

# Legislative History for Connecticut Act

## PA15-53

### HB6800

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Transcripts from the Joint Standing Committee Public  
Hearing(s) and/or Senate and House of Representatives  
Proceedings

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**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2015**

**VOL.58  
PART 5  
1386 – 1739**

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CLERK:

On page 6, House Calendar 123, Favorable Report of the Joint Standing Committee on Banking. Substitute H.B. No. 6800. AN ACT CONCERNING MORTGAGE CORRESPONDENT LENDERS, THE SMALL LOAN ACT, VIRTUAL CURRENCIES, SECURITY FREEZES ON CONSUMER CREDIT REPORTS.

DEPUTY SPEAKER GENTILE:

Representative Lesser.

REP. LESSER (100<sup>th</sup>):

Thank you, Madam Speaker. Madam Speaker, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

DEPUTY SPEAKER GENTILE:

The question before the Chamber is on acceptance of the Joint Committee's Favorable Report and passage of the bill. Representative Lesser.

REP. LESSER (100<sup>th</sup>):

Thank you, Madam Speaker. Madam Speaker, this bill covers a number of different areas, all of which are attempt to update the banking statutes. With the exceptions of Sections 1 through 3, which are an attempt to reduce unnecessary regulation and

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streamline our mortgage servicing statutes, the rest of the bill, I think, can be correctly characterized under the umbrella of attempting to make sure that our banking statutes address the new world that we live in, one shaped largely by the Internet, and in a number of different ways. Both in ways that present opportunities to Connecticut businesses, and in ways that present threats to cyber criminals and to those who prey on members of our communities. So, Section 4 strengthens Connecticut laws with regard to small loans, typically payday loans, many of which are offered over the Internet. Sections 5 through 8: update our money transmittal statute to acknowledge the emerging and fast-changing world of virtual currency. Section 9 address identity theft and security freezes, and creates a class of protective persons who would be eligible for a free credit freeze, and Madam Speaker, I urge my colleagues to support this bill and look forward to discussion.

DEPUTY SPEAKER GENTILE:

Will you remark further? Representative Simanski.

REP. SIMANSKI (62<sup>nd</sup>):

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Thank you, Madam Speaker. I also arise in support of this bill and urge my colleagues to vote for it, and the Chairman did a good job of summarizing what the sections apply to. And I would specifically refer this Chamber to Section 4, line 112 forward. It talks about payday loans. And this is really important. Maybe not for us, but for those people who are primarily unbanked. They don't have the ability to cash their loans at a bank like we might do, so it's really important to them. They are subjects of usury. We've heard testimony and read reports about people who go and get these payday loans and are charged rates in excess of 50% or more, and it's usually through some unscrupulous, out-of-state company who merges with one of the Indian tribes, and that enables them to put through these loans, which really take advantage of the people who extremely cannot afford to be taken advantage of. The second part the Chairman talked about, which is in Section 5, line 247 forward, addressing virtual currency, so that our banking department can start getting on top of that issue before it develops. And the last part, Section 9, lines 554 going forward, this again

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addresses an issue with victims of identity theft and security freezes, and it gives the consumer some protection for fees. So, I urge my colleagues to stand in support of this entire bill. It's a very good bill. Thank you.

DEPUTY SPEAKER GENTILE:

Thank you, sir. Will you remark further?  
Representative Wilms.

REP. WILMS (142<sup>nd</sup>):

Thank you, Madam Speaker. Through you, a question for the proponent. The question is, if a security freeze is in place, if that person, let's say, is an owner of a small business, and the business is applying for a loan from the bank, and the bank requires that person to be a personal guarantor, would the bank still be able to pull that person's credit report and use it for their lending decision?

DEPUTY SPEAKER GENTILE:

Representative Lesser.

REP. LESSER (100<sup>th</sup>):

Through you, Madam Speaker. The answer is no. However, a person would be able to get a temporary

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lift of the security freeze for that particular purpose. Through you, Madam Speaker.

DEPUTY SPEAKER GENTILE:

Representative Wilms.

REP. WILMS (142<sup>nd</sup>):

Thank you, Madam Speaker.

DEPUTY SPEAKER GENTILE:

Will you remark further? Representative Lesser.

REP. LESSER (100<sup>th</sup>):

Thank you, Madam Speaker. Madam Speaker, my apologies. The Clerk is in possession of an amendment, LCO 6761. I ask that the Clerk please call the amendment and I be granted leave of the Chamber to summarize.

DEPUTY SPEAKER GENTILE:

Will the Clerk please call LCO 6761, which will be designated House Amendment "A."

CLERK:

LCO No. 6761, designated House Amendment Schedule "A." Offered by Representatives Lesser, Simanski, and Hoydick.

DEPUTY SPEAKER GENTILE:

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The Representative seeks leave of the Chamber to summarize the amendment. Is there objection to summarization? Is there objection? Hearing none, Representative Lesser you may proceed with summarization.

REP. LESSER (100<sup>th</sup>):

Thank you, Madam Speaker. This amendment does two different things. One is it makes a couple of technical changes to the bill. But, the more substantive change actually comes from our colleague from Stratford, Representative Hoydick, who raised an important point, with regard to the section Owner this bill that deals with security freezes and identity theft, particularly in the wake of Anthem security breach, She wanted, and this Committee agrees, that we should really make sure that we're protecting not just the identity of people who've been the victims of identity theft, but also persons who are covered under their insurance plans as well. And I believe this amendment goes a long way to protecting the victim of similar breaches to the Anthem breach, and so I would urge my colleagues to adopt it. Madam Speaker, I move adoption.



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DEPUTY SPEAKER GENTILE:

The question before the Chamber is adoption of House Amendment Schedule "A." Will you remark on the amendment? Will you remark on the amendment? If - Representative Simanski.

REP. SIMANSKI (62<sup>nd</sup>):

Thank you, Madam Speaker. I do rise in support of the amendment. It is certainly a friendly amendment, and if fact was, as the Chairman says, was to address an issue that was raised by our own colleague on this side of the aisle, Representative Hoydick. It does go much further to identify a class that was previously left out of the earlier iteration of this bill. So it's a good amendment, and I urge our colleagues to support it.

DEPUTY SPEAKER GENTILE:

Thank you, sir. Representative Hoydick.

REP. HOYDICK (120<sup>th</sup>):

Thank you, Madam Speaker. It's a pleasure to see you there. Madam Speaker, I just want to rise in support of the amendment and the entire bill, and just to commend my colleagues, Chairman, and the ranking members of the Banking Committee for

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their good work, their open-mindedness, and the great way to make a great bill even better. So, thank you very much.

DEPUTY SPEAKER GENTILE:

Thank you. Will you remark further? If not, let me try your minds, all those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER GENTILE:

Those opposed, nay? The ayes have it.

[gavell] The amendment is adopted. Will you remark further on the bill as amended? Will you remark further? If not, staff and guests please come to the well of the House. Will members please take their seats, the machine will be opened.

[bell ringing]

CLERK:

The House of Representatives is voting by roll. Members to the Chamber. The House of Representatives is voting by roll. Members to the Chamber, immediately.

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DEPUTY SPEAKER GENTILE:

Have all members voted? Have all members voted? Will members please check the board to determine if your vote is properly cast. If all members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

CLERK:

House Bill 6800 as amended by House "A"

Total Number Voting	148
Necessary for Passage	75
Those voting Yea	148
Those voting Nay	0
Those absent and not voting	3

DEPUTY SPEAKER GENTILE:

The bill, as amended, is passed. [gavel]

Will the Clerk please call Calendar 140.

CLERK:

On page 7, Calendar 140, Favorable Report of the Joint Standing Committee on insurance and real estate. Substitute H.B. No. 6870, AN ACT CONCERNING THE CONNECTICUT UNFAIR INSURANCE PRACTICES ACT.

DEPUTY SPEAKER GENTILE:

Representative Megna.

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THE CHAIR:

Without objection.

SENATOR DUFF:

Thank you, Madam President. On Calendar Page 13, Calendar 462, House Bill 6800, I'd like to mark that item for the Consent Calendar.

THE CHAIR:

Without objection, sir.

SENATOR DUFF:

Thank you, Madam President. On Calendar Page 18, Calendar 499, House Bill 6917, I'd like to mark that item for the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SENATOR DUFF:

Thank you, Madam President. On Calendar Page 34, Calendar 581, House Bill 6695, I'd like to mark that item for the Consent Calendar.

THE CHAIR:

Without objection.

SENATOR DUFF:

Thank you, Madam President, and if we can return back to the call of the Calendar beginning with Calendar Page 8, Calendar 385, House Bill 6812 please.

THE CHAIR:

Mr. Clerk.

CLERK:

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THE CHAIR:

Thank you. Will you remark on the bill as amended?  
Senator Larson.

SENATOR LARSON:

Thank you, Madam President. If there's no objection  
I'd ask this bill amended and placed on the Consent  
Calendar.

THE CHAIR:

Seeing no objection; so ordered, sir. Senator Duff.

SENATOR DUFF:

Thank you, Madam President. If the Clerk could please  
call the items on the Consent Calendar and then we can  
have a vote on Consent Calendar please.

THE CHAIR:

Thank you, sir. Would the Clerk please call the items  
on the Consent Calendar?

CLERK:

On page 2, Calendar 91, Senate Bill No. 752. On page  
7, Calendar 384, House Bill 6724. Page 8, Calendar  
385, House Bill 6812. And on page 11, Calendar 450,  
House Bill 6815. Page 13, Calendar 462, House Bill  
6800. And on page 17, Calendar 488, House Bill 6575.  
On page 18, Calendar 499, House Bill 6917.

Page 22, Calendar 519, House Bill 6733. Page 37,  
Calendar 136, Senate Bill 882. And page 39, Calendar  
165, Senate Bill 312. On page 40, Calendar 191, Senate  
Bill 4814. Also on page 40, Calendar 188, Senate Bill  
888. Page 41, Calendar 230, Senate Bill 989. Page 42,  
Calendar 255, Senate Bill 475. And on page 46,  
Calendar 367, Senate Bill 1108.

THE CHAIR:

Thank you, sir. Would the Clerk please call a pendency  
of roll call vote?

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CLERK:

Immediate roll call has been ordered in the Senate.  
Immediate roll call on today's Consent Calendar has been ordered in the Senate.

[pause]

THE CHAIR:

Members, please check the roll call vote. The machine will be locked. Clerk will announce the tally.

CLERK:

On the Consent Calendar for today

Total Number Voting	36
Necessary for Adoption	17
Those voting Yea	36
Those voting Nay	0
Absent/not voting	0

THE CHAIR:

Consent Calendar is adopted. [gavel] Mr. Majority Leader.

SENATOR DUFF:

Thank you, Madam President. First, I will yield to points of personal privilege or any announcements. I would ask that members stay in the Chamber. I do have a few important announcements before we leave for the morning.

THE CHAIR:

Seeing no announcements - Senator Kennedy, do we have an announcement? Seeing none, Senator Duff.

SENATOR DUFF:

Thank you, Madam President. It is our intention tomorrow to caucus at noon tomorrow on our side of the aisle; probably the same on the other side. We'll have

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STATE OF CONNECTICUT  
DEPARTMENT OF BANKING

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TESTIMONY SUBMITTED TO THE BANKING COMMITTEE  
February 19, 2015

*Bruce H. Adams, Acting Commissioner  
Department of Banking*

SB887 HB5117  
HB6403 HB6800

Chairman Leone, Chairman Lesser and members of the committee, thank you for the opportunity to offer written testimony on six bills on the agenda for the Banking Committee's February 19, 2015 public hearing.

**S.B. 89 AN ACT REQUIRING THE BANKING COMMISSIONER TO CONDUCT A STUDY ON STREAMLINING THE PROCESS FOR TRANSFERRING PROPERTIES WITH UNDERWATER, DELINQUENT OR FORECLOSED MORGAGES**

The issues raised in this proposed bill present important matters of public policy. The Department is eager to review the public testimony on this bill and would be happy to participate in a dialog on these matters. The Department looks forward to offering additional comments if this proposal is raised by the committee.

**S.B. 317 AN ACT CONCERNING ATTORNEYS' FEES PROVISIONS IN DEPOSITORY CONTRACTS**  
**S.B. 320 AN ACT CONCERNING LIABILITY FOR ANY LOSS OF ASSETS HELD BY BANKS OR OTHER ENTITIES**

The Department opposes these bills. Each bill proposes to restrict the language a financial institution uses in its depository account contracts with its customers within the context of consumer protection statutes. Fundamentally, the Department believes these provisions should remain a contractual matter between bank and customer, rather than be specifically prohibited by statute.

Logistically, the Department regulates the Deposit Account Contract Act (Sections 36a-315 to 36a-323, inclusive, of the Connecticut General Statutes) that, in general, prescribes what information a financial institution must include in a contract, when and how the financial institution must provide the contract and information on charges to a customer, and when a financial institution can (or cannot) enforce the terms of the contract. The proposed language in each of these bills is included within consumer protection laws outside of the jurisdiction of this department.

In addition, the amendment of the consumer protection statute in S.B. 317 appears to contain a conflict that could imperil a depositor's right to recover an attorney's fee as a matter of law. The proposed

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language would prohibit a bank from including "a clause in its consumer contract allowing for such bank... to collect attorneys' fees from its customers if such bank... prevails in a claim brought by consumers based on the consumer contract." The existing language in the subsection, though, allows a consumer to collect an attorney's fee as a matter of law if the contract requires the consumer to pay an attorney's fee for the bank (or commercial party). The proposed language would seem to weaken the consumer's opportunity to collect an attorney's fee because it would place the discretion to award fees in the hands of the court.

**S.B. 887 AN ACT CONCERNING REQUIREMENTS FOR THE FILING OF A MECHANIC'S LIEN**  
**H.B. 5117 AN ACT CONCERNING THE TIME PERIOD FOR THE FILING OF MECHANIC'S LIENS**

The Department supports these bills taken together. S.B. 887 is commonsense legislation that would reduce the strain on banks and protect homeowners from unscrupulous unlicensed contractors, while H.B. 5117 provides a reasonable accommodation of filing time for licensed contractors. Together, these bills provide balanced legislation that promotes good faith in the field of mechanic's liens.

**H.B. 6403 AN ACT CONCERNING SECURITY FREEZES ON CHILDREN'S CREDIT REPORTS**

The Department supports this bill in concept. The protection of children's credit information is vital and the Department has proposed complementary legislation (H.B. 6800 An Act Concerning Security Freezes on Consumer Credit Reports) that would prohibit credit rating agencies from charging a fee for security freezes requested for persons under the age of 18 (among others). However, the Department would caution that the proposal as drafted may have unintended consequences. The proposal allows a parent or guardian to place a security freeze on a child's credit report, but it is not clear whether the proposal would also allow a parent or guardian to lift or remove the freeze. The Department is concerned that a parent or guardian could misuse the ability to lift or remove a security freeze in order to gain access to the child's credit in contravention to the other parent's wishes or for malicious purposes, thereby exposing the child to financial risk without the child's knowledge. The Department recommends adding notification to the child as a requirement for the parent or guardian attempting to place, lift or remove a security freeze.

Very truly yours,



BRUCE H. ADAMS  
ACTING BANKING COMMISSIONER

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**TESTIMONY SUBMITTED TO THE BANKING COMMITTEE**  
**February 24, 2015**

*Bruce H. Adams, Acting Commissioner*  
*Department of Banking*

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Chairman Leone, Chairman Lesser and members of the committee, thank you for the opportunity to testify in support of the following bills on the agenda for the Banking Committee's February 24, 2015 public hearing. These bills represent priority initiatives for the Department of Banking.

SB922  
SB923  
SB924  
HB6800  
HB6802

**S.B. 920 AN ACT CONCERNING MORTGAGE CORRESPONDENT LENDERS**

Licensed mortgage correspondent lenders (MCLs) are permitted to make loans and to hold them in their name for up to 90 days. As a result, MCLs may find themselves engaging in limited (e.g., first payment) servicing activities. This technical proposal clarifies that a duly licensed MCL is exempt from the separate requirement to obtain a mortgage servicer license (and from corresponding insurance/bonding requirements) when it services mortgages it has made and is holding in accordance with its MCL license. Please see attached memorandum the Department issued last year to the regulated community explaining the situation.

**S.B. 921 AAC REVISIONS TO THE CONNECTICUT TRUTH-IN-LENDING ACT**

The Department strongly supports this proposal that conforms Connecticut's truth-in-lending laws to substantive provisions of the federal Truth-in-Lending Act ("TILA"). Connecticut is one of a small handful of states that have been granted an exemption from certain provisions of federal TILA. It is critical to maintain this exemption because it allows the Department to continue its direct protection of Connecticut consumers in many of their loan transactions.

In short, maintaining this exemption allows the DOB—and not federal agencies such as the FTC or the FDIC—to continue examining applicable entities in Connecticut for compliance with TILA.

**H.B. 6800 AN ACT CONCERNING SECURITY FREEZES ON CONSUMER CREDIT REPORTS**

The Department strongly supports this bill. *Connecticut is one of only three states that allow consumer credit reporting agencies to charge victims of identity theft for security freezes.* This proposal will bring Connecticut in line with almost every other state by prohibiting consumer credit reporting agencies from charging fees for security freezes to victims of identity theft, senior citizens, minors, persons under guardianship or conservatorship and victims of domestic violence. Various other states extend the prohibition of fees to certain vulnerable groups, including senior citizens and victims of domestic violence.

**H.B. 6802 AN ACT CONCERNING VIRTUAL CURRENCIES**

This proposal is in response to the sharp uptick in both the number of virtual currencies (*e.g.* Litecoin, Ripple, Dogecoin and Nxt) and the scope of their related businesses. The Department must amend its money transmission statutes to allow us to respond nimbly to the many peculiar issues and business models that have already arisen or may arise in the context of this extremely rapidly evolving and newly-developing currency by defining "virtual currency," requiring money transmitters to state whether they deal in virtual currency and allowing the Commissioner to take certain measures against money transmitters engaged in virtual currency. With this legislative change, the Department believes it can begin safely allowing businesses of this nature to enter Connecticut. Without it, the Department would be hard-pressed to approve any license for a dealer in virtual currency.