

Legislative History for Connecticut Act

PA 14-89

HB5353

House	3061-3073	13
Senate	3158, 3163-3164	3
Banks	139, 142-143, 152-154, <u>156-157, 177, 178</u>	10
		26

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
PART 10
3044 - 3394**

Will the Clerk please announce the tally.

THE CLERK:

House Bill 5384 as amended by House "A."

Total number voting 143

Necessary for passage 72

Those voting Yea 89

Those voting Nay 54

Those absent and not voting 8

SPEAKER SHARKEY:

The bill as amended passes.

Will the Clerk please call Calendar 237.

THE CLERK:

On page 43, House Calendar 237, favorable report of the joint standing committee on Appropriations, Substitute House Bill 5353, AN ACT CONCERNING MORTGAGE SERVICERS, CONNECTICUT FINANCIAL INSTITUTIONS, CONSUMER CREDIT LICENSES, THE FORECLOSURE MEDIATION PROGRAM AND MINOR REVISIONS TO THE BANKING STATUTES.

SPEAKER SHARKEY:

The distinguished chairman of the Banking Committee, Representative Tong. You have the floor, sir.

REP. TONG (147th):

Good evening, Mr. Speaker.

SPEAKER SHARKEY:

Good evening, sir.

REP. TONG (147th):

Mr. Speaker, I move acceptance of the joint committee's favorable report and passage of the bill.

SPEAKER SHARKEY:

Question is on acceptance of the joint committee's favorable report and passage of the bill.

Will you remark, sir?

REP. TONG (147th):

Yes, thank you, Mr. Speaker. Mr. Speaker, this bill does a few things that represent initiatives of the Department of Banking and the Banks Committee. In summary it provides for the licensing and regulation of mortgage servicers. It also provides that the National Mortgage Licensing System will now be used by the Banking Department to license various actors in our financial institutions here in this state. It also provides for an extension of the Foreclosure and Mediation Program. There are also several other provisions that are summarized and included in an amendment. Mr. Speaker, the Clerk has an amendment, LCO Number 4518. I ask that the Clerk please call the amendment and I be given leave to summarize.

SPEAKER SHARKEY:

Will the Clerk please LCO 4518, which will be designated House Amendment "A."

THE CLERK:

House Amendment "A," LCO 4518, introduced by Representative Tong, et al.

SPEAKER SHARKEY:

The gentleman has sought leave of the chamber to summarize. Is there objection?

Seeing none, you may proceed with summarization, sir.

REP. TONG (147th):

Thank you, Mr. Speaker.

I will do this as quickly as I can. There are several key provisions of this bill. The first, as I've said earlier, provides for the licensing and regulation of mortgage servicers in this state, the people that service mortgages on behalf of the lenders. It also provides for a banker's bank, which is a bank that does business with other banks to be able to do business in other states, including Pennsylvania and New Jersey. It includes further guidance on the pre-mediation process before the foreclosure mediation process starts. It extends the

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Foreclosure Mediation Program from -- from June 30, 2014 to June 30, 2016, that's a two-year extension. It also includes a couple of new initiatives. First, it creates a commission to study and recommend a plan to create -- to establish Connecticut as a leading jurisdiction in this country for corporation law to encourage more corporations to come to Connecticut to incorporate here and to adjudicate their disputes here. And finally, it creates a task force on reverse mortgages. We heard testimony about the risks of reverse mortgages, particularly for our seniors and this creates a task force to address those concerns. I move adoption.

SPEAKER SHARKEY:

The question before the chamber is adoption. Would you care -- do you care to remark?

The distinguished ranking member of the Banking Committee, Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. If I may, a few questions to the proponent.

SPEAKER SHARKEY:

Please proceed, sir.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In looking at lines 176 through 185 of the amendment, I think that was the reference that the chairman was making in terms of the pre-meditation review period, the protocol and I just wanted to get a little bit more information about why that language is in this amendment.

Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Tong.

REP. TONG (147th):

Through you, Mr. Speaker, it's the pre-mediation, not the premeditation, but maybe we need a premeditation session in Banks as well. But, through you, Mr. Speaker, yes, it provides for an opportunity for the mediator to let the homeowner know what documents they're missing and to enhance the mediation program. This was an initiative brought to us by Senator Fasano and we think it makes good sense.

Through you.

SPEAKER SHARKEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I always appreciate the

clarification of the English language. Looking a little further at lines 822 through 827, the Foreclosure Mediation Program, this language that we're looking to establish will allow the Foreclosure Mediation Program to continue for another two years. Is that not correct?

Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Tong.

REP. TONG (147th):

Through you, Mr. Speaker, that is correct.

SPEAKER SHARKEY:

Representative Alberts.

REP. ALBERTS (50th):

I thank you, Mr. Speaker, then many of the other sections in this amendment, are they not -- are tied to actually clarify that date of two years to make sure that that is a conforming change?

Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Tong.

REP. TONG (147th):

Through you, that's correct.

SPEAKER SHARKEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

There was mentioned earlier of section 505, I believe, that is what the honorable chairman was making reference to, the Commission on Connecticut's Leadership on Corporation and Business Law. This was a bill that we heard as -- in committee that does not have a fiscal note. Is that correct, Mr. Speaker?

SPEAKER SHARKEY:

Representative Tong.

REP. TONG (147th):

Through you, that is correct, there's no fiscal note.

SPEAKER SHARKEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

I think the chairman's description of this amendment is a very solid one and a good one and I urge my colleagues to support it.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark further on House

Amendment "A"?

Representative Smith.

REP. SMITH (108th):

Mr. Speaker, thank you. Just a -- one quick question for the proponent of the bill, if I may.

SPEAKER SHARKEY:

Please proceed, sir.

REP. SMITH (108th):

It's nice to see that the language in -- for the mediation has been continued. One of the comments I've heard when we amended the statute last year was actually by the mediators themselves. They were -- they seemed a bit overwhelmed in terms of all the changes that occurred last year and basically had some difficulty complying with what we put into statute, and I'm just wondering if anything has been done in terms of either providing them more help or more guidance in terms -- so we can make this process much more efficient then -- that has been in the past.

Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Tong.

REP. TONG (147th):

Through you, Mr. Speaker, yes. As you know, this

program has been very successful in helping homeowners and our neighbors in distress in this state but it does take a lot of resources and a lot of focus and attention. A lot of the issues, a lot of the process is complicated, some would even say byzantine in getting through the foreclosure process. So, we tried over the last we years to clarify and streamline this process. We're working closely with the department to make sure that they are watching in closely and that the Judicial Branch has the resources that it needs. It continues to be a challenge but we're doing the best we can.

Through you.

SPEAKER SHARKEY:

Representative Smith.

REP. SMITH (108th):

And I thank the chairman for his response. I mean it -- it certainly is a -- a difficult process for the Judicial Department and the mediators to comply with what we've put down on paper here. I'm certainly in favor of the bill. I hope we can find some more money so they can actually make this process somewhat more workable. Mr. Speaker, when they get the package, it's usually, you know, one or two inches

thick and they have to sift through that information, make sure that the homeowner is compliant with the various requests from the lender. They do their best, and I hope we can give them more support in the future. Thank you.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark further? Would you care to remark further on House Amendment "A"? If not, let me try your mind.

Representative Mushinsky.

REP. MUSHINSKY (85th):

Thank you, Mr. Speaker.

I just wanted to thank the chairman of Banks for including the task force on reverse mortgage, practices and best practices and a look at the Federal Court case that is seeking to protect consumers and we'll see how that plays out between now and next session and thank you for taking consumers seriously, Mr. Chairman.

Through you, Mr. Speaker.

SPEAKER SHARKEY:

Thank you, Madam.

Would you care to remark further on House

Amendment "A"? If not, let me try your minds. All those in favor of House Amendment "A," please signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER SHARKEY:

Those opposed, nay.

The ayes have it. The amendment is adopted.

Do you care to remark further on the bill as amended?

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Now that the bill had been amended, I urge my colleagues to support it. Thank you.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark? Would you care to remark further on the bill as amended?

Representative Butler.

REP. BUTLER (72nd):

Thank you, Mr. Speaker.

I'd just like to commend chair of Banking Committee for bringing this bill forward. The Housing

Committee also had a similar bill, and we heard a lot of testimony about how the rest of the country has been doing well coming out of foreclosures, but Connecticut has been lagging behind, there is still a great need, so I'm glad to see that this bill has come forward to actually address the needs of our residents and that the attorneys in Connecticut Fair Housing, our NHS's and our CAP agencies are out there on the frontlines helping our people navigate through these waters. So, again, I'd like to commend the chair of Banking for bringing this forward.

Thank you, Mr. Speaker.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark? Would you care to remark further on the bill as amended? If not, staff and guests to the well of the House. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please report to the chamber immediately?

SPEAKER SHARKEY:

Have all the members voted? Have all the members

voted? Will members please check the board to make sure your vote is properly cast.

If all the members have voted, the machine will be locked and the Clerk will take a tally.

Representative Genga, for what reason do you rise?

REP. GENGA (10th):

Mr. Speaker, I wish to have my vote in the affirmative. I apologize for the inconvenience.

SPEAKER SHARKEY:

Will the Clerk please indicate Representative Genga wishes to vote in the affirmative. Thank you, Mr. Clerk. Will the Clerk please announce the tally.

THE CLERK:

House Bill 5353 as amended by House "A."

Total number voting	143
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Necessary for passage	72
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Those voting Yea	140
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Those voting Nay	3
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Those absent and not voting	8
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SPEAKER SHARKEY:

The bill as amended passes.

Will the Clerk please call Calendar 428.

THE CLERK:

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CONNECTICUT
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SENATE**

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2993 - 3245**

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SENATE

234
May 6, 2014

THE CHAIR:

The Senate will stand at ease.

(Chamber at ease).

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

Yes, thank you, Madam President. Madam President, some additional items to mark at this point. They may -- may be skipping around the Calendar a little bit.

But Calendar page 10, Calendar 415, House Bill 5518,
move to place on the Consent Calendar.

THE CHAIR:

Yup.

SENATOR LOONEY:

And also, Madam President, Calendar page 18, Calendar
489, House Bill 5227, move to place on the Consent
Calendar.

Madam President, Calendar page 19, Calendar 494, House
Bill Number 5573, move to place on the Consent
Calendar.

Calendar page 22, Calendar 513, House Bill 5353, move
to place on the Consent Calendar.

Calendar page 28, Calendar 550, that's 5-5-0, House
Bill 5514, move to place on the Consent Calendar.

Madam President, also moving back, Calendar page 20,
Calendar 499, House Bill 5419, move to place on the
Consent Calendar.

Back under Favorable Reports, Madam President,
Calendar page 11, Calendar 419, House Bill 5477, move
to place on the Consent Calendar.

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And on page 22 Calendar 513, House Bill 5353.
Calendar 515, House Bill 5361.

And on page 24, Calendar 526, House Bill 5556.
Calendar 524, House Bill 5219.

Page 25, Calendar 4 -- sorry, Calendar 530, House Bill 5368,
page 27, Calendar 546, House Bill 5061.
Calendar 543, House Bill 5037.

On page 28, Calendar 550, House Bill 5514.

Page 29, Calendar 554, House Bill 5148.

Page 30, Calendar 563, House Bill 5554.

Page 31, Calendar 567, House Bill 5229. Calendar 565,
House Bill 5028.

And on page 42, Calendar 384, Senate Bill 442.

THE CHAIR:

Senator Looney, do you have any more good news for us?

SENATOR LOONEY:

Yes, thank you, Madam President. One additional item to add before we call for the actual vote on the Consent Calendar, and that is item an Calendar page 33, Calendar 575, House Bill 5359. With that one addition it would call for a vote on the Consent Calendar.

THE CHAIR:

Mr. Clerk, please call for a vote on the Consent Calendar, and the machine will be open.

THE CLERK:

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

THE CHAIR:

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If all members have voted? All membered voted, the machine will be closed. Mr. Clerk, will you please call the tally.

THE CLERK:

On the second Consent Calendar for today.

Total number voting	35
Those voting Yea	35
Those voting Nay	0
Absent not voting	1

THE CHAIR:

Consent Calendar passes. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. If the Clerk would call the first item marked go to follow the Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On page 33, Calendar 579, Substitute for House Bill Number 5348, AN ACT CONCERNING THE PAYMENT OF DELINQUENT PROPERTY TAXES. Favorable Report of the Committee on Planning and Development.

THE CHAIR:

Senator Kelly.

SENATOR KELLY:

Thank you. Thank you, Madam President. Pursuant to Rule 15 of the Joint Rules, I am recusing myself from consideration of this bill.

THE CHAIR:

Thank you, sir. Please leave the Chamber.

**JOINT
STANDING
COMMITTEE
HEARINGS**

**BANKS
1 – 348**

**2014
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1
la/gbr BANKS COMMITTEE

March 4, 2014
2:00 P.M.

CHAIRMEN: Senator Leone
Representative Tong

MEMBERS PRESENT:

SENATORS: Crisco, Linares

REPRESENTATIVES: Luxenberg, Alberts, Baram,
Diminico, Guerrera,
Larson, Moukawsher,
Rovero, Widlitz, Carter,
LeGeyt

REP. TONG: Thanks for being here. We have an abbreviated agenda but welcome everyone to our second public hearing. Do you have any remarks, Chairman Leone?

SENATOR LEONE: No. Great to be here. Thanks. I need to step out for a second, so no offense to the Commissioner, but I'll be right back.

REP. TONG: I'm sure you're going to bring down the house with your testimony about today's issues. Look forward to it. So, without further ado, Commissioner Pitkin.

COMMISSIONER PITKIN: Good afternoon, Chairman Leone, Chairman Tong and members of the committee. My name is Howard F. Pitkin and I am the Commissioner of the Connecticut Department of Banking and I'm here to testify in support of five pieces of legislation.

HB 5352 HB 5353
SB 284 SB 283

The first bill is House Bill 5268, AN ACT CONCERNING CONSUMER LICENSES. This proposal authorizes the Banking Commissioner to use the Nationwide Mortgage Licensing System and Registry, otherwise known as NMLS, for licensing or registration of any person engaged in a financial services industry within the

Banking that this bill addresses is this: While the Department has authority over numerous statutes relating to the origination of mortgages, including the licensing of mortgage lenders, brokers and originators, there is little authority that the Department has after a mortgage loan has been closed and funded. Currently, due to the fact that Connecticut does not require mortgage servicers to be licensed, the Department has little leverage to assist borrowers when they have problems with their servicer. Simply put, this bill allows Connecticut to protect more borrowers throughout the life of their loan.

The bill dovetails well with Governor Malloy's recent initiative to streamline the regulatory process in Connecticut. Specifically, the Department will end the unnecessarily burdensome practice of manually processing paper applications for approximately 2,000 licensees. And much like the Consumer Credit License Bill, House Bill 5268 I testified to earlier, we will be able to see when our licensees and applicants have problems or violations in other states. Consequently, the Department will vet companies more swiftly and thoroughly and our examiners will then be freed up to focus more deeply on other investigations and examinations.

House Bill 5353, AN ACT CONCERNING
CONNECTICUT'S FINANCIAL INSTITUTIONS, makes a number of minor changes to the laws which govern financial institutions in the state. The proposal adds a requirement for notification when a loan production office will be permanently closed, clarifies that business and industrial development corporation licenses are not transferable or assignable and clarifies that ATMs providing telephonic or live video connections to bank personnel are

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la/gbr BANKS COMMITTEE

March 4, 2014
2:00 P.M.

not considered branch -- bank branches.

House Bill 284, AN ACT CONCERNING THE COST OF CONSTRUCTIVE SERVICE. This would allow constructive legal service on the Commissioner to be delivered using certified mail in addition to registered mail and overnight delivery. Certified mail is less expensive than registered mail. This is simply a cost-saving measure that will enable to Department to use a less expensive but no less reliable method of delivering notice of the service to the defendants or respondents, as the case may be.

The last bill I'm here to support is House Bill 283, AN ACT CONCERNING TECHNICAL CHANGES TO BANKING LAWS. As the name implies, it makes various technical changes to the statutes. Our preference would be for this language to be placed in an annual technical revisions bill. This bill, in addition to eliminating some unnecessary or erroneous statutory cross-references, also expands the definition of Branch Office to include mortgage loan originations.

I want to thank you for your attention to these matters. I'll now be happy to answer any questions you may have.

REP. TONG: Thank you, Commissioner. There's a lot here, and I'll just jump to it. House Bill 5352, AN ACT CONCERNING MORTGAGE SERVICES. I suspect that this represents a radical change in our regulatory scheme here in Connecticut. So I want to start by asking you how many distinct servicers do you estimate that there are operating in Connecticut today? Are they - do they range in size from big servicer conglomerates to mom and pop servicers? I just want to understand the marketplace that's here.

banks servicers, which you're saying are not subject to any regulation?

COMMISSIONER PITKIN: No, they're not.

REP. BARAM: Okay. Is there any registration at all for these non-bank servicers, any requirements whatsoever?

COMMISSIONER PITKIN: Not here in Connecticut, no, and that would be required when we hopefully get this law enacted.

REP. BARAM: And just one more question on this. You had mentioned that servicers acquire these loans. But in reality they don't really have any equity stake in the loans, they're just a contractual party that is, as you said before, sending out the bills, keeping track of the accounting. Unless the loan was actually assigned to the servicer as part of their portfolio, they're just doing this administrative task?

COMMISSIONER PITKIN: That's correct.

REP. BARAM: I don't know if we can -- are we allowed to ask questions on other bills or -- okay.

Just one other question, on 05353, you said that an ATM that provides telephonic or video connections to bank personnel are not considered bank branches. And I'm just wondering, what is the implication by saying that they're not a bank branch?

COMMISSIONER PITKIN: Well, if you're talking to a person on a tele-screen, you know, that has some -- some characteristics of a branch. However, we wanted to clarify in our order that's not a branch office. It's still an ATM.

REP. BARAM: So, does that mean there's less liability for the bank if something goes wrong?

COMMISSIONER PITKIN: No. It has nothing to do with their liability at all. It's just simply a clarification in our law.

REP. BARAM: Is -- is a bank limited to how many branches they're entitled to?

COMMISSIONER PITKIN: No, they can -- they can branch extensively. It's really a matter of expense and wherever they find a further market. If they raise deposits and business out of that market, it's fine. If they don't, they should close the branch. But, you know, there's very little restriction on branching here in Connecticut.

REP. BARAM: I'm just a little confused about why we even need to determine whether or not these ATMs with telephonic or video mechanisms even have to be, you know, characterized as either a branch or a non-branch. I'm trying to figure out what the implication of that is.

COMMISSIONER PITKIN: I don't think there's any implication. You know, they're in a kiosk; they're enclosed. A person comes up on the screen, a live person, and we're simply trying to say that this is not a branch office. And it deals with the expense or the fee that they pay to Connecticut for the establishment of it and we simply want to clarify that in the law.

REP. BARAM: So, really, the implication is the fee to the State of Connecticut. If it's not considered a branch, then the bank doesn't have to pay this branch fee?

COMMISSIONER PITKIN: Right. I mean, there are

certain services that go along with being a branch and there's restrictions on what services can go along with an ATM, and we just want to make sure that the banks don't add services to a visually equipped ATM they're not authorized. And, yeah, the fee is -- it's not that much different but it's different.

REP. BARAM: Thank you very much.

COMMISSIONER PITKIN: Sure.

REP. TONG: Representative Rovero.

REP. ROVERO: Thank you, Mr. Chairman. Good afternoon, Commissioner.

COMMISSIONER PITKIN: Good afternoon.

HB 5352

REP. ROVERO: You know, I have the privilege of being on the board of directors of a bank outside of Connecticut, and I want to tell you, until recently if someone would have asked me were mortgage servicers governed or regulated by Connecticut, I would have said, of course, they must be. So I can't imagine, honestly, over the years that they were not regulated by the State of Connecticut because, let's face it, those are the people that are the first line to someone paying their mortgage. If someone has a problem, that's the person they're going to go to first, and we're not regulating them. I think it's -- it's time that we have this law passed by the State of Connecticut.

Thank you very much for your time.

COMMISSIONER PITKIN: Thank you.

REP. TONG: Representative Moukawsher.

REP. MOUKAWSHER: Well, there's any number of ways. You know, we can issue -- we can issue orders, cease and desist orders or agreements that can tie a business up in knots, you know. And not that -- not that we would abuse the authority but, I mean, that's typically what a regulator does in order to bring people around to the fact that they eventually got to do what we tell them to do.

And, you know, having worked with a lot of different financial industries, we're pretty careful about how we structure agreements. And examinations turn up -- if there's a witness in a business, a banking business or a mortgage service provider, they'll turn up during an examination. We have eight people in the Department that do nothing but take complaints from people, and that alone tells us where the problems are. So we know where they are. Okay.

REP. TONG: Thank you. Representative Alberts.

REP. ALBERTS: Thank you, Mr. Chairman. Thank you, Mr. Commissioner. Looking at Bill 5353 and Section 6, dealing with the ATM question that Representative Baram was asking earlier --

COMMISSIONER PITKIN: Yes.

REP. ALBERTS: Just for clarifications, if a bank that was properly licensed in Connecticut wanted to go forward with one of these devices, say a televideo device or some type of telephone device, it wouldn't be -- it would be considered basically an expanded function of that ATM, correct? That's what we're proposing to do.

COMMISSIONER PITKIN: Yeah, that's right.

REP. ALBERTS: Now, if a bank that is not licensed at present to do business in the state, say with some type of branch function -- say a USAA Federal Savings Bank wanted to offer this, that would be a completely different process an institution would have to go through first before they could do that; isn't that correct?

COMMISSIONER PITKIN: That's correct. They have a different regulator. At the least, they'd have to get the approval of their state regulator or somehow tell their federal regulator that this is where an ATM of any capacity is going to be located.

REP. ALBERTS: Thank you. Thank you, Mr. Chairman.

REP. TONG: Representative LeGeyt.

REP. LEGEYT: Thank you, Mr. Chairman. Good afternoon, Commissioner.

COMMISSIONER PITKIN: Good afternoon.

REP. LEGEYT: I want to follow up on questions that were prompted by Representative Rovero mentioning that he's on the board of a bank that sits outside the jurisdiction of the state and in regard to mortgage servicers. And this is just for my education, so reflective perhaps of what the bill would provide or what the bill would do. HB 5352

A bank that is chartered in Connecticut and provides -- allows a servicer in an adjacent state, Massachusetts, Rhode Island, to service some of its loans. Is that -- is there any nexus between that bank and the servicer, such that under this bill the -- our state would be able to have some jurisdiction over that servicer, even though they're in another state?



STATE OF CONNECTICUT
DEPARTMENT OF BANKING
260 CONSTITUTION PLAZA – HARTFORD, CT 06103-1800



TESTIMONY SUBMITTED TO THE BANKS COMMITTEE
Commissioner Howard F. Pitkin
March 4, 2014

H.B. 5268, An Act Concerning Consumer Credit Licenses,
H.B. 5352, An Act Concerning Mortgage Servicers,
H.B. 5353, An Act Concerning Connecticut's Financial Institutions,
H.B. 284, An Act Concerning the Cost of Constructive Service, and
H.B. 283, An Act Concerning Minor and Technical Changes to the Banking Laws

Good afternoon Chairman Leone, Chairman Tong and members of the committee. My name is Howard F. Pitkin and I am the Commissioner of the Connecticut Department of Banking. I am here to testify in support of five pieces of legislation.

The first bill is **H.B. 5268, An Act Concerning Consumer Licenses**. This proposal authorizes the Banking Commissioner to use the Nationwide Mortgage Licensing System and Registry (NMLS) for licensing or registration of any person engaged in a financial services industry within the jurisdiction of the Commissioner and to make other technical and conforming changes. At the outset, it is important to note that this bill passed the Senate last year (S.B. 826) and the House would likely have easily passed it, but the clock ran out and Father Time killed the bill.

While it sounds somewhat dry on the surface, this proposal represents a unique opportunity for smarter and more effective regulation while, at the same time, harnessing technology to reduce costs on both government *and* industry.

The NMLS is an excellent example of coordinated regulation – among and between state and federal regulatory agencies. All States currently use the system to manage mortgage related licensing, but perhaps its greater potential, however, is that NMLS is also an effective system to manage licensing and registering for *non-bank* entities such as collection agencies, debt adjusters, check cashers, small loan companies and sales finance companies. The NMLS is currently being used by 21 states to manage the licensing of these financial industries and there are an additional 11 states that plan to expand their use of the system in 2014.

The chief substantive benefit of adopting the NMLS for use beyond the mortgage market is that, as noted earlier, this system allows regulators to monitor licensees across state lines and across industries. For example, using NMLS will help the DOB identify those licensees who may be violators in other states.

The next legislative proposal is **H.B. 5352, *An Act Concerning Mortgage Servicers***. This bill creates a new regulatory scheme to be administered by the Commissioner governing persons that act as mortgage servicers effective January 1, 2015. The mortgage servicer license will better protect Connecticut borrowers by requiring that these largely unregulated companies comply with standards of conduct and meet other regulatory and disclosure obligations. It also gives the Commissioner authority to take enforcement action against persons and mortgage servicer licensees who violate the provisions of the act.

In brief, mortgage servicers are the companies that the borrower typically interacts with during the life of the loan, despite the fact that the loan is actually owned by another company. The servicer generally collects payments from the mortgage borrower on behalf of the loan's owner; they typically handle customer service, escrow accounts, collections, loan modifications, and foreclosures. Lenders frequently contract out servicing after the mortgage deal is signed, thus the borrower often has extremely little say in the choice of mortgage servicer.

As almost every local and national news source has reported recently, the mortgage servicing industry has experienced problems with bad practices and sloppy recordkeeping. Far beyond hurting the servicer's bottom line, those problems have left many borrowers vulnerable and exposed to unnecessary financial hardships. For example, borrowers typically complain of servicers who lose their own paperwork or fail to acknowledge receipt of documentation the borrowers send in.

The regulatory challenge to the DOB that this bill addresses is this: while the Department has authority over numerous statutes relating to the origination of mortgages, including the licensing of mortgage lenders, brokers and originators, there is little authority that the Department has *after* a mortgage loan has been closed and funded. Currently, due to the fact that Connecticut does not require mortgage servicers to be licensed, the Department has little leverage to assist borrowers when they have problems with their servicer. Simply put, this bill allows Connecticut to protect more borrowers throughout the life of their loan.

This bill dovetails well with Governor Malloy's recent initiative to streamline the regulatory process in Connecticut. Specifically, the Department will end the unnecessarily burdensome practice of manually processing paper applications for approximately 2000 licensees. And, much like the consumer credit license bill (H.B. 5268) I testified to earlier, we will be able to see when our licensees and applicants have problems or violations in other states. Consequently, the Department will vet companies more swiftly and thoroughly – and our examiners will then be freed up to focus more deeply on other investigations and examinations.

H.B. 5353, *An Act Concerning Connecticut's Financial Institutions*, makes a number of minor changes to the laws which govern financial institutions in the state. The proposal adds a requirement for notification when a loan production office will be permanently closed, clarifies that business and industrial development corporation licenses are not transferable or assignable, and clarifies that ATMs providing telephonic or live video connections to bank personnel are not considered bank branches.