



Substitute Senate Bill No. 1257

Public Act No. 25-115

AN ACT CONCERNING CONSUMER CREDIT AND COMMERCIAL FINANCING.

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

Section 1. Subsection (c) of section 36a-492 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(c) The surety company shall have the right to cancel the bond at any time by a written notice to the principal stating the date cancellation shall take effect, provided the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. [If the bond is issued electronically on the system,] Such written notice of cancellation [may] shall be provided by the surety company to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation.] A surety bond shall not be cancelled unless the surety company notifies the commissioner in writing not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety company, the commissioner shall give written notice to the principal of the date such bond cancellation shall

Substitute Senate Bill No. 1257

take effect and such notice shall be deemed notice to each mortgage loan originator licensee sponsored by such principal. The commissioner shall automatically suspend the licenses of a mortgage lender, mortgage correspondent lender or mortgage broker on such date and inactivate the licenses of the mortgage loan originators sponsored by such lender, correspondent lender or broker. In the case of a cancellation of an exempt registrant's bond, the commissioner shall inactivate the licenses of the mortgage loan originators sponsored by such exempt registrant. No automatic suspension or inactivation shall occur if, prior to the date that the bond cancellation shall take effect, (1) the principal submits a letter of reinstatement of the bond from the surety company or a new bond, (2) the mortgage lender, mortgage correspondent lender or mortgage broker licensee has ceased business and has surrendered all licenses in accordance with subsection (a) of section 36a-490, or (3) in the case of a mortgage loan originator licensee, the sponsorship with the mortgage lender, mortgage correspondent lender or mortgage broker who was automatically suspended pursuant to this section or, with the exempt registrant who failed to provide the bond required by this section, has been terminated and a new sponsor has been requested and approved. After a mortgage lender, mortgage correspondent lender or mortgage broker license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-494 and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section. The commissioner may provide information to an exempt registrant concerning actions taken by the commissioner pursuant to this subsection against any mortgage loan originator licensee that was sponsored and bonded by such exempt registrant.

Sec. 2. Subsection (c) of section 36a-602 of the general statutes is

Substitute Senate Bill No. 1257

repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Substitute Senate Bill No. 1257

Sec. 3. Subsection (b) of section 36a-664 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Sec. 4. Subsection (c) of section 36a-671d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(c) The surety shall have the right to cancel any bond written or

Substitute Senate Bill No. 1257

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

Sec. 5. Subsection (b) of section 36a-802 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

Substitute Senate Bill No. 1257

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

Sec. 6. Subdivision (2) of subsection (b) of section 36a-490 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Substitute Senate Bill No. 1257

and address specified on the license issued by the commissioner. A mortgage lender, mortgage correspondent lender, mortgage broker or lead generator licensee may change the name of the licensee or address of the office specified on the most recent filing with the system if (A) at least thirty calendar days prior to such change, the licensee files such change with the system and, in the case of a [main or branch office] change to the legal name of the licensee, provides, directly to the commissioner, a bond rider [or endorsement, or addendum, as applicable,] to the surety bond on file with the commissioner that reflects the new legal name [or address of the main or branch office] of the licensee, and (B) the commissioner does not disapprove such change, in writing, or request further information within such thirty-day period.

Sec. 7. Subdivision (2) of subsection (d) of section 36a-598 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

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

Substitute Senate Bill No. 1257

1, 2025):

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

Sec. 9. Subsection (i) of section 36a-671 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Substitute Senate Bill No. 1257

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

Sec. 10. Subsection (b) of section 36a-719a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Sec. 11. Subsection (i) of section 36a-801 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(i) No person licensed to act within this state as a consumer collection agency shall do so under any other name or at any other place of business than that named in the license. No licensee may use any name other than its legal name or a fictitious name approved by the commissioner, provided such licensee may not use its legal name if the commissioner disapproves use of such name. A licensee may change the

Substitute Senate Bill No. 1257

name of the licensee or address of the office specified on the most recent filing with the system if, at least thirty calendar days prior to such change, (1) the licensee files such change with the system and, in the case of a change to the legal name of the licensee, provides a bond rider [endorsement or addendum, as applicable,] to the surety bond on file with the commissioner that reflects the new legal name [or address] of the licensee, and (2) the commissioner does not disapprove such change, in writing, or request further information from the licensee within such thirty-day period. Not more than one place of business shall be maintained under the same license but the commissioner may issue more than one license to the same licensee upon compliance with the provisions of sections 36a-800 to 36a-814, inclusive, as to each new licensee. A license shall not be transferable or assignable. Any change in any control person of the licensee, except a change of a director, general partner or executive officer that is not the result of an acquisition or change of control of the licensee, shall be the subject of an advance change notice filed on the system at least thirty days prior to the effective date of such change and no such change shall occur without the commissioner's approval. For purposes of this section, "change of control" means any change causing the majority ownership, voting rights or control of a licensee to be held by a different control person or group of control persons. The commissioner may automatically suspend a license for any violation of this subsection. After a license has been automatically suspended pursuant to this section, the commissioner shall (A) give the licensee notice of the automatic suspension, pending proceedings for revocation or refusal to renew pursuant to section 36a-804 and an opportunity for a hearing on such action in accordance with section 36a-51, as amended by this act, and (B) require such licensee to take or refrain from taking such action as the commissioner deems necessary to effectuate the purposes of this section.

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

Substitute Senate Bill No. 1257

1, 2025):

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

Sec. 13. Section 36a-718 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) On and after January 1, 2015, no person shall act as a mortgage servicer, directly or indirectly, without first obtaining a license under section 36a-719, 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. Any activity subject to licensure pursuant to sections 36a-715 to 36a-719l, inclusive, as amended by this act, shall be conducted from an office located in a state, as defined in section 36a-2, as amended by this act.

(b) The following persons are exempt from mortgage servicer licensing requirements: (1) Any bank, out-of-state bank, Connecticut credit union, federal credit union or out-of-state credit union, provided such bank or credit union is federally insured; (2) any wholly-owned subsidiary of such bank or credit union; (3) any operating subsidiary where each owner of such operating subsidiary is wholly owned by the same such bank or credit union; (4) any person [licensed as a mortgage lender in this state while] registered as an exempt mortgage servicer

Substitute Senate Bill No. 1257

registrant pursuant to subsection (d) of this section and acting as a mortgage servicer from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-534a and 36a-534b [, provided (A) such person meets the supplemental mortgage servicer surety bond, fidelity bond and errors and omissions coverage requirements under section 36a-719c, and (B)] during any period that the [license] registration of the exempt mortgage [lender] servicer registrant in this state has not been suspended; [, such exemption shall not be effective;] and (5) any person licensed as a mortgage correspondent lender in this state while acting as a mortgage servicer with respect to any residential mortgage loan it has made and during the permitted ninety-day holding period for such loan from a location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-534a and 36a-534b, provided during any period the license of the mortgage correspondent lender in this state has been suspended, such exemption shall not be effective.

(c) The provisions of sections 36a-719e to 36a-719h, inclusive, 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.

(d) (1) Any person licensed as a mortgage lender in this state shall register on the system as an exempt mortgage servicer registrant prior to acting as a mortgage servicer from any location licensed as a main office or branch office under sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-534a and 36a-534b. Each registration shall expire at the close of business on December thirty-first of the year in which such registration was approved, unless such registration is renewed or, if such registration is approved on or after November first, such registration shall expire at the close of business on December thirty-first of the year following the year in which such registration was

Substitute Senate Bill No. 1257

approved. An application for renewal of a registration shall be filed on the system between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall meet the supplemental mortgage servicer surety bond, fidelity bond and errors and omissions coverage requirements under section 36a-719c, as amended by this act, and pay to the system any required fees or charges. All fees paid pursuant to this subdivision shall be nonrefundable.

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

Sec. 14. Section 36a-719c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Each mortgage servicer applicant or licensee and [any person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant shall file with the commissioner (1) a surety bond, written by a surety authorized to write such bonds in this state, covering its main office and any branch office from which it acts as mortgage servicer, in a penal sum of one hundred thousand dollars per office location in accordance with subsection (b) of this section, (2) a fidelity bond, written by a surety authorized to write such bonds in this state, in accordance with the requirements of subsection (c) of this section, and (3) evidence of errors

Substitute Senate Bill No. 1257

and omissions coverage, written by a surety authorized to write such coverage in this state, in accordance with the requirements of subsection (c) of this section. No mortgage servicer licensee and no [person otherwise exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant shall act as a mortgage servicer in this state without maintaining the surety bond, fidelity bond and errors and omissions coverage required by this section.

(b) The surety bond required by subsection (a) of this section shall be (1) in a form approved by the Attorney General, [;] and (2) conditioned upon the mortgage servicer licensee or [person exempt from mortgage servicer licensure pursuant to subdivision (4) of subsection (b) of section 36a-718] exempt mortgage servicer registrant faithfully performing any and all written agreements or commitments with or for the benefit of mortgagors and mortgagees, truly and faithfully accounting for all funds received from a mortgagor or mortgagee in such person's capacity as a mortgage servicer, and conducting such mortgage business consistent with the provisions of sections 36a-715 to 36a-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] exempt mortgage servicer registrant to perform any written agreements or commitments, or by the wrongful conversion of funds paid by a mortgagor to such licensee or [person] registrant, may proceed on such bond against the principal or surety thereon, or both, to recover damages. The commissioner may proceed on such bond against the principal or surety on such bond, or both, to collect any civil penalty imposed pursuant to subsection (a) of section 36a-50, any restitution imposed pursuant to subsection (c) of section 36a-50 and any unpaid costs of examination of a licensee as determined pursuant to section 36a-65. 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

Substitute Senate Bill No. 1257

the benefit of such claimants against the principal in the event of bankruptcy of the principal and shall be immune from attachment by creditors and judgment creditors. The surety bond shall run concurrently with the period of the license or registration for the main office of the mortgage servicer or exempt mortgage [lender] servicer registrant and the aggregate liability under the bond shall not exceed the penal sum of the bond. The principal shall notify the commissioner of the commencement of an action on the bond. When an action is commenced on a principal's bond, the commissioner may require the filing of a new bond and immediately on recovery on any action on the bond, the principal shall file a new bond.

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

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

Substitute Senate Bill No. 1257

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

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

(d) A surety shall have the right to cancel the surety bond, fidelity bond and errors and omissions coverage required by this section at any time by a written notice to the principal and the commissioner stating the date cancellation shall take effect. [If the surety bond required by this section was issued electronically on the system,] Such written notice of cancellation [may] shall be provided by the surety company to the principal and the commissioner through the system at least thirty days prior to the date of cancellation. [Any notice of cancellation not provided through the system shall be sent by certified mail to the principal and the commissioner at least thirty days prior to the date of cancellation.] A surety bond, fidelity bond or errors and omissions coverage shall not be cancelled unless the surety notifies the commissioner, in writing, not less than thirty days prior to the effective date of cancellation. After receipt of such notification from the surety, the commissioner shall give written notice to the principal of the date such cancellation shall take effect. The commissioner shall automatically suspend the license of a mortgage servicer licensee or registration of an exempt mortgage

Substitute Senate Bill No. 1257

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

(e) If the commissioner finds that the financial condition of a mortgage servicer licensee or [mortgage lender licensee] exempt mortgage servicer registrant so requires, as evidenced by the reduction of tangible net worth, financial losses or potential losses as a result of a

Substitute Senate Bill No. 1257

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

Sec. 15. Section 36a-850a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

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

Substitute Senate Bill No. 1257

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

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

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

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

(5) Not later than thirty days following the submission of an application for cosigner release, send to the student loan borrower and cosigner a written notice of the decision that such application has been approved or denied. If the application for cosigner release has been denied, such written notice shall (A) inform such student loan borrower and cosigner that such student loan borrower and cosigner have the

Substitute Senate Bill No. 1257

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

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

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

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

(9) Refrain from requiring a student loan borrower to make more than twelve consecutive on-time payments as part of the eligibility criteria

Substitute Senate Bill No. 1257

for cosigner release. Such private student education loan servicer shall consider any student loan borrower who has paid the equivalent of twelve months of principal and interest during any twelve-month period to have satisfied the consecutive on-time payment requirement, even if such student loan borrower has not made payments monthly during such twelve-month period;]

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

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

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

[(13)] In the event that a cosigner has a total and permanent disability, as determined by any federal or state agency or doctor of medicine or osteopathy legally authorized to practice in the state, and unless

Substitute Senate Bill No. 1257

otherwise expressly prohibited under the terms of a private student education loan agreement, (A) release the cosigner from his or her obligation to repay the private student education loan upon receipt of notification that such cosigner has a total and permanent disability, and (B) refrain from requiring that a new cosigner be added to such private student education loan after the original cosigner has been released from such private student education loan;]

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

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

(b) Any person that makes or extends a private student education loan on or after October 1, 2025, shall provide, consistent with the terms of this subsection, options for cosigner release on such private student education loan upon the satisfaction of certain criteria, including, but not limited to, twelve consecutive on-time payments by the student loan borrower or in the event of total and permanent disability of the cosigner. On and after October 1, 2025, no person that makes, extends or owns one or more private student education loans, including, but not limited to, any private education lender or private education loan creditor, directly or indirectly, shall:

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

Substitute Senate Bill No. 1257

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

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

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

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

Substitute Senate Bill No. 1257

owned by the same bank or credit union; and (4) the Connecticut Higher Education Supplemental Loan Authority.

Sec. 16. Section 36a-51 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

(b) If a hearing is requested within the time specified in the notice,

Substitute Senate Bill No. 1257

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

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

Substitute Senate Bill No. 1257

surrender, or, in the case of a license or registration issued through the system, at the time a request to surrender is filed, the commissioner may still institute a proceeding to suspend, revoke or refuse to renew a license or registration under subsection (a) of this section up to the date one year after the date of receipt of the license or registration by the commissioner, or, in the case of a license or registration issued through the system, up to the date one year after the date of the acceptance by the commissioner of a request to surrender a license or registration.

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

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

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

Sec. 17. Subsection (a) of section 36a-556 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

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

Substitute Senate Bill No. 1257

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

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

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

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

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

Sec. 18. Section 36a-715 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

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

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

[(2)] The terms "advertise or advertising", "control person", "individual", "main office", "mortgage broker", "mortgage correspondent lender", "mortgage lender", "office", "person" and

Substitute Senate Bill No. 1257

"unique identifier" have the same meanings as provided in section 36a-485.]

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

(4) "Mortgagee" means the grantee of a residential mortgage, provided if the residential mortgage has been assigned of record, "mortgagee" means the last person to whom the residential mortgage has been assigned of record.

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

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

Sec. 19. Section 36a-846 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

Substitute Senate Bill No. 1257

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

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

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

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

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

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

(6) "Federal student education loan" means any student education loan (A) (i) made pursuant to the William D. Ford Federal Direct Loan Program, 20 USC 1087a, et seq., as amended from time to time, or (ii) purchased by the United States Department of Education pursuant to 20 USC 1087i-1(a), as amended from time to time, and (B) owned by the United States Department of Education;

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

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

(9) "Private education lender" has the same meaning as provided in

Substitute Senate Bill No. 1257

section 36a-856, as amended by this act;

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

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

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

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

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

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

[(14)] (16) "Student education loan" means any loan primarily for

Substitute Senate Bill No. 1257

personal use to finance education or other school-related expenses; and

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

Sec. 20. Subsection (d) of section 36a-487 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Sec. 21. Section 36a-868 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

No commercial financing contract entered into on or after July 1,

Substitute Senate Bill No. 1257

2024, shall contain any provision waiving a recipient's right to notice, judicial hearing or prior court order under chapter 903a in connection with the provider obtaining any prejudgment remedy, including, but not limited to, attachment, execution, garnishment or replevin [,] upon commencing any litigation against the recipient. Any such provision in a commercial financing contract entered into on or after July 1, 2024, shall be unenforceable.

Sec. 22. Subsection (c) of section 36a-870 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(c) Each provider and commercial financing broker [shall pay an initial registration fee of one thousand dollars and an annual registration fee of five hundred dollars by the fifteenth of September each year thereafter. If a provider or commercial financing broker fails to timely pay any such annual registration fee, its registration shall automatically expire by operation of law] registration shall expire at the close of business on December thirty-first of the year in which such registration was approved, unless such registration is renewed or, if such registration is approved on or after November first, such registration shall expire at the close of business on December thirty-first of the year following the year in which such registration was approved. An application for renewal of a registration shall be filed with the commissioner between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall pay to the system a registration fee of one thousand dollars and any other required fees or charges. All fees paid pursuant to this subsection shall be nonrefundable.

Sec. 23. Section 36a-872 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

Substitute Senate Bill No. 1257

(a) [Any provider who violates any provision of sections 36a-861 to 36a-870, inclusive, or any regulation adopted pursuant to section 36a-871 shall be liable for a civil penalty pursuant to section 36a-50] The commissioner may suspend, revoke or refuse to renew any registration issued pursuant to section 36a-870, as amended by this act, or take any other action in accordance with the provisions of section 36a-51, as amended by this act, if the commissioner finds that the registrant or any control person, trustee, employee or agent of such registrant has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud or misappropriated funds; or (3) violated (A) any provision of this title or any regulation or order adopted or issued pursuant thereto pertaining to such registrant or any control person, trustee, employee or agent of such registrant, or (B) any other law or regulation applicable to the conduct of such registrant's business.

(b) [In addition to any civil penalty imposed under subsection (a) of this section, if the Banking Commissioner finds that a provider has knowingly violated any provision of sections 36a-861 to 36a-870, inclusive, or any regulation adopted pursuant to section 36a-871, the commissioner may seek an injunction in a court of competent jurisdiction, and may exercise the powers granted to the commissioner under section 36a-50, on behalf of any recipient affected by the violation] Whenever it appears to the commissioner that any person has violated, is violating or is about to violate the provisions of sections 36a-861 to 36a-870, inclusive, as amended by this act, the commissioner may take action against such person in accordance with sections 36a-50 and 36a-52.

Sec. 24. Subsections (b) to (g), inclusive, of section 36a-856 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(b) (1) Except for a public or private nonprofit postsecondary

Substitute Senate Bill No. 1257

educational institution, for which the commissioner may prescribe an alternative registration process and fee structure, a private education lender or a private education loan creditor shall, prior to making a private education loan to, or purchasing or assuming a private education loan owed by, a resident of the state, [:] (A) register with the commissioner, and (B) renew such registration for each year that such private education lender or private education loan creditor continues to act as a private education lender or private education loan creditor.

[(1) Register with the commissioner and pay a fee in the form and manner prescribed by the commissioner, which may include registration using the National Multistate Licensing System and Registry and the payment of any fees thereto; and

(2) Renew such registration for each year that such private education lender or private education loan creditor continues to act as a private education lender or private education loan creditor.]

(2) Each private education lender and private education loan creditor registration shall expire at the close of business on December thirty-first of the year in which such registration was approved, unless such registration is renewed or, if such registration is approved on or after November first, such registration shall expire at the close of business on December thirty-first of the year following the year in which such registration was approved. An application for renewal of a registration shall be filed with the commissioner between November first and December thirty-first of the year in which the registration expires. Each applicant for an initial registration or renewal of a registration shall pay to the system a registration fee of nine hundred dollars and any other required fees or charges. All fees paid pursuant to this subdivision shall be nonrefundable.

(c) For each year in which a private education lender registers with, or renews such registration with, the commissioner pursuant to

Substitute Senate Bill No. 1257

subsection (b) of this section, such private education lender shall, at the time of such registration or renewal, and at other times upon the commissioner's request, provide to the commissioner, in the form and manner prescribed by the commissioner, the following documents and information:

(1) A list of all schools attended by the private education loan borrowers with outstanding private education loans made by such private education lender;

(2) The number and dollar amount of all outstanding private education loans such private education lender made to private education loan borrowers;

(3) For each school listed pursuant to subdivision (1) of this subsection, the number and dollar amount of all outstanding private education loans such private education lender made to private education loan borrowers who attended such school;

(4) The number and dollar amount of all private education loans such private education lender made during the prior year to private education loan borrowers;

(5) For each school listed pursuant to subdivision (1) of this subsection, the number and dollar amount of all private education loans such private education lender made during the prior year to private education loan borrowers who attended such school;

(6) The spread of interest rates for the private education loans such private education lender made during the prior year;

(7) The percentage of private education loan borrowers who received each rate within the spread of interest rates provided pursuant to subdivision (6) of this subsection;

Substitute Senate Bill No. 1257

(8) The number of private education loans with a cosigner that such private education lender made during the prior year;

(9) The default rate for private education loan borrowers obtaining private education loans from the private education lender, and, for each school listed pursuant to subdivision (1) of this subsection, the default rate for private education loans made to private education loan borrowers who attended such school;

(10) The number of private education loan borrowers against whom such private education lender brought legal action in the prior year to collect a debt owed pursuant to a private education loan, and the amount sought in each such action;

(11) A copy of each model promissory note, agreement, contract or other instrument used by the private education lender during the prior year to substantiate that a new private education loan has been extended to a private education loan borrower or that a private education loan borrower owes a debt to such lender; and

(12) The name and address of: (A) Such private education lender; (B) each officer, director or partner of such private education lender; and (C) each owner of a controlling interest in such private education lender.

(d) For each year in which a private education loan creditor registers with, or renews such registration with, the commissioner pursuant to subsection (b) of this section, such private education loan creditor shall, at the time of such registration or renewal, and at other times upon the commissioner's request, provide to the commissioner, in the form and manner prescribed by the commissioner, the following documents and information:

(1) A list of all schools attended by the private education loan borrowers with outstanding private education loans assumed or acquired by such private education loan creditor;

Substitute Senate Bill No. 1257

(2) The number and dollar amount of all outstanding private education loans owed by private education loan borrowers to such private education loan creditor;

(3) For each school listed pursuant to subdivision (1) of this subsection, the number and dollar amount of all outstanding private education loans owed to such private education loan creditor by private education loan borrowers who attended such school;

(4) The number and dollar amount of all private education loans: (A) Such private education loan creditor assumed or acquired during the prior year; and (B) owed to such private education loan creditor by private education loan borrowers;

(5) For each school listed pursuant to subdivision (1) of this subsection, the number and dollar amount of all private education loans: (A) Such private education loan creditor assumed or acquired during the prior year; and (B) owed to such private education loan creditor by private education loan borrowers who attended such school;

(6) The number of private education loans with a cosigner that such private education loan creditor assumed or acquired during the prior year;

(7) The default rate for private education loan borrowers whose private education loans were assumed or acquired by such private education loan creditor, and, for each school listed pursuant to subdivision (1) of this subsection, the default rate for private education loans owed by private education loan borrowers who attended such school;

(8) The number of private education loan borrowers against whom such private education loan creditor brought legal action in the prior year to collect a debt owed pursuant to a private education loan, and the amount sought in each such action; and

Substitute Senate Bill No. 1257

(9) The name and address of: (A) Such private education loan creditor; (B) each officer, director or partner of such private education loan creditor; and (C) each owner of a controlling interest in such private education loan creditor.

(e) The commissioner shall create, and periodically update, a publicly accessible Internet web site that includes the following information about private education lenders and private education loan creditors registered in the state:

(1) The name, address, telephone number and Internet web site address for all registered private education lenders and private education loan creditors;

(2) A summary of the information and documents provided pursuant to subsections (c) and (d) of this section; and

(3) Copies of all model promissory notes, agreements, contracts and other instruments provided to the commissioner in accordance with subdivision (11) of subsection (c) of this section.

(f) The commissioner may [take action pursuant to section 36a-50 to enforce the provisions of this section.] suspend, revoke or refuse to renew any registration issued under subsection (b) of this section or take any other action in accordance with the provisions of section 36a-51, as amended by this act, if the commissioner finds that the registrant or any control person, trustee, employee or agent of such registrant has done any of the following: (1) Made any material misstatement in the application; (2) committed any fraud or misappropriated funds; or (3) violated (A) any provision of this title or any regulation or order adopted or issued pursuant thereto pertaining to such registrant or any control person, trustee, employee or agent of such registrant, or (B) any other law or regulation applicable to the conduct of such registrant's business.

Substitute Senate Bill No. 1257

(g) Whenever it appears to the commissioner that any person has violated, is violating or is about to violate the provisions of this section, the commissioner may take action against such person in accordance with sections 36a-50 and 36a-52.

~~[(g)]~~ (h) (1) The commissioner may order that any person who has been found to have violated any provision of this section and has thereby caused financial harm to a consumer be barred for a term not exceeding ten years from [acting as a private education lender, private education loan creditor or] engaging in any activity requiring a license or registration under this title, or acting as a stockholder, officer, director, partner or other owner or employee of [a private education lender or private education loan creditor] an entity requiring such a license or registration, by sending a notice to such person by registered or certified mail, return receipt requested, or by any express delivery carrier that provides a dated delivery receipt, or by personal delivery, as defined in section 4-166, in accordance with section 36a-52a. The notice shall be deemed received by such person 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 such person in accordance with section 36a-52a. Such notice shall include: (A) A statement of the time, place and nature of a hearing to be held upon the matters asserted in the notice; (B) a statement of the legal authority and jurisdiction under which the hearing is to be held; (C) a reference to the particular sections of the general statutes, regulations of Connecticut state agencies, rules or orders that such person is alleged to have violated; (D) a short and plain statement of the matters asserted; and (E) a statement indicating that such person may file a written request for a hearing on the matters asserted within fourteen days of receipt of the notice.

(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

Substitute Senate Bill No. 1257

notice unless such person fails to appear at the hearing. After the hearing, the commissioner shall determine whether to issue an order barring such person, for a term not to exceed ten years, from engaging in any activity requiring a license or registration under this title, or from acting as a stockholder, officer, director, partner or other owner or employee of an entity requiring such a license or registration. The commissioner may also issue such an order if such person does not request a hearing within the time specified in the notice or fails to appear at the hearing. No order shall be issued under this subsection except in accordance with the provisions of chapter 54.

Sec. 25. (NEW) (*Effective October 1, 2025*) (a) As used in this section, "mortgage lender" and "shared appreciation agreement" have the same meanings as provided in section 36a-485 of the general statutes.

(b) Any mortgage lender that is required to be licensed pursuant to sections 36a-485 to 36a-498e, inclusive, as amended by this act, 36a-534a and 36a-534b of the general statutes and offers to make a shared appreciation agreement shall, not later than three business days after the prospective borrower under such proposed agreement submits an application to such mortgage lender for such proposed agreement, disclose to such prospective borrower, in writing:

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

(2) Financial information relevant to the proposed shared appreciation agreement, including, but not limited to, whether such proposed agreement is terminated through repayment, which

Substitute Senate Bill No. 1257

repayment may include the mortgage lender's receipt of some or all of the proceeds from a sale of the dwelling or residential real estate that is the subject of such proposed agreement if such proposed agreement is terminated by such sale;

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

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

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

(6) The interest charged, if applicable;

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

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

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

(A) Settlement of such proposed agreement after five years, ten years,

Substitute Senate Bill No. 1257

fifteen years and thirty years, in each case up to the maximum term of such proposed agreement; and

(B) (i) No change in the market value of the dwelling or residential real estate that is the subject of such proposed agreement, and (ii) changes in the market value of the dwelling or residential real estate that is the subject of such proposed agreement (I) at the rate of ten per cent total depreciation over the term of such proposed agreement, (II) at the rate of three and one-half per cent total appreciation over such term, (III) at the rate of five and one-half per cent total appreciation over such term, and (IV) reflecting the actual average rate of appreciation or depreciation for all dwellings or residential real estate in this state during the period that is equal to the term of such proposed agreement and that occurred immediately prior to such term; and

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

(A) The calculated appreciation amount;

(B) The appreciation-based charge;

(C) The accrued or charged interest;

(D) The principal amount to be repaid;

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

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

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

(i) The actual amount of money to be paid by the prospective

Substitute Senate Bill No. 1257

borrower to the mortgage lender, inclusive of any unconditional administrative fees or reimbursement of protective advances that are required to be paid at the time of the settlement of such proposed agreement; and

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

Sec. 26. Subdivision (1) of subsection (b) of section 36a-498e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(b) (1) No person, other than an individual, who is required to be licensed and is subject to sections 36a-485 to 36a-498h, inclusive, 36a-534a and 36a-534b, and no [qualifying] qualified 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.

Sec. 27. Subsection (b) of section 36a-719h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(b) No mortgage servicer shall fail to establish, enforce and maintain policies and procedures reasonably designed to achieve compliance with subsection (a) of this section, and no [qualifying] qualified individual or branch manager for such mortgage servicer shall fail to enforce such policies and procedures. No violation of this subsection shall be found unless the mortgage servicer, [qualifying] qualified individual or branch manager's failure to establish, enforce or maintain policies and procedures resulted in conduct in violation of sections 36a-715 to 36a-724, inclusive, as amended by this act, or rules or regulations

Substitute Senate Bill No. 1257

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. 28. Subdivision (72) of section 36a-2 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

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

Sec. 29. Subsection (a) of section 36a-719 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) The 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; (2) notwithstanding the provisions of section 46a-80, the applicant, the control persons of the applicant, the qualified individual and any branch manager 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

Substitute Senate Bill No. 1257

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 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, the control persons of the applicant, the qualified individual and any branch manager have 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. The commissioner may waive the requirements of subdivision (1) of this subsection relating to the supervision and experience of (A) a qualified individual where the applicant establishes to the satisfaction of the commissioner that the applicant (i) will not conduct any activity subject to licensure under sections 36a-715 to 36a-719l, inclusive, as amended by this act, at the main office, and (ii) has designated a qualified individual who is responsible for the actions of the applicant; and (B) a qualified individual or a branch manager where the applicant establishes to the satisfaction of the commissioner that the applicant (i) holds only mortgage servicing rights at the main office or branch office and conducts no other activity at such office, and (ii) has designated a qualified individual or branch manager at such main office or branch office who is responsible for the actions of the [application] applicant. No person licensed as a mortgage servicer and granted a waiver by the

Substitute Senate Bill No. 1257

commissioner shall engage in any activity that would have precluded the issuance of such waiver without first designating a qualified individual or branch manager, as the case may be, who meets all applicable requirements of subdivision (1) of this subsection and is approved by the commissioner. 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 (I) servicing of mortgage loans, (II) accounting, receipt and processing of payments on behalf of mortgagees or creditors, or (III) supervision of such activities, or any other relevant experience as determined by the commissioner.

Governor's Action:
Approved July 1, 2025