The Credit Union League of Connecticut

February 26, 2009

Higher Education and Employment Advancement Committee
Room 1800, Legislative Office Building
Hartford, CT 06106

Dear Esteemed Members of the Higher Education and Employment Advancement Committee,

The Credit Union League of Connecticut would like to support S.B. 842. AN ACT CONCERNING A STUDENT LOAN GUARANTEE PROGRAM RESERVE FUND. The Credit Union League of Connecticut and officials from Connecticut's credit unions met with Governor M. Jodi Rell late last year to discuss the state's economic situation and to come up with a plan and commit to a partnership between the State and Connecticut's credit unions that could provide new and current students with access to higher education through a new student loan program. The credit union officials pledged support of the Governor's concept and estimated that up to $17.5 million could be committed to the program. Already, there are nineteen credit unions that have set aside over 10,250.00 in funds for these loans and the number increases as the need continues to grow.

This 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. These loans would be offered to students who may not qualify for traditional loans or already used all of their resources and are having a hard time funding tuition. In light of taking on this risk, the Governor has been working with the Connecticut Health and Education Facilities Authority (CHEFA) to provide a 20 percent loan guarantees on the loans.

The credit union student loan program is looked at as another tool, a bridge loan if you will, to help families and students through the next few years of a weakened economy and very difficult strains on household budgets. All of us know we will come out of this current fiscal downturn, but there will be some hard times before we do. The best way our state can position itself for this economic future is to continue to invest in an educated and diverse workforce. Our credit unions understand this and have stepped forward, in partnership with the state, to help us accomplish this goal.

Credit unions remain healthy in the currently economy due to key differences in our structure. As cooperative financial institutions, credit unions are not reliant upon the capital markets for funding, but are instead funded through member deposits. Therefore, as the credit crunch hit much of the economy, credit unions by contrast have money that they're ready to lend out to their members. It is the credit union mission to help people, making credit unions an excellent choice for a program such as Governor Rell's Student Loan Program.

The Credit Union League of Connecticut is charged to administer the student loan program along with CHEFA. The program will be open to all students that live or go to school in Connecticut. The funds will not be pooled and the individual credit unions will allocate their own funds. Each credit union who chooses to participate must allocate a minimum of $100,000 of their funds to participate and the loan program, which will run for one-year with the possibility of extending that period, based on demand and available resources.

Thank you for the opportunity to comment on this important issue. If the committee has any questions please do not hesitate to contact me at 203-500-9293.

Sincerely,

Kelly Ramsey Fuhlbrigge

Kelly Fuhlbrigge
Vice President – Credit Union League of Connecticut