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GOVERNOR

STATE OF CONNECTICUT  
EXECUTIVE CHAMBERS

***TESTIMONY PRESENTED TO THE***  
**Higher Education and Employment Advancement Committee**  
***February 24, 2009***

***M. Jodi Rell***  
***Governor***  
***State of Connecticut***

**Testimony Supporting Senate Bill No. 842:**  
**AN ACT CONCERNING A**  
**STUDENT LOAN GUARANTEE PROGRAM RESERVE FUND**

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Good morning Senator Handley, Representative Willis and distinguished members of the Higher Education Committee. Thank you for the opportunity to submit written testimony on S.B. 842, An Act Concerning a Student Loan Guarantee Program Reserve Fund.

Last November, I met with top officials from Connecticut's credit unions to discuss the state's economic situation and to propose a new partnership between the State and Connecticut's credit unions that will provide students with access to higher education through a new student loan program. The credit union officials immediately pledged support of my concept and estimated that up to \$17.5 million could be committed to the program.

Connecticut's credit unions remain healthy in this economic environment; they are unique in the financial services industry and provide service to their members at the lowest possible cost. The credit unions have funds to lend and they are willing to target funds for higher education loans. The new student loan program would offer very low interest rates at no higher than 6 percent or 5.75 percent. Institutions offering 6 percent loans will be able to defer interest payments for one year; credit unions offering 5.75 percent loans would not defer interest payments.

This legislation will allow the Connecticut Health and Education Facilities Authority (CHEFA) to provide twenty percent loan guarantees on the loans. The requirement to fund the \$3.5 million student loan reserve fund is contingent on CHEFA having the resources to fund the reserve. This proposed legislative change is needed so that CHEFA will have the statutory authority to commit and fund loan guarantees directly to Connecticut credit unions for the loan program.

As you know, household budgets are already strained by the effects of our struggling economy. The national recession is hitting home on all levels and families across Connecticut are faced with difficult decisions on what expenses to cut. Under this program, college tuition does not have to be one of them.

These loans will be made to students who may not qualify for traditional loans or who may have already used all of their resources and are now having trouble paying for college costs. This program will be another financial resource for our families and it will serve important needs that in many cases are currently unmet by existing loan programs. Helping Connecticut families and their children by making sure they have access to loans for higher education is one of the best ways to support those families and to ensure that our state continues to have one of the most educated labor forces in the nation.

Making sure that families sending children to college have access to credit is about more than borrowing money; it is about creating jobs and the credit unions understand that. The state is facing some of the leanest economic times in our history, but there are some bright spots -- including our local banks and credit unions that play a vital role in our state's economic strength.

I trust you will act favorably with respect to this bill as a means of helping our struggling families and our struggling economy. Please do not hesitate to contact my office with any questions. Thank you for affording me the opportunity to provide testimony on this important bill.