CONNECTICUT BANKERS ASSOCIATION

March 15, 2012

To: Members of the Banks Committee

Fr: Connecticut Bankers Association
Contacts: Tom Mongellow, Fritz Conway

Re: S.B. No. 363 (RAISED) AN ACT CONCERNING ECONOMIC OPPORTUNITY.

POSITION: OPPOSE

On behalf of the 68 banks domiciled in the State, the CBA opposes the concepts contained in Senate Bill 363, which would effectively create a "state-owned" bank or bank-like subsidiaries, which will initially focus on lending for infrastructure improvements, both public and private.

The CBA opposes the legislation because we strongly believe that residents, businesses, and municipalities throughout Connecticut are well served by the numerous financial service providers located in almost every city and town. There are has more than 70 banks doing business in the State, operating over 1,300 branches within its borders. In addition, there are numerous credit unions, mortgage companies and non-bank financial companies providing a full range of financial services to consumers, businesses and towns. Because of this availability of financial service providers and products, and additional reasons, the CBA firmly believes that there is no need for a state-owned bank in Connecticut.

While we recognize the need for brownfields remediation and infrastructure improvements, instead of putting monies into an entity that competes with existing financial service providers, why not work with the banks to create credit enhancements to allow these improvements to be financed through existing providers?

We also question what functions a state bank would provide that are not currently handled through private institutions or the State's existing quasi-public agencies. And we are concerned that once the bank is created in the proposed form, in the future it would be expanded to offer additional products and services that would directly compete with banks throughout the State.

As a background, in 1919 the nation's only existing state bank was created in North Dakota. Other states have recently looked at this concept and they have all rejected it. California's Governor recently vetoed

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the concept of just a study bill. Tennessee has a very limited financial "trust" concept for municipalities, but this concept would only duplicate existing and readily available services.

In other State's where the state bank concept has been raised, proponents say that the credit needs, particularly those of small businesses, are not being met by the banking industry. The CBA believes that several factors are largely to blame for the reduction in small business lending both in Connecticut and nationally. They include reduced demand, lack of sales, de-leveraging by many businesses and balance sheet issues that resulted in fewer qualified borrowers. However, as our State's economy slowly recovers, competition for well-qualified small business borrowers has been fierce with banks and other financial service providers, both large and small, aggressively pursuing regulatoraly prudent lending opportunities.

The banking and financial services sectors in Connecticut are well positioned to meet the credit needs of consumers, businesses and municipalities. For the above reasons, we urge your opposition to this bill.