Substitute House Bill No. 6131

Public Act No. 01-34

AN ACT CONCERNING ABUSIVE HOME LOAN LENDING PRACTICES.

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

Section 1. Section 36a-3 of the general statutes is repealed and the following is substituted in lieu thereof:

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

"Account". Sections 36a-155 and 36a-365.

"Additional proceeds". Section 7 of this act.

"Advance fee". Sections 36a-510, 36a-485 and 36a-615.

"Advertise" or "advertisement". Sections 36a-485 and 36a-510.

"Agency bank". Section 36a-285.

"Alternative mortgage loan". Section 36a-265.

"Amount financed". Section 36a-690.

"Annual percentage rate". Section 36a-690.

"Annual percentage yield". Section 36a-316.

"Applicant". Section 36a-736.

"APR". Section 3 of this act.

"Associate". Section 36a-184.
"Bank". Section 36a-30.

"Bankers' bank". Section 36a-70.

"Banking business". Section 36a-425.

"Billing cycle". Section 36a-565.

"Bona fide nonprofit organization". Section 36a-655.

"Branch". Sections 36a-145 and 36a-410.

"Branch or agency net payment entitlement". Section 36a-428n.

"Branch or agency net payment obligation". Section 36a-428n.

"Broker". Section 36a-510 and section 3 of this act.

"Business and industrial development corporation". Section 36a-626.

"Business and property in this state". Section 36a-428n.

"Cash advance". Section 36a-564.

"Cash price". Section 36a-770.

"Certificate of organization". Section 36a-435.

"Closely related activities". Section 36a-250.

"Collective managing agency account". Section 36a-365.

"Commercial vehicle". Section 36a-770.

"Community bank". Section 36a-70.

"Community development bank". Section 36a-70.

"Connecticut holding company". Section 36a-410.

"Consumer". Sections 36a-155, 36a-676 and 36a-695.

"Consumer Credit Protection Act". Section 36a-676.

"Consumer debtor" and "debtor". Sections 36a-645 and 36a-800.
"Consumer collection agency". Section 36a-800.

"Consummation". Section 3 of this act.

"Controlling interest". Section 36a-276.

"Credit". Sections 36a-645 and 36a-676.

"Creditor". Sections 36a-676, 36a-695 and 36a-800.

"Credit card", "cardholder" and "card issuer". Section 36a-676.

"Credit clinic". Section 36a-695.

"Credit rating agency". Section 36a-695.

"Credit report". Section 36a-695.

"Credit sale". Section 36a-676.

"De novo branch". Section 36a-410.

"Debt". Section 36a-645.

"Debt adjustment". Section 36a-655.

"Debt mutual fund". Section 36a-275.

"Debt securities". Section 36a-275.

"Deliver". Section 36a-316.

"Deposit". Section 36a-316.

"Deposit account". Sections 36a-136 and 36a-316.

"Deposit account charge". Section 36a-316.

"Deposit account disclosures". Section 36a-316.

"Deposit contract". Section 36a-316.

"Deposit services". Section 36a-425.

"Depositor". Section 36a-316.
"Earning period". Section 36a-316.

"Electronic payment instrument". Section 36a-596.

"Eligible account holder". Section 36a-136.

"Eligible collateral". Section 36a-330.

"Equity mutual fund". Section 36a-276.

"Federal Home Mortgage Disclosure Act". Section 36a-736.

"Fiduciary". Section 36a-365.

"Filing fee". Section 36a-770.

"Finance charge". Sections 36a-690 and 36a-770.

"Financial institution". Sections 36a-41, 36a-155, 36a-316, 36a-330 and 36a-736.

"Financial records". Section 36a-41.

"First mortgage loan". Sections 36a-485, 36a-705 and 36a-715.

"Fiscal year". Section 36a-435.

"Foreign banking corporation". Section 36a-425.

"General facility". Section 36a-580.

"Global net payment entitlement". Section 36a-428n.

"Global net payment obligation". Section 36a-428n.

"Goods". Sections 36a-535 and 36a-770.

"Graduated payment mortgage loan". Section 36a-265.

"Guardian". Section 36a-365.

"High cost home loan". Section 3 of this act.

"Holder". Section 36a-596.

"Home banking services". Section 36a-170.
"Home banking terminal". Section 36a-170.

"Home improvement loan". Section 36a-736.

"Home purchase loan". Section 36a-736.

"Home state". Section 36a-410.

"Immediate family". Section 36a-435.

"Installment loan contract". Sections 36a-535 and 36a-770.

"Instrument". Section 36a-596.

"Insurance bank". Section 36a-285.

"Insurance department". Section 36a-285.

"Interest". Section 36a-316.

"Interest rate". Section 36a-316.

"Lender". Sections 36a-510, [and] 36a-770 and section 3 of this act.

"Lessor". Section 36a-676.

"License". Section 36a-626.

"Licensee". Sections 36a-510, 36a-596 and 36a-626.

"Limited branch". Section 36a-145.

"Limited facility". Section 36a-580.

"Loan broker". Section 36a-615.

"Loss". Section 36a-330.

"Made in this state". Section 36a-770.

"Managing agent". Section 36a-365.

"Member". Section 36a-435.

"Membership share". Section 36a-435.
"Money order". Section 36a-596.

"Mortgage broker". Section 36a-485.

"Mortgage insurance". Section 36a-725.

"Mortgage lender". Sections 36a-485 and 36a-705.

"Mortgage loan". Sections 36a-261 and 36a-265.

"Mortgage rate lock-in". Section 36a-705.

"Mortgage servicing company". Section 36a-715.

"Mortgagor". Section 36a-715.

"Motor vehicle". Section 36a-770.

"Multiple common bond membership". Section 36a-435.

"Municipality". Section 36a-800.

"Net worth". Section 36a-596.

"Network". Section 36a-155.

"Note account". Sections 36a-301 and 36a-445.

"Office". Section 36a-316.

"Open-end credit plan". Section 36a-676.

"Open-end loan". Section 36a-565.

"Organization". Section 36a-800.

"Out-of-state holding company". Section 36a-410.

"Outstanding". Section 36a-596.

"Passbook savings account". Section 36a-316.

"Periodic statement". Section 36a-316.

"Permissible investment". Section 36a-596.
"Person". Section 36a-184.

"Post". Section 36a-316.

"Prepaid finance charge". Section 3 of this act.

"Prepayment penalty". Section 3 of this act.

"Prime quality". Section 36a-596.

"Principal amount of the loan". Section 36a-510.

"Principal officer". Section 36a-485.

"Processor". Section 36a-155.

"Public deposit". Section 36a-330.

"Purchaser". Section 36a-596.

"Qualified financial contract". Section 36a-428n.

"Qualified public depository" and "depository". Section 36a-330.

"Records". Section 36a-17.

"Relocate". Section 36a-145.

"Residential property". Section 36a-485.

"Retail buyer". Sections 36a-535 and 36a-770.

"Retail credit transaction". Section 42-100b.

"Retail deposits". Section 36a-70.

"Retail installment contract". Sections 36a-535 and 36a-770.

"Retail installment sale". Sections 36a-535 and 36a-770.

"Retail seller". Sections 36a-535 and 36a-770.

"Reverse annuity mortgage loan". Section 36a-265.

"Sales finance company". Sections 36a-535 and 36a-770.
"Savings department". Section 36a-285.

"Savings deposit". Section 36a-316.

"Secondary mortgage loan". Section 36a-510.

"Security convertible into a voting security". Section 36a-184.

"Share". Section 36a-435.

"Simulated check". Sections 36a-485 and 36a-510.

"Single common bond membership". Section 36a-435.

"Social purpose investment". Section 36a-277.

"Standard mortgage loan". Section 36a-265.

"Tax and loan account". Sections 36a-301 and 36a-445.


"Time account". Section 36a-316.

"Transaction". Section 36a-215.

"Travelers check". Section 36a-596.

"Troubled financial institution". Section 36a-215.

"Uninsured bank". Section 36a-70.

"Unsecured loan". Section 36a-615.

Sec. 2. (NEW) Sections 2 to 9, inclusive, of this act shall be known and may be cited as the "Connecticut Abusive Home Loan Lending Practices Act".

Sec. 3. (NEW) As used in sections 3 to 9, inclusive, of this act:

(1) "APR" means the annual percentage rate for the loan calculated according to the provisions of the federal Truth-in-Lending Act, 15 USC Section 1601 et seq., as from time to time amended, and the regulations promulgated thereunder. For open-end lines of credit, "APR" means the highest corresponding annual percentage rate required to be disclosed under 12 CFR Sections 226.6(a)(2) and 226.14(b), as from time to time amended, excluding any maximum rates required to be disclosed or stated pursuant to 12 CFR Sections 226.6(a)(2) or 226.30, as from time to time amended. For closed-end loans, "APR" means the annual percentage rate required
to be disclosed under 12 CFR Section 226.18(e), as from time to time amended, excluding any maximum rates required to be disclosed or stated pursuant to 12 CFR Sections 226.18(f) or 226.30, as from time to time amended. For purposes of this subdivision, any variable rate calculation shall use an index value in effect within forty-five days prior to consummation;

(2) "Broker" means a person who, for a fee, commission or other valuable consideration, negotiates, solicits, arranges, places or finds a high cost home loan that is to be made by a lender;

(3) "Consummation" means the time that a borrower becomes contractually obligated on a high cost home loan;

(4) "High cost home loan" means any loan or extension of credit, including an open-end line of credit but excluding a reverse mortgage transaction, as defined in 12 CFR Section 226.33, as from time to time amended:

(A) In which the borrower is a natural person;

(B) The proceeds of which are to be used primarily for personal, family or household purposes;

(C) In which the loan is secured by a mortgage upon any interest in one-to-four family residential real property located in this state which is, or, when the loan is made, is intended to be occupied by the borrower as a principal residence; and

(D) In which the APR at consummation will exceed the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the fifteenth day of the month immediately preceding the month in which the application for the loan or extension of credit is received by the lender, by more than the number of percentage points specified in 12 CFR 226.32(a)(1)(i), as from time to time amended;

(5) "Lender" means any person who originates one or more high cost home loans;

(6) "Prepaid finance charge" means any charge imposed as an incident to or a condition of the loan or extension of credit payable by the borrower at or before the closing of the transaction, including, but not limited to, loan fees, points, commissions, broker's fees or commissions, transaction fees or similar finance charges determined in accordance with sections 36a-675 to 36a-685, inclusive, of the general statutes and regulations adopted thereunder, or any fees or commissions payable to the lender or broker in connection with the sale of credit life, accident, health, disability or unemployment insurance products or unrelated goods or services sold in conjunction with the loan or extension of credit when the cost of such insurance products or goods or services is prepaid with the proceeds of the loan or extension of credit and financed as part of the principal amount of the loan or extension of credit, but excluding the time-price differential, as such term is used in 12 CFR 226.32;

(7) "Prepayment penalty" means any charge or penalty for paying all or part of the principal before the date on which the principal is due and includes computing a refund of unearned
interest by a method that is less favorable to the borrower than the actuarial method, as defined by Section 933(d) of the Housing and Community Development Act of 1992, 15 USC 1615(d), as from time to time amended.

Sec. 4. (NEW) A lender making a high cost home loan shall disclose to the prospective borrower:

(1) The following statement: "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 on 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";

(2) The APR;

(3) The amount of the regular monthly or other periodic payment; and

(4) For variable-rate transactions, a statement that the interest rate and monthly payment may increase, and the amount of the single maximum monthly payment, based on the maximum interest rate that may be imposed during the term of the loan.

Sec. 5. (NEW) A high cost home loan shall not provide for or include the following:

(1) For a loan with a term of less than seven years, a payment schedule with regular periodic payments that when aggregated do not fully amortize the outstanding principal balance, except that this limitation does not apply to a loan with maturities of less than one year if the purpose of the loan is a bridge loan, as used in 12 CFR 226.32, connected with the acquisition or construction of a dwelling intended to become the borrower's principal dwelling;

(2) A payment schedule with regular periodic payments that cause the principal balance to increase;

(3) A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds;

(4) An increase in the interest rate after default or default charges in excess of five per cent of the amount in default;

(5) A refund calculated by a method less favorable than the actuarial method, as defined by Section 933(d) of the Housing and Community Development Act of 1992, 15 USC 1615(d), as from time to time amended, for rebates of interest arising from a loan acceleration due to default;

(6) A prepayment penalty except as allowed by this subdivision. A high cost home loan may provide for or include a prepayment penalty, including a refund calculated according to the rule of 78s, as such term is used in 12 CFR 226.32, if:
(A) The penalty can be exercised only for the first three years following consummation. No prepayment penalty shall exceed three per cent of the balance prepaid for any payment occurring earlier than one year after consummation of the loan, two per cent of the balance prepaid for any payment occurring between one and two years after consummation of the loan, and one per cent of the balance prepaid for any payment occurring between two and three years after consummation of the loan;

(B) The source of the prepayment funds is not a refinancing by the lender or an affiliate of the lender; and

(C) At consummation, the borrower's total monthly debts, including amounts owed under the high cost home loan, do not exceed fifty per cent of the borrower's monthly gross income, as verified by the borrower's signed financial statement, a credit report and payment records for employment income;

(7) A mandatory arbitration clause or a waiver of participation in a class action; or

(8) A call provision that permits the lender, in its sole discretion, to accelerate the indebtedness. This prohibition shall not apply when repayment of the loan is accelerated by bona fide default, pursuant to a due-on-sale clause provision, or pursuant to another provision of the loan agreement unrelated to the payment schedule including, but not limited to, bankruptcy or receivership.

Sec. 6. (NEW) Any lender who makes a high cost home loan shall report both the favorable and unfavorable payment history of the borrower to a nationally recognized consumer credit reporting agency at least annually during such period as the lender holds or services the loan.

Sec. 7. (NEW) In the making of a high cost home loan no lender shall:

(1) Pay a contractor under a home improvement contract from the proceeds of the loan, other than:

(A) By an instrument payable to the borrower or jointly to the borrower and the contractor; or

(B) At the election of the borrower, through a third-party escrow agent in accordance with terms established in a written agreement signed by the borrower, the lender and the contractor prior to the disbursement;

(2) Sell or otherwise assign such loan without furnishing the following statement to the purchaser or assignee: "Notice: This is a loan subject to special rules under the Connecticut Abusive Home Loan Lending Practices Act. Purchasers or assignees of this loan could be liable for all claims and defenses with respect to the loan that the borrower could assert against the lender";

(3) Charge, impose or cause to be paid, directly or indirectly, prepaid finance charges that exceed in the aggregate, the greater of five per cent of the principal amount of the loan or two
thousand dollars. If the proceeds of a high cost home loan are used to refinance an existing loan, the aggregate of the prepaid finance charges for the current refinancing and any previous high cost home loan financings or financings subject to the provisions of section 13 of this act, by the same lender or affiliate of the same lender within two years of the current refinancing shall not exceed the greater of five per cent of the principal amount of the initial loan, or two thousand dollars. The provisions of this subdivision do not prohibit a lender from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in addition to those permitted by this subdivision in connection with any additional proceeds received by the borrower in the refinancing, provided such prepaid finance charges on the additional proceeds shall not exceed five per cent of the additional proceeds. For purposes of this subdivision, "additional proceeds" means: (A) For a closed-end loan, the amount by which the new loan exceeds the current principal balance of the existing loan, and (B) for an open-end loan, the amount by which the line of credit on the new loan exceeds the maximum credit limit of the existing loan;

(4) Charge a borrower any fees to modify, renew, extend or amend a high cost home loan or defer any payment due under a high cost home loan, if after the modification, renewal, extension or amendment, the loan is still a high cost home loan, or if no longer a high cost home loan, the APR has not been reduced by at least two percentage points. For purposes of this subdivision, "fees" does not include interest that is otherwise payable and consistent with the provisions of the loan documents. The provisions of this subdivision do not prohibit a lender from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in connection with any additional proceeds, as defined in subdivision (3) of this section, received by the borrower in connection with the modification, renewal, extension or amendment, provided the prepaid finance charges on the additional proceeds do not exceed five per cent of the additional proceeds. The provisions of this subdivision do not apply if the existing high cost home loan is sixty or more days delinquent and the modification, renewal, extension, amendment or deferral is part of a work-out process;

(5) Make such loan unless the lender reasonably believes at the time the loan is consummated that the borrower will be able to make the scheduled payments to repay the loan based upon a consideration of the borrower's current and expected income, current obligations, employment status, and other financial resources, excluding the borrower's equity in the dwelling that secures repayment of the loan. The borrower shall be presumed to be able to make the scheduled payments to repay the loan if at the time the loan is consummated, or at the time of the first rate adjustment in the case of a lower introductory interest rate, the borrower's monthly debts, including amounts owed under the mortgage, do not exceed fifty per cent of the borrower's monthly gross income, as verified by the borrower's signed financial statement, a credit report, and payment records for employment income;

(6) Advertise that refinancing preexisting debt with a high cost home loan will reduce a borrower's aggregate monthly debt payment without also disclosing that the high cost home loan may increase both the borrower's aggregate number of monthly debt payments and the aggregate amount paid by the borrower over the term of the high cost home loan;

(7) Recommend or encourage default or further default by a borrower on an existing loan or
other debt, prior to the closing of a high cost home loan that refines all or any portion of such existing loan or debt;

(8) Make such loan to a borrower that refines an existing loan unless the high cost home loan provides a benefit to the borrower considering all of the circumstances, including the terms of both the new and refinanced loans, the cost of the new loan, and the borrower's circumstances;

(9) Make such loan with an interest rate that is unconscionable. A lender shall base the interest rate for a high cost home loan on proper and reasonable factors including, but not limited to, creditworthiness, other risk related standards and sound underwriting. For purposes of this subdivision, an interest rate that is not based on such factors, or that significantly deviates from industry standards for making that type of high cost home loan, shall be deemed unconscionable; and

(10) Charge and retain fees paid by the borrower for services that are not actually performed, or which are not bona fide and reasonable.

Sec. 8. (NEW) (a) Commencing January 1, 2002, any lender that makes a high cost home loan to a borrower and offers such borrower the option to purchase an individual or group credit life, accident, health, disability or unemployment insurance product on a prepaid single premium basis shall also offer such borrower the option of purchasing such insurance product on a monthly premium basis.

(b) If a borrower purchases from a lender an individual or group credit life, accident, health, disability or unemployment insurance product, such borrower shall have the right to cancel such insurance product at any time and receive a refund of any unearned premiums paid. Notice of the right to cancel shall be sent by mail to such borrower by the lender no earlier than ten days and no later than thirty days after consummation. Such notice shall also disclose the type of insurance product purchased, the cost of such product and the procedure for canceling such product.

Sec. 9. (NEW) The lender and any assignee of the lender shall have the obligation, jointly and severally, to refund or credit the borrower for any default charges, prepayment penalties or prepaid finance charges collected in excess of the limits set forth in sections 5 and 7 of this act.

Sec. 10. Subdivision (2) of subsection (a) of section 36a-50 of the general statutes is repealed and the following is substituted in lieu thereof:

(2) If a hearing is requested within the time specified in the notice, the commissioner shall hold a hearing upon the matters asserted in the notice unless such person fails to appear at the hearing. After the hearing, if the commissioner finds that the person has violated any such provision, regulation, rule or order, the commissioner may, in the commissioner's discretion and in addition to any other remedy authorized by law, order that a civil penalty not exceeding seven thousand five hundred dollars per violation be imposed upon such person, except that in the case of a violation of sections 4 to 9, inclusive, of this act, the commissioner may order that a civil penalty not exceeding fifteen thousand dollars per violation be imposed upon such
person. If such person does not request a hearing within the time specified in the notice or fails to appear at the hearing, the commissioner may, as the facts require, order that a civil penalty not exceeding seven thousand five hundred dollars per violation be imposed upon such person, except that in the case of a violation of sections 4 to 9, inclusive, of this act, the commissioner may order that a civil penalty, not exceeding fifteen thousand dollars per violation, be imposed upon such person.

Sec. 11. Subsection (c) of section 36a-53 of the general statutes is repealed and the following is substituted in lieu thereof:

(c) (1) Whenever the commissioner finds as the result of an investigation that any such officer, director, Connecticut bank or Connecticut credit union has (A) violated any provision of the general statutes within the jurisdiction of the commissioner, or any regulation, rule or order adopted or issued thereunder, or any condition imposed in writing by the commissioner, (B) breached any written agreement with the commissioner, (C) engaged or participated in any unsafe or unsound practice, or (D) used such officer's or director's official position in a manner contrary to the interest of any bank, Connecticut credit union or federal credit union or its depositors or members, the commissioner may send notice to and take action against such officer, director, Connecticut bank or Connecticut credit union regarding the violation, breach, unsafe or unsound practice, or misuse of official position in accordance with section 36a-50, as amended by this act. Any finding made by the commissioner pursuant to this subdivision shall be considered a violation of this subsection for purposes of section 36a-50, as amended by this act.

(2) Notwithstanding the provisions of section 36a-50, as amended by this act, unless the violation, breach, unsafe or unsound practice, or misuse of official position found to have occurred pursuant to this subsection and section 36a-50, as amended by this act, is such that it (A) is part of a pattern of misconduct, (B) has caused or is likely to cause a loss other than a de minimis loss to any bank, Connecticut credit union or federal credit union, (C) will result or has resulted in a pecuniary gain to an officer or director of any Connecticut bank or Connecticut credit union, or (D) is a violation of section 36a-53a or sections 4 to 9, inclusive, of this act, the civil penalty the commissioner may impose under this subsection and section 36a-50, as amended by this act, shall not exceed one thousand dollars.

(3) In determining the amount of any penalty imposed under this subsection and section 36a-50, as amended by this act, the commissioner shall take into account (A) the size of the financial resources and good faith of the Connecticut bank, Connecticut credit union, officer or director of such Connecticut bank or Connecticut credit union, (B) the gravity of the violation, breach, unsafe or unsound practice or misuse of official position, (C) the history of previous violations, breaches, unsafe or unsound practices, or misuse of official position, and (D) such other matters as justice may require, except that this subdivision does not apply to any violation of section 36a-53a and sections 4 to 9, inclusive, of this act.

Sec. 12. Subsection (a) of section 36a-680 of the general statutes is repealed and the following is substituted in lieu thereof:
(a) If the commissioner finds that the requirements of any other law of this state relating to the disclosure of information in connection with consumer credit transactions are inconsistent with the provisions of sections 36a-675 to 36a-685, inclusive, or regulations adopted thereunder, the commissioner may exempt creditors who comply with said sections from compliance with such inconsistent law. For purposes of this subsection, disclosure statutes are inconsistent if both require disclosure of the same information even though the prescribed definition, method of calculation or manner of expression is different and, in case of such conflict or inconsistency, the provisions of sections 36a-675 to 36a-685, inclusive, shall control, provided sections 4 to 9, inclusive, of this act shall not be deemed inconsistent with the provisions of sections 36a-675 to 36a-685, inclusive, and shall control where applicable.

Sec. 13. (NEW) No licensee under section 36a-489 of the general statutes and no person exempt from licensure under subdivisions (1), (5) and (6) of section 36a-487 of the general statutes making a first mortgage loan shall charge, impose or cause to be paid, directly or indirectly, prepaid finance charges that exceed in the aggregate, the greater of five per cent of the principal amount of the loan or two thousand dollars. If the proceeds of the loan are used to refinance an existing loan, the aggregate of the prepaid finance charges for the current refinancing and any previous financings by such licensee or exempt person or affiliate of such licensee or exempt person within two years of the current refinancing shall not exceed the greater of five per cent of the principal amount of the initial loan or two thousand dollars. The provisions of this section shall not prohibit such licensee or exempt person from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in addition to those permitted by this section in connection with any additional proceeds received by the borrower in the refinancing, provided such prepaid finance charges on the additional proceeds shall not exceed five per cent of the additional proceeds. For purposes of this section, "additional proceeds" has the meaning given to that term in subdivision (3) of section 7 of this act and "prepaid finance charge" has the meaning given to that term in subdivision (6) of section 3 of this act.

Sec. 14. Subsection (a) of section 36a-521 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) No person engaged in the secondary mortgage loan business in this state as a lender, or a broker, including any licensee under sections 36a-510 to 36a-524, inclusive, and any person who is exempt from licensing under section 36a-512, may (1) charge, impose or cause to be paid, directly or indirectly, as an incident to or a condition of the extension of credit in any secondary mortgage loan transaction, any loan fees, points, commissions, transaction fees or similar prepaid finance charges determined in accordance with sections 36a-675 to 36a-685, inclusive, and regulations adopted thereunder, except the time-price differential, which, when added to any broker's fee or commission for which the borrower may be obligated, exceed in the aggregate eight per cent of the principal amount of the loan or (2) include in the loan agreement upon which loan fees, points, commissions, transaction fees or similar prepaid finance charges have been assessed any provision which permits the lender to demand payment of the entire loan balance prior to the scheduled maturity, except that such loan agreement may contain a provision which permits the lender to demand payment of the entire loan balance if any scheduled installment is in default for more than sixty days or if any
condition of default set forth in the mortgage note exists.

Sec. 15. Section 49-10a of the general statutes is repealed and the following is substituted in lieu thereof:

A mortgagee shall, upon written request of the mortgagor or the mortgagor's attorney or other authorized agent provide a payoff statement in writing to the person requesting such statement on or before the date specified in such request, provided such request date is at least ten business days from the date of receipt of the written request for a payoff statement. If the mortgagee fails to provide such payoff statement on or before such request date, the mortgagee shall not be entitled to the payment of any interest on the mortgage loan which is secured by such mortgage which accrues after the expiration of such request date. If the mortgagee provides the payoff statement to the person requesting the same after the expiration of such request date, interest on the mortgage loan which accrues after the receipt of such payoff statement by the person who has requested it shall again be payable. The burden of proof shall be on the mortgagor with respect to the receipt by the mortgagee of the mortgagor's request for a payoff statement of the mortgage loan, and thereafter shall be on the mortgagee with respect to the receipt of the payoff statement by the mortgagor or the mortgagor's attorney or other authorized agent. The mortgagee shall not impose any fee or charge for the first payoff statement requested within a calendar year, unless the mortgagor or the mortgagor's attorney or other authorized agent requests expedited delivery of the payoff statement, agrees to pay a fee for such expedited delivery and the payoff statement is provided by the agreed upon date.

Approved May 31, 2001