

TESTIMONY SUBMITTED TO THE BANKS COMMITTEE
February 28, 2008

Commissioner Howard F. Pitkin
Department of Banking

HB 5577, AN ACT RESPONSIBLE LEADING AND ECONOMIC SECURITY and
SB 220 AN ACT REQUIRING A SALES AND USE TAX EXEMPTION FOR
CERTAIN SALES BY CONNECTICUT CREDIT UNIONS.

Good morning Chairman Duff, Chairman Barry, 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 favor of two pieces of legislation, but first I would like to clarify an oversight in my testimony last week. When I was speaking on **SB 21, AN ACT CONCERNING MORTGAGE LENDING**, I stated that 20% of sub prime loans are seriously past due and in likelihood of foreclosure. The actual number is about 8%. I want to apologize to the committee, hopefully no confusion resulted. The two ratios I cited were simply different measurements and I will respond to any questions on this matter.

Moving forward to the legislation before the committee today, **HB 5577, AN ACT RESPONSIBLE LEADING AND ECONOMIC SECURITY** is a bill designed to try and address the current mortgage crisis. While the department appreciates the time and effort it took to craft HB 5577, the agency cannot support the bill. Instead, we would like to ask the committee to endorse **SB 21, AN ACT CONCERNING MORTGAGE LENDING** a Governor's bill and the agency did work with her office in drafting the bill. I spoke in detail on the bill during last week's banks committee public hearing. I will not go into specific aspects of the merits of SB 21 again, but I did want to convey the agency has been working with other interested parties and will be submitting substitute language on the bill which we believe is acceptable to all involved. This language should be provided to the committee by the end of the week.

The agency would like to lend its voice to support **SB 220, AN ACT REQUIRING A SALES AND USE TAX EXEMPTION FOR CERTAIN SALES BY CONNECTICUT CREDIT UNIONS**. This bill would allow an exemption from the sales and use tax for sales of tangible personal property to state chartered Connecticut credit unions.

Currently, only federally chartered credit unions benefit from this tax exemption. To level the playing field between the state and federally chartered credit unions, I fully endorse the elimination of this tax. According to estimates researched by the agency, the loss in tax dollars to the General Fund would be less than \$500,000 per fiscal year. This is a minimal loss to promote fairness in the private sector and continue to encourage

credit unions to choose state regulation over federal. Again, I encourage you to support the bill.

Thank you for your attention to these matters and I will answer any questions you may have on this or any other bills.