any agreement with a mortgagee or mortgagor, committed any fraud, made any misrepresentation or misappropriated funds, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) The commissioner may order a licensee to remove any individual conducting business under sections 36a-715 to 36a-719l, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the mortgage loan servicer business in this state in accordance with section 5 of this act.

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 78. Section 36a-800 of the general statutes, as amended by section 29 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

As used in this section and sections 36a-801 to 36a-814, inclusive, as amended by this act, unless the context otherwise requires:

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

[(1)] (2) “Branch office” means a location other than the main office at which a licensee or any person on behalf of a licensee acts as a consumer collection agency;

[(2)] (3) “Consumer collection agency” means any person (A) engaged as a third party in the business of collecting or receiving payment for others on any account, bill or other indebtedness from a consumer debtor, (B) engaged in the business of collecting or receiving payment on any account, bill or other indebtedness from a consumer debtor for such person’s own account if the indebtedness was acquired from another person and if the indebtedness was either delinquent or in default at the time it was acquired, or (C) engaged in the business of collecting or receiving tax payments, including, but not limited to, property tax and federal income tax

payments, from a property tax debtor or federal income tax debtor on behalf of a municipality or the United States Department of the Treasury, including, but not limited to, any person who, by any device, subterfuge or pretense, makes a pretended purchase or takes a pretended assignment of accounts from any other person, municipality or taxing authority of such indebtedness for the purpose of evading the provisions of this section and sections 36a-801 to 36a-812, inclusive, as amended by this act. “Consumer collection agency” includes persons who furnish collection systems carrying a name which simulates the name of a consumer collection agency and who supply forms or form letters to be used by the creditor, even though such forms direct the consumer debtor, property tax debtor or federal income tax debtor to make payments directly to the creditor rather than to such fictitious agency. “Consumer collection agency” further includes any person who, in attempting to collect or in collecting such person’s own accounts or claims from a consumer debtor, uses a fictitious name or any name other than such person’s own name which would indicate to the consumer debtor that a third person is collecting or attempting to collect such account or claim. “Consumer collection agency” does not include (i) an individual employed on the staff of a licensed consumer collection agency, or by a creditor who is exempt from licensing, when attempting to collect on behalf of such consumer collection agency, (ii) persons not primarily engaged in the collection of debts from consumer debtors who receive funds in escrow for subsequent distribution to others, including, but not limited to, real estate brokers and lenders holding funds of borrowers for payment of taxes or insurance, (iii) any public officer or a person acting under the order of any court, (iv) any member of the bar of this state, (v) a person who services loans or accounts for the owners thereof when the arrangement includes, in addition to requesting payment from delinquent consumer debtors, the providing of other services such as receipt of payment, accounting, record-keeping, data processing services and remitting, for loans or accounts which are current as well as those which are delinquent, (vi) a bank or out-of-state bank, as defined in section 36a-2, and (vii) a subsidiary or affiliate of a bank or out-of-state bank, provided such affiliate or subsidiary is not primarily engaged in the business of purchasing and collecting upon delinquent debt, other than delinquent debt secured by real property. Any person not included in the definition contained in this subdivision is, for purposes of sections 36a-645 to 36a-647, inclusive, a “creditor”, as defined in section 36a-645;

[(3)] (4) “Consumer debtor” means any natural person, not an organization, who has incurred indebtedness or owes a debt for personal, family or household purposes, including current or past due child support, who has incurred indebtedness or owes a debt to a municipality due to a levy by such municipality of a personal property tax or who has incurred indebtedness or owes a debt to the United States Department of the Treasury under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time;

[(4)] (5) “Control person” has the same meaning as provided in section 36a-485, as amended by this act;

[(5)] (6) “Creditor” means a person, including, but not limited to, a municipality or the United States Department of the Treasury, that retains, hires, or engages the services of a consumer collection agency;

[(6)] (7) “Federal income tax” means all federal taxes levied on the income of a natural person or organization by the United States Department of the Treasury under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time;

[(7)] (8) “Federal income tax debtor” means any natural person or organization who owes a debt to the United States Department of the Treasury;

[(8)] (9) “Main office” means the main address designated on the [application] system;

[(9)] (10) “Municipality” means any town, city or borough, consolidated town and city, consolidated town and borough, district as defined in section 7-324 or municipal special services district established under chapter 105a;

[(10)] (11) “Organization” means a corporation, partnership, association, trust or any other legal entity or an individual operating under a trade name or a name having appended to it a commercial, occupational or professional designation;

[(11)] (12) “Property tax” has the meaning given to the term in section 7-560; and

[(12)] (13) “Property tax debtor” means any natural person or organization who has incurred indebtedness or owes a debt to a municipality due to a levy by such municipality of a property tax.

(14) “Unique identifier” has the same meaning as provided in section 36a-485, as amended by this act.

Sec. 79. Section 36a-801 of the general statutes, as amended by section 30 of public act 17-233, and section 14 of public act 17-236, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) No person shall act within this state as a consumer collection agency, directly or indirectly, unless such person has first obtained a required consumer collection agency license for such person's main office and for each branch office where such person's business is conducted. A consumer collection agency is acting within this state if it (1) has its place of business located within this state; (2) has its place of business located outside this state and (A) collects from consumer debtors, property tax debtors or federal income tax debtors who reside within this state for creditors who are located within this state, or (B) collects from consumer debtors, property tax debtors or federal income tax debtors who reside within this state for such consumer collection agency's own account; (3) has its place of business located outside this state and regularly collects from consumer debtors, property tax debtors or federal income tax debtors who reside within this state for creditors who are located outside this state; or (4) has its place of business located outside this state and is engaged in the business of collecting child support for creditors located within this state from consumer debtors who are located outside this state. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-800 to 36a-814, inclusive, as amended by this act, at any office which is not located in the United States.

(b) [Any person desiring to act within this state as a consumer collection agency shall make a written application to the commissioner for such license in such form as the commissioner prescribes.] An application for an initial or a renewal license as a consumer collection agency shall be made and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-800 to 36a-814, inclusive, as amended by this act. 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 branch managers responsible for the actions of the licensee, including, but not limited to information related to their personal

history and experience and 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control persons of the applicant, the qualified individual and any branch manager and require 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 amended from time to time, as part of an application. Such application shall be accompanied by [(1)] a financial statement prepared by a certified public accountant [or a public accountant which] and which, for all applicants other than an applicant who is solely engaged in the business of collecting or receiving payment on accounts, bills or other indebtedness from a consumer debtor for such person's own account and the indebtedness was acquired from another person and was either delinquent or in default at the time it was acquired, evidences that the applicant has a minimum tangible net worth of fifty thousand dollars, [the accuracy of which is sworn to under oath before a notary public by the proprietor, a general partner or a corporate officer or a member duly authorized to execute such documents, (2) (A) the history of criminal convictions of the (i) applicant; (ii) partners, if the applicant is a partnership; (iii) members, if the applicant is a limited liability company or association; or (iv) officers, directors and principal employees, if the applicant is a corporation, and (B) sufficient information pertaining to the history of criminal convictions of such applicant, partners, members, officers, directors and principal employees as the commissioner deems necessary to make the findings under subsection (c) of this section, (3) a license fee of eight hundred dollars, or in the case of an initial application that is filed not earlier than one year before the date such license will expire, a license fee of four hundred dollars, and (4) an investigation fee of one hundred dollars.] The commissioner shall cause to be made such inquiry and examination as to the qualifications of each such applicant or any [partner, member, officer, director or principal employee] control person, qualified individual and branch manager of the applicant as the

commissioner deems necessary. [The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the applicant and of each partner, member, officer, director and principal employee of such applicant.] Each applicant shall furnish satisfactory evidence to the commissioner that the applicant is a person of good moral character and is financially responsible.

(c) (1) Each applicant for a consumer collection agency license shall pay to the system any required fees or charges and a license fee of five hundred dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a consumer collection agency license shall pay to the system any required fees or charges and a renewal fee of four hundred dollars.

(2) If the commissioner finds, upon the filing of an application for a consumer collection agency, that [(1)] (A) the financial responsibility, character, reputation, integrity and general fitness of the applicant and the [partners of such applicant if the applicant is a partnership, of the members if the applicant is a limited liability company or association, and of the officers, directors and principal employees if the applicant is a corporation,] control persons, qualified individual and any branch manager are such to warrant belief that the business will be operated soundly and efficiently, in the public interest and consistent with the purposes of sections 36a-800 to [36a-812] 36a-814, inclusive, as amended by this act, and [(2)] (B) the applicant is solvent and no proceeding in bankruptcy, receivership or assignment for the benefit of creditors has been commenced against the applicant, the commissioner may, upon such finding, issue the applicant a consumer collection agency license. If the commissioner fails to make such findings, the commissioner shall not issue a license and shall notify the applicant of the reasons for such denial. The commissioner may deny an application if the commissioner finds that the applicant or any [partner, member, officer, director or principal employee] control person, qualified individual or branch manager of such applicant has been convicted of any misdemeanor involving any aspect of the consumer collection agency business, or any felony. Any denial of an application by the commissioner

shall, when applicable, be subject to the provisions of section 46a-80. [Any such license issued by the commissioner shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance, unless such license is renewed. The commissioner may renew such application, in the commissioner's discretion, upon filing of a proper renewal application accompanied by a license fee of eight hundred dollars, and satisfactory proof that such applicant at that time possesses the required qualifications for the license. The commissioner may deny a renewal application if the commissioner finds that the applicant has been convicted of any misdemeanor involving any aspect of the consumer collection agency business, or any felony. Any denial of an application by the commissioner shall, when applicable, be subject to the provisions of section 46a-80. Such renewal application shall be filed with the commissioner on or before September first of the year in which the license expires. Any renewal application filed with the commissioner after September first shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182. Whenever an application for a license, other than a renewal application, is filed under sections 36a-800 to 36a-812, inclusive, by any person who was a licensee under said sections 36a-800 to 36a-812, inclusive, and whose license expired less than sixty days prior to the date such application was filed, such application shall be accompanied by a one-hundred-dollar processing fee in addition to the application fee.]

(3) The minimum standards for renewal of a consumer collection agency license shall include the following: (A) The applicant continues to meet the minimum standards under this section; (B) the applicant has paid all required fees for renewal of the license; and (C) the applicant has paid any outstanding examination fees or other moneys due to the commissioner. The license of a consumer collection agency licensee failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system. Every license shall remain in force and effect until the license has been surrendered, revoked, suspended, or has expired in accordance with the provisions of sections 36a-800 to 36a-814, inclusive, as amended by this act.

(d) To further the enforcement of this section and to determine the eligibility of any person holding a license, the commissioner may, as often as the commissioner deems necessary, examine the licensee's books

and records, and may, at any time, require the licensee to submit such a financial statement for the examination of the commissioner, so that the commissioner may determine whether the licensee is financially responsible to carry on a consumer collection agency business within the intents and purposes of sections 36a-800 to [36a-812] 36a-814, inclusive, as amended by this act. Any financial statement submitted by a licensee shall be confidential and shall not be a public record unless introduced in evidence at a hearing conducted by the commissioner.

[(e) The applicant or licensee shall notify the commissioner, in writing, of any change in the information provided in its initial application for a license or most recent renewal application for such license, as applicable, not later than ten business days after the occurrence of the event that results in such information becoming inaccurate.]

[(f) (e) The commissioner may deem an application for a license to act as a consumer collection agency abandoned if the applicant fails to respond to any request for information required under sections 36a-801 to [36a-812] 36a-814, inclusive, as amended by this act, or any regulations adopted pursuant to said sections 36a-801 to [36a-812] 36a-814, inclusive, as amended by this act. The commissioner shall notify the applicant [, in writing,] on the system that if the applicant fails to submit such information not later than sixty days after the date on which such request for information was made, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under sections 36a-801 to [36a-812] 36a-814, inclusive, as amended by this act.

(f) (1) If a licensee will cease to engage in this state in the business of a consumer collection agency for any reason, including, but not limited to, a business decision to terminate operations in this state, bankruptcy or voluntary dissolution, such licensee shall request surrender in accordance with subsection (c) of section 36a-51, as amended by this act, its license for each location in which such licensee has ceased to engage in such business at least thirty days prior to the date it shall cease business. (2) Except as otherwise specified in subsection (i) of this section, each consumer collection agency applicant, each such licensee, and each individual designated as a

control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change. (3) A consumer collection licensee shall file with the system or, if the information cannot be filed on the system, notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(A) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(B) Filing of a criminal indictment against the licensee in any way related to the consumer collection activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons, branch managers or its qualified individual;

(C) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers or its qualified individual and the reasons therefor;

(D) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor;

(E) Receiving notification of filing for bankruptcy of any of the licensee's control persons, branch managers or its qualified individual; or

(F) Any decrease in tangible net worth from the minimum amount that is required pursuant to subsection (b) of this section.

(g) [If the commissioner determines that a check filed with the commissioner to pay a fee under subsection (b) of this section has been dishonored, the commissioner shall automatically suspend the license or a renewal license that has been issued but is not yet effective. The commissioner shall 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.] In accordance with section 36a-24b, the

commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-804, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(h) No abatement of the license fee shall be made if the application is denied or withdrawn prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. All fees required by this section shall be nonrefundable.

(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. [Any change of location of a place of business of a licensee shall require prior written notice to the commissioner.] No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if at least thirty calendar days prior to such change, the licensee files such change with the system and provides a bond rider or endorsement, or addendum, as applicable, to the surety bond on file with the commissioner that reflects the new name or address, and the commissioner does not disapprove such change, in writing, or request further information 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-812] 36a-814, inclusive, as amended by this act, as to each new licensee. A license shall not be transferable or assignable. Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval. 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. In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of this subsection. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-804, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(j) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and pay the applicable fees or charges to the system. Each consumer collection agency licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision.

(k) The unique identifier of any person licensed under section 36a-801, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-801, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-801 to 36a-814, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 80. Section 36a-802 of the general statutes is repealed and the following is substituted in lieu thereof
(Effective October 1, 2018):

(a) No such license and no renewal thereof shall be granted to a [third party]consumer collection agency other than a consumer collection agency solely engaged in the business of collecting or receiving payment on accounts, bills or other indebtedness from a consumer debtor for such person's own account and the indebtedness was acquired from another person and was either delinquent or in default at the time it was acquired, 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, 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, as amended by this act. 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 stating the date cancellation shall take effect. [Such notice] If the surety bond required by this section was issued electronically on the system, written notice of cancellation may be provided by the surety company to the principal through the system at least thirty days prior to the date of cancellation. Otherwise, notice of cancellation shall be sent by certified mail to the licensee 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. If the surety bond required by this section was issued electronically on the system, written notice may be provided by the surety company to the commissioner through the system not less than thirty days prior to the effective date of cancellation, otherwise, such notice shall be sent to the commissioner by certified mail no later 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 give the licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew and an opportunity for a hearing on such actions in accordance with section 36a-51, as amended by this act, and require the licensee to take or refrain from taking such action as in the opinion of the commissioner will effectuate the purposes of this section.

Sec. 81. Section 36a-804 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may suspend, revoke or refuse to renew any license or take any other action, in accordance with the provisions of section 36a-51, as amended by this act, for any reason which would be sufficient grounds for the commissioner to deny an application for a license under sections 36a-800 to [36a-812] 36a-814, inclusive, as amended by this act, or if the commissioner finds that the licensee or any [proprietor, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager, trustee, employee or agent of such licensee has done any of the following: (1) Made any material misstatement in the application or in any filing made in connection with the license; (2) committed any fraud or misrepresentation or misappropriated funds; or (3) violated any of the provisions of [sections 36a-800 to 36a-812, inclusive] this title, or of any [regulations] regulation or order adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business.

(b) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate any of the provisions of sections 36a-800 to 36a-812, inclusive, as amended by this act, or any

regulation adopted pursuant thereto, or (2) person is, was or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation; or (3) the licensee or any [proprietor, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager, trustee, employee or agent of such licensee has committed any fraud, made any misrepresentation or misappropriated funds, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) The commissioner may order a licensee to remove any individual conducting business under sections 36a-800 to 36a-814, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the consumer collection agency business in this state in accordance with section 5 of this act.

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 82. Subsection (a) of section 36a-805 of the general statutes, as amended by section 31 of public act 17-233, and section 11 of public act 17-236, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) No consumer collection agency or control person shall: (1) Furnish legal advice or perform legal services or represent that it is competent to do so, or institute judicial proceedings on behalf of others; (2) communicate with consumer debtors, property tax debtors or federal income tax debtors in the name of an attorney or upon the stationery of an attorney, or prepare any forms or instruments which only attorneys are authorized to prepare; (3) receive assignments as a third party of claims for the purpose of collection or institute suit thereon in any court; (4) assume authority on behalf of a creditor to employ or terminate the services of an attorney unless such creditor has authorized such agency in writing to act as such creditor's agent in the selection of an attorney to collect the creditor's accounts; (5) demand or obtain in any manner a share of the proper compensation for services performed by an attorney in collecting a claim, whether or not such agency has previously attempted collection thereof; (6) solicit claims for collection under an ambiguous or deceptive

contract; (7) refuse to return any claim or claims upon written request of the creditor, claimant or forwarder, which claims are not in the process of collection after the tender of such amounts, if any, as may be due and owing to the agency; (8) advertise or threaten to advertise for sale any claim as a means of forcing payment thereof, unless such agency is acting as the assignee for the benefit of creditors; (9) refuse or fail to account for and remit to its clients all money collected which is not in dispute within sixty days from the last day of the month in which said money is collected; (10) refuse or intentionally fail to return to the creditor all valuable papers deposited with a claim when such claim is returned; (11) refuse or fail to furnish at intervals of not less than ninety days, upon the written request of the creditor, claimant or forwarder, a written report upon claims received from such creditor, claimant or forwarder; (12) add any post-charge-off charge or fee for cost of collection, unless such cost is a court cost, to the amount of any claim which it receives for collection or knowingly accept for collection any claim to which any such charge or fee has already been added to the amount of the claim unless (A) the consumer debtor is legally liable for such charge or fee as determined by the contract or other evidence of an agreement between the consumer debtor and creditor, a copy of which shall be obtained by or available to the consumer collection agency from the creditor and maintained as part of the records of the consumer collection agency or the creditor, or both, and (B) the total charge or fee for cost of collection does not exceed fifteen per cent of the total amount actually collected and accepted as payment in full satisfaction of the debt; (13) use or attempt to use or make reference to the term “bonded by the state of Connecticut”, “bonded” or “bonded collection agency” or any combination of such terms or words, except the word “bonded” may be used on the stationery of any such agency in type not larger than twelve-point; (14) when the debt is beyond the statute of limitations, fail to provide the following disclosure in type not less than ten-point informing the consumer debtor in its initial communication with such consumer debtor that (A) when collecting on debt that is not past the date for obsolescence provided for in Section 605(a) of the Fair Credit Reporting Act, 15 USC 1681c: “The law limits how long you can be sued on a debt. Because of the age of your debt, (INSERT OWNER NAME) will not sue you for it. If you do not pay the debt, (INSERT OWNER NAME) may report or continue to report it to the credit reporting agencies as unpaid”; and (B) when collecting on debt that is past the date for obsolescence provided for in Section 605(a) of the Fair Credit Reporting Act, 15 USC 1681c: “The law

limits how long you can be sued on a debt. Because of the age of your debt, (INSERT OWNER NAME) will not sue you for it and (INSERT OWNER NAME) will not report it to any credit reporting agencies.”; (15) engage in any activities prohibited by sections 36a-800 to [36a-812] 36a-814, inclusive, as amended by this act; or (16) fail to establish, enforce and maintain policies and procedures for supervising employees, agents and office operations that are reasonably designed to achieve compliance with applicable consumer collection laws and regulations.

Sec. 83. Subsection (b) of section 36a-811 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(b) Each [third party] consumer collection agency other than a consumer collection agency solely engaged in the business of collecting or receiving payment on accounts, bills or other indebtedness from a consumer debtor for such person’s own account and the indebtedness was acquired from another person and was either delinquent or in default at the time it was acquired, 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.

Sec. 84. Section 36a-846 of the general statutes, as amended by section 32 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

As used in this section and sections 36a-847 to 36a-854, as amended by this act:

(1) “Advertise” or “advertising” has the same meaning as provided in section 36a-485, as amended by this act;

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

[(2)] (3) “Control person” has the same meaning as provided in section 36a-485, as amended by this act;

(4) “Main office” means the main address designated on the system;

[(3)] (5) “Student loan borrower” means [(A) any resident of] an individual who resides within this state and who has [received or] agreed to [pay a student education loan; or (B) any person who shares responsibility with such resident for repaying] repay [the] a student education loan;

[(4)] (6) “Student loan servicer” means any person, wherever located, responsible for the servicing of any student education loan to any student loan borrower who resides within this state;

[(5)] (7) “Servicing” means (A) receiving any scheduled periodic payments from a student loan borrower pursuant to the terms of a student education loan; (B) applying the payments of principal and interest and such other payments with respect to the amounts received from a student loan borrower, as may be required pursuant to the terms of a student education loan; or (C) performing other administrative services with respect to a student education loan;

[(6)] (8) “Student education loan” means any loan primarily for personal use to finance education or other school-related expenses; [.]

(9) “Unique identifier” has the same meaning as provided in section 36a-485, as amended by this act.

Sec. 85. Section 36a-847 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) (1) No person shall act as a student loan servicer, directly or indirectly, without first obtaining a required license for its main office and for each branch office where such business is conducted from the

[Banking Commissioner] commissioner under subsection (b) of this section, unless such person is exempt from licensure pursuant to subdivision (2) of this subsection. No person shall conduct any activity that is subject to licensure pursuant to sections 36a-846 to 36a-854, inclusive, as amended by this act, at any office which is not located in the United States.

(2) The following persons are exempt from student loan servicer licensing requirements: (A) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union; (B) any wholly owned subsidiary of any such bank or credit union; and (C) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same bank or credit union.

(b) [Any person seeking to act within this state as a student loan servicer shall make a written application to the commissioner for an initial license in such form as the commissioner prescribes.] (1) An application for an initial or a renewal license as a student loan servicer shall be made and processed on the system pursuant to section 36a-24b, in the form prescribed by the commissioner on 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 purposes of sections 36a-846 to 36a-854, inclusive, as amended by this act. 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 branch managers responsible for the actions of the licensee, including, but not limited to, information related to their personal history and experience and 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, the qualified individual and any branch manager, 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. The commissioner, in accordance with section 36a-24b, may investigate the financial condition of the applicant, any control persons of the applicant, the qualified individual, and any branch manager and require 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 amended

from time to time, as part of an application. Such application shall be accompanied by [(1)] a financial statement prepared by a certified public accountant, [or a public accountant the accuracy of which is sworn to under oath before a notary public by the proprietor, a general partner or a corporate officer or a member duly authorized to execute such documents, (2) (A) the history of criminal convictions of the (i) applicant; (ii) partners, if the applicant is a partnership; (iii) members, if the applicant is a limited liability company or association; or (iv) officers, directors and principal employees, if the applicant is a corporation, and (B) sufficient information pertaining to the history of criminal convictions of such applicant, partners, members, officers, directors or principal employees as the commissioner deems necessary to make the findings under subsection (c) of this section, (3) a nonrefundable license fee of one thousand dollars, and (4) a nonrefundable investigation fee of eight hundred dollars. The commissioner, in accordance with section 29-17a, may conduct a state and national criminal history records check of the applicant and of each partner, member, officer, director and principal employee of such applicant.] except that this requirement may be waived by the commissioner in connection with a renewal application after such time the system requires annual reports of condition capturing financial statement information and the licensee has filed such information in accordance with section 36a-848, as amended by this act.

(2) Each applicant for a student loan servicer license shall pay to the system any required fees or charges and a license fee of nine hundred dollars. Each such license shall expire at the close of business on December thirty-first of the year in which the license was approved, unless such license is renewed, and provided any such license that is approved on or after November first shall expire at the close of business on December thirty-first of the year following the year in which it is approved. An application for renewal of a license shall be filed between November first and December thirty-first of the year in which the license expires. Each applicant for renewal of a student loan servicer license shall pay to the system any required fees or charges and a renewal fee of nine hundred dollars.

(3) Every license shall remain in force and effect until the license has been surrendered, revoked, suspended, or has expired in accordance with the provisions of sections 36a-846 to 36a-854, inclusive, as amended by this act. No abatement of the license fee shall be made if the application is denied or withdrawn

prior to issuance of the license or if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued. All fees required by this section shall be nonrefundable.

(c) Upon the filing of an application for an initial license and the payment of [the] required fees, [for license and investigation,] the commissioner shall investigate the financial condition and responsibility, financial and business experience, character and general fitness of the applicant. The commissioner may issue a license if the commissioner finds that:

(1) The applicant's financial condition is sound;

(2) The applicant's business will be conducted honestly, fairly, equitably, carefully and efficiently within the purposes and intent of sections 36a-846 to 36a-854, inclusive, as amended by this act, and in a manner commanding the confidence and trust of the community;

(3) [(A) If the applicant is an individual, such individual is in all respects properly qualified and of good character, (B) if the applicant is a partnership, each partner is in all respects properly qualified and of good character, (C) if the applicant is a corporation or association, the president, chairperson of the executive committee, senior officer responsible for the corporation's business and chief financial officer or any other person who performs similar functions as determined by the commissioner, each director, each trustee and each shareholder owning ten per cent or more of each class of the securities of such corporation or (D) if the applicant is a limited liability company, each member is in all respects properly qualified and of good character;] Each control person, qualified individual, branch manager, and any trustee is in all respects properly qualified and of good character, including but not limited to assessment of any criminal convictions and assessment of financial character, and provided that any denial based on criminal convictions shall be subject to the provisions of section 46a-80;

(4) No control person, qualified individual, branch manager or other person on behalf of the applicant knowingly has made any incorrect statement of a material fact in the application, or in any report or statement made pursuant to sections 36a-846 to 36a-854, inclusive, as amended by this act;

(5) No control person, qualified individual, branch manager or other person on behalf of the applicant knowingly has omitted to state any material fact necessary to give the commissioner any information lawfully required by the commissioner;

(6) The applicant has paid the [investigation fee and the license fee] fees required under subsection (b) of this section; and

(7) The applicant has met any other similar requirements as determined by the commissioner.

(d) [A license issued pursuant to subsection (c) of this section shall expire at the close of business on September thirtieth of the odd-numbered year following its issuance, unless renewed or earlier surrendered, suspended or revoked pursuant to sections 36a-846 to 36a-854, inclusive.] Not later than fifteen days after a licensee ceases to engage in the business of student loan servicing in this state for any reason, including a business decision to terminate operations in this state, [license revocation,] bankruptcy or voluntary dissolution, such licensee [shall provide written notice of surrender to the commissioner and] shall surrender to the commissioner in accordance with subsection (c) of section 36a-51, as amended by this act, its license for each location in which such licensee has ceased to engage in such business. The [written notice of surrender] licensee shall also identify, in writing, to the commissioner the location where the records of the licensee will be stored and the name, address and telephone number of an individual authorized to provide access to the records. The surrender of a license does not reduce or eliminate the licensee's civil or criminal liability arising from acts or omissions occurring prior to the surrender of the license, including any administrative actions undertaken by the commissioner to revoke or suspend a license, assess a civil penalty, order restitution or exercise any other authority provided to the commissioner.

(e) [A license may be renewed for the ensuing twenty-four-month period upon the filing of an application containing all required documents and fees as provided in subsection (b) of this section. Such renewal application shall be filed on or before September first of the year in which the license expires. Any renewal application filed with the commissioner after September first shall be accompanied by a one-hundred-dollar late fee and any such filing shall be deemed to be timely and sufficient for purposes of subsection (b) of section 4-182.] If an application for a renewal license has been filed with the commissioner on or before the date the

license expires, the license sought to be renewed shall continue in full force and effect until the issuance by the commissioner of the renewal license applied for or until the commissioner has notified the licensee in writing of the commissioner's refusal to issue such renewal license together with the grounds upon which such refusal is based. The commissioner may refuse to issue a renewal license; [on] (1) On any ground on which the commissioner might refuse to issue an initial license; or (2) if the applicant has not paid any required fee for renewal, or has not paid any outstanding examination fees or other moneys due to the commissioner. The license of a student loan servicer failing to satisfy the minimum standards for license renewal shall expire. The commissioner may adopt procedures for the reinstatement of expired licenses consistent with the standards established by the system.

(f) If the commissioner determines that a check filed with the commissioner to pay a license or renewal fee has been dishonored, the commissioner shall automatically suspend the license or the renewal license that has been issued but is not yet effective. The commissioner shall 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.

(g) The applicant or licensee shall notify the commissioner, in writing, of any change in the information provided in its initial application for a license or its most recent renewal application for such license, as applicable, not later than ten business days after the occurrence of the event that results in such information becoming inaccurate.]

(f) In accordance with section 36a-24b, the commissioner may automatically suspend the license of any licensee who has received a deficiency on the system indicating that a required payment was Returned-ACH or returned pursuant to any other term as may be utilized by the system to indicate that payment was not accepted. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-852, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that, in the opinion of the commissioner, will effectuate the purposes of this section.

(g) Except as specified in section 36a-848, as amended by this act, the applicant or licensee, and each individual designated as a control person, qualified individual and branch manager, shall file any change in their respective information most recently submitted to the system in connection with the application or license, or, if the information cannot be filed on the system, notify the commissioner, in writing, of such change in the information within fifteen days from the date such person had reason to know of the change.

(h) The commissioner may deem an application for a license abandoned if the applicant fails to respond to any request for information required under sections 36a-846 to 36a-854, inclusive, as amended by this act, or any regulations adopted pursuant to said sections. The commissioner shall notify the applicant [, in writing,] on the system that if the applicant fails to submit such information not later than sixty days after the date on which such request for information was made, the application shall be deemed abandoned. An application filing fee paid prior to the date an application is deemed abandoned pursuant to this subsection shall not be refunded. Abandonment of an application pursuant to this subsection shall not preclude the applicant from submitting a new application for a license under the provisions of sections 36a-846 to 36a-854, inclusive, as amended by this act.

Sec. 86. Section 36a-848 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) No person licensed to act within this state as a student loan servicer shall do so under any other name or at any other place of business than that named in the license. [Any change of location of a place of business of a licensee shall require prior written notice to the commissioner.] No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if at least thirty calendar days prior to such change, the licensee files such change with the system and the commissioner does not disapprove such change, in writing, or request further information 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-846 to 36a-854, inclusive, as amended by this act, as to each new licensee.

(b) A license shall not be transferable or assignable. Any change in any control person shall be the subject of an advance change notice filed on the system at least sixty days prior to the effective date of such change and any change shall not occur without the commissioner's approval.

(c) In addition to any other action available to the commissioner, the commissioner may automatically suspend any license for a violation of subsection (a) or (b) of this section. After the license has been automatically suspended pursuant to this subsection, the commissioner shall give such licensee notice of the automatic suspension pending proceedings for revocation or refusal to renew pursuant to section 36a-852, as amended by this act, and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and require such licensee to take or refrain from taking such action that in the opinion of the commissioner, will effectuate the purposes of this section.

(d) A student loan servicer licensee shall file with the system or, if the information cannot be filed on the system, notify the commissioner, in writing, of the occurrence of any of the following developments within fifteen days of the date that the licensee had reason to know of the development:

(1) Filing for bankruptcy or the consummation of a corporate restructuring of the licensee;

(2) Filing of a criminal indictment against the licensee in any way related to the student loan servicer activities of the licensee, or receiving notification of the filing of any criminal felony indictment or felony conviction of any of the licensee's control persons, branch managers or its qualified individual;

(3) Receiving notification of the institution of license denial, cease and desist, suspension or revocation procedures, or other formal or informal action by any governmental agency against the licensee or any of its control persons, branch managers, or its qualified individual and the reasons therefor;

(4) Receiving notification of the initiation of any action against the licensee or any of its control persons, branch managers or qualified individual by the Attorney General or the attorney general of any other state and the reasons therefor; or

(5) Receiving notification of filing for bankruptcy of any of the licensee's control persons, branch managers, or its qualified individual.

(e) Any person making any filing or submission of any information on the system shall do so in accordance with the procedures and requirements of the system and shall pay the applicable fees or charges to the system. Each student loan servicer licensee, to the extent required by the system, shall timely submit to the system accurate reports of condition that shall be in such form and shall contain such information as the system may require. Failure by a licensee to submit a timely and accurate report of condition shall constitute a violation of this provision.

(f) The unique identifier of any person licensed under section 36a-847, as amended by this act, shall be clearly shown on all solicitations or advertisements, including business cards or web sites, and any other documents as established by rule, regulation or order of the commissioner, and shall be clearly stated in all audio solicitations or advertisements. The advertising of any person licensed under section 36a-847, as amended by this act: (1) Shall not include any statement that such person is endorsed in any way by this state, except it may include a statement that such person is licensed in this state; (2) shall not include any statement or claim which is deceptive, false or misleading; (3) shall otherwise conform to the requirements of sections 36a-846 to 36a-854, inclusive, as amended by this act, any regulations issued thereunder, and any other applicable law; and (4) shall be retained for two years from the date of its use.

Sec. 87. Section 36a-850 of the general statutes, as amended by section 33 of public act 17-233, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

No person who is required to be licensed and who is subject to the provisions of sections 36a-846 to 36a-854, inclusive, as amended by this act, and no control person shall, directly or indirectly:

(1) Employ any scheme, device or artifice to defraud or mislead student loan borrowers;

(2) Engage in any unfair or deceptive practice toward any person or misrepresent or omit any material information in connection with the servicing of a student education loan, including, but not limited to, misrepresenting the amount, nature or terms of any fee or payment due or claimed to be due on a student education loan, the terms and conditions of the loan agreement or the borrower's obligations under the loan;

(3) Obtain property by fraud or misrepresentation;

(4) Knowingly misapply or recklessly apply student education loan payments to the outstanding balance of a student education loan;

(5) Knowingly or recklessly provide inaccurate information to a credit bureau, thereby harming a student loan borrower's creditworthiness;

(6) Fail to report both the favorable and unfavorable payment history of the student loan borrower to a nationally recognized consumer credit bureau at least annually if the student loan servicer licensee regularly reports information to a credit bureau;

(7) Refuse to communicate with an authorized representative of the student loan borrower who provides a written authorization signed by the student loan borrower, provided the student loan servicer licensee may adopt procedures reasonably related to verifying that the representative is in fact authorized to act on behalf of the student loan borrower;

(8) Negligently make any false statement or knowingly and wilfully make any omission of a material fact in connection with any information or reports filed with a governmental agency or in connection with any investigation conducted by the commissioner or another governmental agency; [or]

(9) Fail to establish, enforce and maintain policies and procedures for supervising employees, agents and office operations that are reasonably designed to achieve compliance with applicable student loan servicing laws and regulations; [.]or

(10) Fail to comply with the service standards set by the commissioner in accordance with section 59 of public act 16-65.

Sec. 88. Section 36a-852 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may suspend, revoke or refuse to renew any license issued under [the provisions of subsection (c) of] section 36a-847, as amended by this act, or take any other action, in accordance with section 36a-51, as amended by this act, if the commissioner finds that (1) the licensee or any control person, qualified individual, branch manager, trustee, employee or agent of the licensee has violated any provision of [sections

36a-846 to 36a-854, inclusive] this title, or of any regulation or order [lawfully made pursuant to and within the authority of said sections, or] adopted or issued pursuant thereto, or any other law or regulation applicable to the conduct of its business, or (2) any fact or condition exists which, if it had existed at the time of the original application for the license, clearly would have warranted a denial of such license. [No abatement of the license fee shall be made if the license is surrendered, revoked or suspended prior to the expiration of the period for which it was issued.]

(b) Whenever it appears to the commissioner that any: [person] (1) Person has violated, is violating or is about to violate any of the provisions of sections 36a-846 to 36a-854, inclusive, as amended by this act, or any regulation adopted pursuant to said sections, or [any] (2) person is, was, or would be a cause of the violation of any such provision or regulation due to an act or omission such person knew or should have known would contribute to such violation, or (3) licensee or any [owner, director, officer, member, partner, shareholder,] control person, qualified individual, branch manager trustee, employee or agent of such licensee has committed any fraud, engaged in dishonest activities or made any misrepresentation, the commissioner may take action against such person or licensee in accordance with sections 36a-50 and 36a-52.

(c) The commissioner may order a licensee to remove any individual conducting business under sections 36a-846 to 36a-854, inclusive, as amended by this act, from office and from employment or retention as an independent contractor in the student loan servicer business in this state in accordance with section 5 of this act.

(d) The commissioner may issue a temporary order to cease business under a license if the commissioner determines that such license was issued erroneously. Such temporary order shall be in issued in accordance with subsection (j) of section 36a-24b.

Sec. 89. Subsection (b) of section 36a-59 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(b) The commissioner may enter into cooperative, coordinating or information-sharing agreements with any other state or federal supervisory agency or any organization affiliated with or representing such supervisory agency with respect to the examination, examination fees or other supervision of any person subject to the

provisions of sections 36a-485 to [36a-812] 36a-854, inclusive, as amended by this act. Any such agreement may include provisions concerning the assessment or sharing of fees for such examination or supervision.

Sec. 90. Section 36a-544 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may adopt regulations, in accordance with chapter 54, as necessary to carry out the provisions of sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act, including the defining of any terms, whether or not used in said sections, so far as the definitions are not inconsistent with the provisions of said sections.

(b) No regulation may be adopted under this section unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of purchasers and consistent with the purposes fairly intended by the policy and provisions of sections 36a-535 to [36a-546] 36a-547, inclusive, as amended by this act.

Sec. 91. Section 36a-546 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

Any individual, corporation, partnership, limited partnership, association or other unincorporated enterprise, and any responsible officer, partner or employee thereof, who wilfully fails to comply with or violates any of the provisions of sections 36a-535 to 36a-545, inclusive, as amended by this act, and section 36a-547 or who engages in business as a sales finance company without being licensed as a sales finance company by the commissioner in accordance with the provisions of said sections, shall be fined not more than five hundred dollars or imprisoned not more than six months or both.

Sec. 92. Subsection (a) of section 36a-679 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(a) The commissioner may adopt regulations, in accordance with chapter 54, to carry out the provisions of the Connecticut Truth-in-Lending Act, [sections 36a-567, 36a-568,] subdivision (13) of subsection (c) of section 36a-770, and sections 36a-771, 36a-774 and 36a-777. Such regulations shall be consistent with the policy of this state as provided in section 36a-677 and the Consumer Credit Protection Act.

Sec. 93. Section 36a-498f of the general statutes, as amended by public act 17-38, and sections 36a-572, 36a-719i and 36a-851 of the general statutes are repealed (*Effective October 1, 2018*).

Statement of Purpose: To restate consumer credit licensing consistent with Section 36a-24b, Orders of the Commissioner and current use of the Nationwide Multistate Licensing System and Registry and to maximize consistency in qualifications and procedures for licensure and the Banking Commissioner's authority across all license types.

Agency Legislative Proposal - 2018 Session

Document Name (e.g. OPM1015Budget.doc; OTG1015Policy.doc): [DOBFID2018LegProposal.docx](#)

(If submitting electronically, please label with date, agency, and title of proposal – 092611_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: [Amy LaChance](#) (860-240-8152 or amy.lachance@ct.gov)

Title of Proposal: [An Act Concerning Connecticut Credit Union Service Organizations and Connecticut Uninsured Banks](#)

Statutory Reference: [36a-2](#), [36a-461a](#), [36a-65](#), [36a-70](#)

Proposal Summary:

This proposal clarifies existing law regarding Connecticut credit union service organizations (“CUSOs”) by (1) updating the definition of Connecticut CUSO to include a wholly-owned CUSO of a credit union that has converted to a Connecticut charter and (2) providing a mechanism by which a Connecticut credit union must notify the department if it intends to close a CUSO. In addition, this proposal modifies two areas related to the organization of new banks (assessments and determinations) in order to reflect the unique nature of an uninsured bank.

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)?*
- (3) *Have certain constituencies called for this action?*
- (4) *What would happen if this was not enacted in law this session?*

CT CUSOs: (1) As more credit unions converted to our state charter recently, FID realized that a wholly-owned CUSO of a converted credit union would not necessarily fit into the current definition of “Connecticut credit union service organization” – although it is important that such CUSOs be subject to the same regulation as CUSOs initially formed under our statutes. We believe clarifying the definition of a “Connecticut credit union service organization” is appropriate and necessary to insure the safety and soundness of these credit unions. (2) FID also encountered an apparent oversight in our statutes when a credit union was closing its CUSO this year – there is no explicit mechanism for notification or action on the closing of a CT CUSO. We think adding a provision requiring notice of such a closing, modeled after other statutes for notification of branch closings, etc., is necessary. Uninsured Banks: In light of a



recent application for an uninsured bank charter, FID believes certain changes to our organization and assessment statutes (36a-70 and 36a-65) are necessary to reflect and accommodate the nuances of an uninsured charter (vs. an insured domestic bank). In addition, the change to the assessment rate is critical to the viability of the proposed uninsured bank (TNB) that hopes to receive a final certificate of authority in 2018.

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)
No municipal fiscal impact anticipated.

State



No significant state fiscal impact is anticipated. The changes related to uninsured banks may result in an uptick in applications that would generate additional revenue in application fees and potential exam and assessment fees that the Department would not otherwise see under the existing assessment structure (which does not support certain uninsured bank models).

Federal

No federal fiscal impact anticipated.

Additional notes on fiscal impact

Click here to enter text.

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

The proposed changes related to CT CUSOs would mirror current FID practice, and would not present any significant divergence from policy. The proposed changes related to uninsured banks would not only support the viability of the proposed uninsured bank presently in organization (TNB), but would also create a flexible path for chartering uninsured banks that could promote innovation in the marketplace.



Insert fully drafted bill here

Section 1. Subdivision (14) of section 36a-2 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

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

Sec. 2. Section 36a-461a of the general statutes is amended by adding subsection (l) as follows (*Effective upon passage*):

(NEW) (l) A Connecticut credit union that proposes to close a Connecticut credit union service organization 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 credit union service organization.

Sec. 3. Section 36a-65 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

(a)(1) [The] Except as provided in subsection (e) of this section, commissioner shall annually, on or after July first for the fiscal year commencing on said July first, collect pro rata based on asset size from each Connecticut bank and each Connecticut credit union an amount sufficient in the commissioner's judgment to meet the expenses of the Department of Banking, including a reasonable reserve for contingencies, provided the commissioner shall not collect such amount from a newly organized Connecticut credit union until July first following the third full calendar year after issuance by the commissioner of such credit union's certificate of authority. Such assessments and expenses shall not exceed the budget estimates submitted in accordance with section 36a-13.

(2) In addition to any license, investigation or examination fee required under this title, the commissioner may levy assessments on persons licensed as money transmitters pursuant to sections 36a-595 to 36a-612, inclusive, and persons licensed as student loan servicers pursuant to sections 36a-846 to 36a-854, inclusive. The commissioner shall annually, on or after July first for the fiscal year commencing on said July first, collect such additional amounts sufficient in the commissioner's judgment to meet the expenses of the Department of Banking, including a reasonable reserve for contingencies. Such assessment shall be determined pro rata based on: (A) For licensed money



transmitters, dollar volume of money transmissions in this state, and (B) for licensed student loan servicers, dollar volume of student education loans, as defined in section 36a-846, of student loan borrowers serviced. Each such licensee shall pay the commissioner the amount allocated to it not later than the date specified by the commissioner for payment. Failure by a licensee to timely make such payment shall constitute a violation of this section and a basis upon which the commissioner may take action against such licensee pursuant to section 36a-51.

(3) Such assessments may be made more frequently than annually at the discretion of the commissioner. Such assessments for any fiscal year shall be reduced pro rata by the amount of any surplus from the assessments of prior fiscal years, which surplus shall be maintained in accordance with subdivision (4) of subsection (b) of this section. The commissioner may reduce any such assessment collected from a Connecticut bank up to the amount of any assessment for the same fiscal year collected from such bank by another state in which such bank has established a branch, limited branch or mobile branch. The commissioner may reduce any such assessment collected from a Connecticut credit union up to the amount of any assessment for the same fiscal year collected from such credit union by another state in which such credit union has established a branch. Such assessments for any fiscal year shall be a liability of such banks, credit unions and licensees as of the assessment date. Except as provided in this subsection, such assessments shall not be prorated for any reason.

(b) (1) Each such bank and credit union shall pay the commissioner the amount allocated to it not later than the date specified by the commissioner for payment. Any such bank or credit union shall pay the commissioner an additional two hundred dollars if such payment is not paid by the time specified. The provisions of this subdivision shall not apply to any person required to pay the commissioner any fee for license or registration or the whole cost of all examinations made by the commissioner.

(2) Except as provided in section 36a-60, the State Treasurer shall place all funds received from the commissioner in a special fund to be known as the State Banking Fund. Amounts in the fund may be expended only pursuant to appropriation by the General Assembly.

(3) The Comptroller shall determine for each fiscal year the expenses of the Department of Banking.

(4) The Secretary of the Office of Policy and Management shall examine the State Banking Fund annually after the Comptroller has made his determination and shall direct the Treasurer to set aside within the Banking Fund amounts in excess of a reasonable reserve for contingencies, which excess amounts shall be considered a surplus for the purposes of subsection (a) of this section.



(c) (1) The fee for an examination of a trust department of a Connecticut bank shall be the actual cost of the examination, as such cost is determined by the commissioner.

(2) The fee for an examination of a trust bank shall be the actual cost of the examination, as such cost is determined by the commissioner.

(3) The fee for an examination of a Connecticut credit union service organization is the actual cost of the examination, as such cost is determined by the commissioner.

(4) The fee for an examination of an out-of-state branch of a Connecticut bank or a branch in this state of an out-of-state bank shall be the actual cost of the examination, as such cost is determined by the commissioner, and the commissioner may share any such fee with other banking regulators in accordance with agreements entered into by the commissioner pursuant to subsection (j) of section 36a-145 and subdivision (5) of subsection (a) and subsection (b) of section 36a-412.

(5) The fee for an examination of an out-of-state branch of a Connecticut credit union or a branch in this state of an out-of-state credit union shall be the actual cost of the examination, as such cost is determined by the commissioner, and the commissioner may share any such fee with other state or federal credit union regulators in accordance with agreements entered into by the commissioner pursuant to subsection (f) of section 36a-462a and subsection (b) of section 36a-462b.

(6) A licensee under section 36a-489, 36a-541, 36a-556, 36a-581, 36a-600, 36a-628, 36a-656, 36a-671, 36a-719 or 36a-801 shall pay to the commissioner the actual cost of any examination of the licensee, as such cost is determined by the commissioner. If the licensee fails to pay such cost not later than sixty days after receipt of demand from the commissioner, the commissioner may suspend the license until such costs are paid.

(d) (1) The fee for investigating and processing each application is as follows:

(A) Establishment of (i) a branch under subdivision (1) of subsection (b) of section 36a-145, two thousand dollars; (ii) a mobile branch under subdivision (1) of subsection (d) of section 36a-145, one thousand five hundred dollars; (iii) a limited branch under subdivision (1) of subsection (c) of section 36a-145, one thousand five hundred dollars; (iv) a special need limited branch under subdivision (4) of subsection (c) of section 36a-145, five hundred dollars; (v) an out-of-state branch under subsection (j) of section 36a-145, a reasonable fee not to exceed two thousand dollars from which any fees paid to a state other than this state or to a foreign country in connection with the establishment shall be deducted; and



(vi) an out-of-state limited branch or mobile branch under subsection (j) of section 36a-145, a reasonable fee not to exceed one thousand five hundred dollars from which any fees paid to a state other than this state or to a foreign country in connection with the establishment shall be deducted.

(B) Sale of (i) a branch under subsection (i) of section 36a-145, two thousand dollars, except there shall be no fee for the sale of a branch of a Connecticut bank to another Connecticut bank or to a Connecticut credit union; and (ii) a limited branch, including a special need limited branch or mobile branch under subsection (i) of section 36a-145, a fee not to exceed one thousand five hundred dollars.

(C) Relocation of (i) a main office of a Connecticut bank under subsection (a) of section 36a-81, two thousand dollars; and (ii) a branch or a limited branch under subsections (g) and (k) of section 36a-145, five hundred dollars.

(D) Conversions from (i) a branch to a limited branch under subdivision (3) of subsection (c) of section 36a-145; and (ii) a limited branch to a branch under subdivision (3) of subsection (b) of section 36a-145, five hundred dollars.

(E) Merger or consolidation involving a Connecticut bank under section 36a-125 or subsection (a) of section 36a-126, two thousand five hundred dollars if two institutions are involved and five thousand dollars if three or more institutions are involved.

(F) Acquisition of assets or business under section 36a-210, two thousand five hundred dollars.

(G) Organization of a holding company under section 36a-181, two thousand five hundred dollars.

(H) Organization of any Connecticut bank under section 36a-70, including the conditional preliminary approval for an expedited bank, fifteen thousand dollars, except no fee shall be required for the organization of an interim Connecticut bank.

(I) Reorganization of a mutual savings bank or mutual savings and loan association into a mutual holding company under section 36a-192, five thousand dollars.

(J) Conversions under (i) sections 36a-135 to 36a-138, inclusive, five thousand dollars; (ii) sections 36a-139, 36a-139a and 36a-469c, two thousand five hundred dollars; and (iii) section 36a-139b, fifteen thousand dollars.

(K) Acquiring, altering or improving real estate for present or future use in the business of the bank or purchasing real estate adjoining any parcel of real estate owned by the bank under subdivision (33) of



subsection (a) of section 36a-250, five hundred dollars, except that no fee shall be charged for such application if it is filed in connection with an application to relocate a main office of a Connecticut bank under subsection (a) of section 36a-81 or establish (i) a branch in this state under subdivision (1) of subsection (b) of section 36a-145, (ii) a limited branch in this state under subdivision (1) of subsection (c) of section 36a-145, or (iii) a branch or limited branch outside of this state under subsection (j) of section 36a-145.

(L) Investigation and processing an interstate banking transaction application filed under section 36a-411 or 36a-412, two thousand five hundred dollars, unless the transaction otherwise requires an investigation and processing fee under this section.

(M) Issuance of a final certificate of authority for an expedited Connecticut bank, fifteen thousand dollars.

(N) Establishment of a loan production office under subsection (o) of section 36a-145 or subsection (d) of section 36a-412, one thousand dollars.

(2) The fee for investigating and processing each acquisition statement filed under section 36a-184 is two thousand five hundred dollars, except if the acquisition statement is filed in connection with a transaction that requires one or more applications, a reasonable fee not to exceed two thousand five hundred dollars.

(3) Any fee for processing a notice of closing of a branch, limited branch or special need limited branch under subdivision (1) of subsection (f) of section 36a-145, if charged, shall not exceed two thousand dollars. There shall be no fee for processing a notice of closing of any mobile branch.

(4) The fee for a miscellaneous investigation shall be the actual cost of the investigation, as such cost is determined by the commissioner.

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



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

Sec. 4. Subsection (h) of section 36a-70 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective upon passage*):

(h) (1) [The approving authority shall consider the following factors before granting a temporary certificate of authority: (A) The population of the area to be served by the proposed Connecticut bank; (B) the adequacy of existing banking facilities in the area to be served by the proposed Connecticut bank; (C) the convenience and necessity to the public of the proposed facilities; and (D) the character and experience of the proposed directors and officers. (2)] The application shall be approved if the approving authority determines that: (A) [That] the interest of the public will be served to advantage by the establishment of the proposed Connecticut bank; (B) [that conditions in the locality in which] the proposed bank [will transact business afford] shows reasonable promise of successful operation; and (C) [that] the proposed directors and officers possess the capacity, character and experience [and fitness] for the duties and responsibilities with which they will be charged. (2) In determining whether the public will be served to advantage, the approving authority shall consider the following factors in light of the proposed business plan of the proposed Connecticut bank: (A) The population of the area to be served by the proposed Connecticut bank; (B) the competitive effect of the proposed Connecticut bank on the availability and quality of services in the market area to be served; (C) the likely impact of the proposed Connecticut bank on other financial institutions in the market area to be served; and (D) the convenience and needs of the market area to be served. (3) Except as otherwise provided in subsections (p), (q), (r), (s) and (t) of this section, the approving authority shall be, in the case of an application to organize a bank and trust company or a capital stock savings bank, a majority of the commissioner, State Treasurer, and State Comptroller, and, in the case of an application to organize a mutual savings bank or a mutual or capital stock savings and loan association, the commissioner acting alone.

Agency Legislative Proposal - 2018 Session

Document Name (e.g. OPM1015Budget.doc; OTG1015Policy.doc): AAC Vulnerable Adults-Dept Banking-2017-12.docx

(If submitting electronically, please label with date, agency, and title of proposal – 092611_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: Securities and Business Investments Division

Agency Analyst/Drafter of Proposal: Lynn McKenna-Krumins (860-240-8232; lynn.mckenna-krumins@ct.gov) or Cynthia Antanaitis (860-240-8233; Cynthia.antanaitis@ct.gov)

Title of Proposal: An Act Concerning Vulnerable Adults

Statutory Reference: 36b-14

Proposal Summary:

This proposal provides a mechanism for securities broker-dealers and investment advisers to voluntarily report suspected cases of financial exploitation involving seniors and other vulnerable adults to the Banking Commissioner and to the Department of Social Services and authorizes a temporary disbursement delay from securities-related accounts in cases of such suspected financial exploitation.

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)?
- (3) Have certain constituencies called for this action?
- (4) What would happen if this was not enacted in law this session?

Recently, the Securities and Exchange Commission approved the adoption of new FINRA Rule 2165 (Financial Exploitation of Specified Adults) to permit securities broker-dealer firms to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation of these customers. New Rule 2165, which takes effect on February 5, 2018, affects broker-dealers registered in Connecticut. In addition, the North American Securities Administrators Association, Inc. (NASAA), an association of state securities regulators, drafted model statutory language which expands protection to clients of investment advisers and, among other things addresses reporting to the state securities regulator and state adult protective services agency when a qualified individual such as a securities broker or investment adviser has a reasonable belief that financial exploitation of an eligible adult has been attempted or has occurred. To date approximately 10 states have adopted the NASAA model, with state variations structured to interface with existing state protective services provisions. Connecticut's proposal would strengthen existing protections (see Sections 17b-450 et seq.) insofar as securities broker-dealers and investment advisers are concerned. The proposal would provide needed guidance to the securities industry concerning how to treat suspected cases of financial exploitation.



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: Department of Social Services
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

The Department has begun high level discussions with DSS, who, on the face of the proposal, expressed support. We are still awaiting a more detailed review and final sign off.

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)*
 No municipal fiscal impact anticipated.

State
 No significant state fiscal impact is anticipated.

Federal
 No federal fiscal impact anticipated.

Additional notes on fiscal impact
[Click here to enter text.](#)



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

The proposal would not have any significant impact on Department of Banking programs and policies inasmuch as the Banking Commissioner's authority to access or examine broker-dealer and investment adviser books and records remains intact.



Insert fully drafted bill here

Sec. 1. Section 36b-14 of the general statutes is amended to add a new subsection as follows:

(h)(1) For purposes of this subsection, unless the context otherwise requires,

(A) "Eligible Adult" shall mean an "elderly person" as defined in section 17b-450(1) of the general statutes or any adult in the care or custody of the Department of Social Services or any successor to such agency;

(B) "Financial Exploitation" means the act or process of taking advantage of an Eligible Adult by another person or caretaker whether for monetary, personal or other benefit, gain or profit. Such conduct includes, without limitation, (i) the wrongful or unauthorized taking, withholding, appropriation or use of money, assets or property of an Eligible Adult; or (ii) any act or omission taken by a person, including through the use of a power of attorney, guardianship or conservatorship of an Eligible Adult to obtain control, through deception, intimidation or undue influence, over the Eligible Adult's money, assets or property to deprive the Eligible Adult of the ownership, use benefit or possession of such money, assets or property; or to convert money, assets or property of the Eligible Adult to deprive such Eligible Adult of the ownership, use, benefit or possession of such money, assets or property;

(C) "Qualified individual" means any agent, investment adviser agent or person who serves in a supervisory, compliance or legal capacity for a broker-dealer or investment adviser.

(2) If a qualified individual has reasonable cause to suspect or believe that financial exploitation of an eligible adult may have occurred, may have been attempted or is being attempted, the qualified individual may promptly notify the Commissioner of Social Services and the Commissioner of such suspected exploitation and the basis for the report in any reasonable manner. In implementing this subparagraph, the Commissioner of Social Services, in consultation with the Commissioner, may develop such forms or electronic reporting protocol as may be needed to facilitate the reporting process.

(3) A qualified individual who, in good faith and exercising reasonable care, makes a voluntary disclosure of information pursuant to this subsection shall be immune from administrative or civil liability that might otherwise arise solely from such disclosure or for any failure to notify the customer or client of the disclosure. Such immunity shall not attach where the qualified individual was a participant in the misconduct described in the report. Nothing in this subdivision affects existing laws imposing criminal liability, including, without limitation, laws governing perjury, fraudulent or malicious reporting.

(4) Where an eligible adult has designated a third party as a trusted contact person to discuss the eligible adult's financial affairs, the qualified individual may also notify such third party of the suspected financial abuse unless the qualified individual reasonably believes that the third party is involved in the financial



exploitation or other abuse of the eligible adult. A qualified individual who, in good faith and exercising reasonable care, provides notice to a third party trusted contact person under this subdivision shall be immune from administrative or civil liability that might otherwise arise solely from such disclosure. Such immunity shall not attach where the qualified individual was a participant in the misconduct described in the report. Nothing in this subdivision affects existing laws imposing criminal liability.

(5) (A) A broker-dealer or investment adviser may delay a disbursement from an account of an eligible adult or an account on which an eligible adult is a beneficiary if the broker-dealer, investment adviser or qualified individual reasonably believes, after initiating an internal review of the requested disbursement and the suspected financial exploitation, that the requested disbursement may result in financial exploitation of the eligible adult. During any such disbursement delay, the funds shall be held in temporary escrow pending resolution of the disbursement decision.

(B) Before delaying disbursement, the broker-dealer or investment adviser shall (i) no more than two business days following the requested disbursement, provide written notice of the delay and its reasons to all parties authorized to transact business on the account. Such notice shall not be required where the party who otherwise would have been notified is reasonably believed to have engaged in suspected or attempted financial exploitation of the eligible adult; (ii) no more than two business days following the requested disbursement, notify the Department of Social Services and the Commissioner of the proposed delay; and (iii) within seven days following the requested disbursement, report the results of the broker-dealer's or investment advisers internal review and investigation of the matter to the Department of Social Services and the Commissioner.

(C) Any disbursement delay authorized by this subdivision shall expire on the earlier of: (i) a determination by the broker-dealer or investment adviser that the disbursement will not result in financial exploitation of the eligible adult; or (ii) within fifteen business days following the first delayed disbursement of the funds. Either the Department of Social Services or the Commissioner may request that the delay otherwise slated to expire within fifteen days, be extended to a date no more than twenty-five business days after the date of the first delayed disbursement of the funds. Nothing herein shall preclude the Commissioner, the Department of Social Services or a court of competent jurisdiction from sooner terminating the disbursement delay.

(D) A court of competent jurisdiction may enter an order extending the disbursement delay or may order other protective relief based on the petition of the Commissioner, the Department of Social Services, the broker-dealer or investment adviser that initiated the disbursement delay or other interested party.



(E) A broker-dealer or investment adviser that, in good faith and exercising reasonable care, complies with this subdivision shall be immune from any administrative or civil liability that might otherwise arise from such disbursement delay.

(6) A broker-dealer or investment adviser shall provide access to or copies of records that are relevant to the suspected or attempted financial exploitation of an eligible adult to agencies charged with administering state adult protective services laws and to law enforcement, either as part of a referral to the agency or to law enforcement, or upon request of the agency or law enforcement pursuant to an investigation. The records may include historical records as well as records relating to the most recent transactions that may suggest financial exploitation of an eligible adult. All records made available to agencies hereunder shall not be considered public records for purposes of chapter 14 of the general statutes. Nothing herein shall limit or otherwise impede the authority of the Commissioner to access or examine the books and records of broker-dealers and investment advisers as otherwise provided by law.

Sec. 2. This Act shall take effect from its passage.