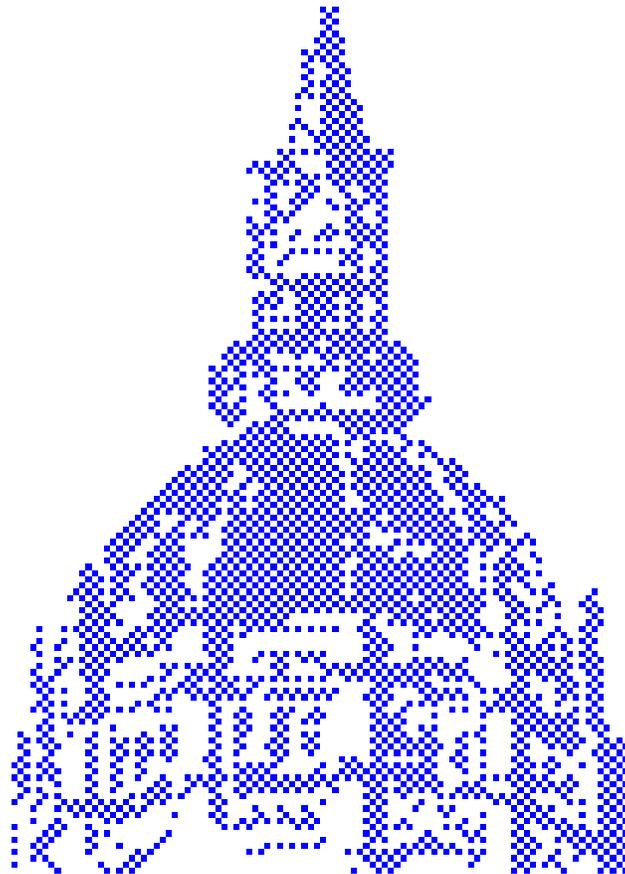




ACTS AFFECTING BANKING



2016-R-0130

Michelle Kirby, Senior Legislative Attorney

June 29, 2016



NOTICE TO READERS

This report summarizes laws passed during the 2016 regular session affecting banking. In each summary, we indicate the public act (PA) number. We do not include vetoed public acts, unless the legislature overrode the governor's veto.

Not all provisions of the acts are included. Complete summaries of all 2016 Public Acts will be available on OLR's webpage: <http://www.cga.ct.gov/olr>.

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, the House Clerk's Office, or the General Assembly's website (<http://www.cga.ct.gov/default.asp>).

TABLE OF CONTENTS

BANKING DEPARTMENT ASSESSMENTS	4
CASH REFUNDS FOR GIFT CARD BALANCES	4
CONSUMER COLLECTION AGENCIES AND CREDITORS	4
CREDIT AND DEBIT HOLDS	4
DEPOSIT INDEX.....	5
FORECLOSURES	5
INTERNATIONAL TRADE AND INVESTMENT CORPORATIONS	5
LOOK-BACK PERIOD TO DISCOVER AND REPORT FRAUD	6
MORTGAGE SERVICER ESCROW ACCOUNTS	6
PAYROLL CARDS.....	6
SECURITY FREEZES.....	6
SMALL LOAN LICENSEES.....	7

BANKING DEPARTMENT ASSESSMENTS

A new law allows the banking commissioner to assess licensed money transmitters and student loan servicers, just as he already assesses Connecticut banks and credit unions, to cover the Banking Department's expenses. The act applies the assessment pro rata based on the (1) dollar volume of money transmissions for money transmitters and (2) student loans serviced for student loan servicers. The commissioner may take action against a licensee who fails to pay the assessment within prescribed deadlines ([PA 16-65](#) § 45, effective upon passage).

CASH REFUNDS FOR GIFT CARD BALANCES

A new law requires someone:

1. selling or issuing a gift card to give the purchaser proof of purchase or a gift receipt and
2. accepting a gift card as payment for goods or services to give the purchaser, on request, cash for the balance on the card if the balance is under \$3 and the purchaser provides proof of purchase or a gift receipt ([PA 16-140](#), effective October 1, 2016).

CONSUMER COLLECTION AGENCIES AND CREDITORS

A new law expands the consumer collection agency law to include persons who collect federal income tax on behalf of the U.S. Treasury Department, thus requiring them to be licensed by the Banking Department and meet specified bonding and recordkeeping requirements.

It creates new procedural requirements for court cases brought by consumer collection agencies to collect consumer debts purchased from creditors. The requirements do not apply to actions begun before October 1, 2016 or debt purchased by licensed mortgage lenders under a recourse requirement. (In the event of nonpayment of a recourse loan, the lender can pursue the debtor's assets that were not used as collateral for the loan.) The new law also makes related changes ([PA 16-65](#) §§ 47-54, effective October 1, 2016).

CREDIT AND DEBIT HOLDS

Under a new law, gas stations and convenience stores that accept credit or debit card payments for the retail sale of gasoline must notify customers if they or a third party will place a hold on a credit or debit card payment that is for an amount larger than the actual retail gasoline purchase. The new law specifies standards the notice must meet ([PA 16-50](#), effective October 1, 2016).

DEPOSIT INDEX

A new law changes the interest rate (i.e., deposit index) that must be paid on deposits held by certain deposit holders, such as landlords and public service companies. Under the new law, the "deposit index" is (1) the average of the national rates for savings deposits and money market deposits for the last week in November of the previous year as published by the Federal Deposit Insurance Corporation in accordance with 12 CFR § 337.6, as amended from time to time or (2) if the corporation no longer publishes these rates, the average of substantially similar national rates for the last week in November of the previous year as published by a federal banking agency. Under prior law, the deposit index for each calendar year was the average rate paid on savings deposits by insured commercial banks as last published in the Federal Reserve Board bulletin in November of the previous year ([PA 16-65](#) §§ 38-42, effective July 1, 2016).

FORECLOSURES

Among other things, a new law:

1. creates a new process for a court to enter a judgment of loss mitigation that allows (a) certain "underwater mortgages" to be modified without a junior lienholder's consent or (b) mortgagors (borrowers) to satisfy their obligation by conveying the property using a transfer agreement;
2. authorizes mediators to excuse certain parties from foreclosure mediation sessions for good cause and eliminates a mortgagee's (lender's) duty to provide a certificate of good standing to a mortgagor who completes the mediation program; and
3. modifies the foreclosure by market sale process by, among other things, (a) eliminating certain mortgagee notice and affidavit requirements and (b) allowing mortgagees, under certain circumstances, to file a motion for judgment of foreclosure by market sale within 30 days of receipt of a sales contract or the expiration or satisfaction of any contingencies ([PA 16-65](#) §§ 73-94, effective October 1, 2016).

INTERNATIONAL TRADE AND INVESTMENT CORPORATIONS

A new law authorizes the banking commissioner to license international trade and investment corporations but does not require them to be licensed. The act defines these corporations as any business entity or government agency approved or seeking approval from the U.S. Export-Import Bank (EXIM), Overseas Private Investment Corporation (OPIC), or U.S. Department of Agriculture (USDA) as a lender under a financing guarantee program. These programs include EXIM loan guarantees for U.S. exporters, OPIC loan guarantees for investment projects in

developing countries and emerging markets, and USDA loan guarantees for rural businesses.

The act imposes licensing requirements, fees, and recordkeeping requirements ([PA 16-65](#) §§ 65-71, effective upon passage).

LOOK-BACK PERIOD TO DISCOVER AND REPORT FRAUD

A new law specifically allows a bank and a customer to agree to a shorter time frame than under existing law for asserting a fraud claim. Existing law generally precludes such a claim if the customer failed to report an unauthorized signature or alteration within one year after the statement is available ([PA 16-65](#) § 57, effective upon passage).

MORTGAGE SERVICER ESCROW ACCOUNTS

Under a new law, mortgage servicers must keep records of each escrow account's handling, including amounts paid into and from the account and the initial and annual escrow statements required by federal regulations. They must keep the records for at least five years after last servicing the account.

The new law also requires licensed servicers, and certain mortgage lenders and correspondent lenders exempt from licensure, to deposit or invest these escrow funds in one or more segregated deposit or trust accounts with a

federally insured bank, Connecticut or federal credit union, or out-of-state bank ([PA 16-65](#) § 8, effective July 1, 2016).

PAYROLL CARDS

A new law allows employers to pay their employees through payroll cards, which are stored value cards (similar to a bank account debit card) linked to a payroll card account that the employer establishes at a bank or credit union. Once the employer transfers the employee's pay into the account, the employee can use the card to access his or her pay at multiple unaffiliated merchants, ATMs, service providers, or bank branches. Among other things, the cards must (1) be associated with an ATM network that ensures the availability of a substantial number of in-network ATMs in the state and (2) allow employees to make at least three free withdrawals per pay period ([PA 16-125](#), effective October 1, 2016).

SECURITY FREEZES

Under a new law, a parent or legal guardian may ask credit reporting agencies to place a security freeze on a minor child's credit report. The act:

1. limits a parent's or legal guardian's authority to request these freezes for credit reports of children under age 16, instead of age 18 as under prior law and
2. eliminates a parent's or guardian's option to have an agency temporarily lift a freeze for a specific third party or for a

period of time, thus only allowing a parent or guardian to request that the agency completely remove the freeze ([PA 16-65](#) §§ 55 & 56, effective October 1, 2016).

SMALL LOAN LICENSEES

A new law makes several changes affecting small loans. It expands the scope of activities that require licensure, changes the license application fee structure and the length of time a license is valid, and establishes permitted and prohibited licensee practices and loan provisions. It simplifies the definition of a "small loan" which, under the act, involves an amount or value of \$15,000 or less and an annual percentage rate (APR) greater than 12%. It also converts the existing interest rate structure to an APR capped at the maximum 36% allowed under federal law ([PA 16-65](#) §§ 19-36, effective July 1, 2016).

MK:bs