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The Honorable Senator Leone
The Honorable Representative Tong
Co-Chairmen, Joint Committee on Banks
Legislative Office Building, Room 2400
Capitol Avenue
Hartford, Connecticut 06106

Dear Senator Leone, Representative Tong and esteemed Members of the Banks Committee:

Thank you very much for the opportunity to testify before you today in support of **House Bill (HB) 5470, An Act Requiring a Sales and Use Tax Exemption for Sales to Connecticut Credit Unions**. I am the CEO of the Connecticut State Employees (CSE) Credit Union headquartered in Hartford serving the employees and retirees of the State of Connecticut.

CSE Credit Union proudly serves 69,000 members.

Credit unions are not-for-profit, financial cooperatives that are mutually owned by the members and have unpaid directors who are democratically elected. Any savings achieved through this tax exemption will be returned to the member in the form of better savings and loan rates and improved services.

As a responsible lender in the state of Connecticut, it is not uncommon for us to provide credit to a borrower with a damaged credit history. We can do this because we are willing to take the time to understand their personal situation. If we grant the loan, we do so responsibly, with confidence that the borrower has the capacity to repay the debt. And in nearly every situation our borrower pays the same low interest rate as those with the best credit histories.

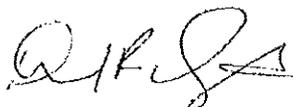
The credit union system in this country is healthy and strong. This is due in part to a dual chartering system that permits a credit union to operate under a state charter or a federal charter. The benefit of a dual system is that it allows the best ideas to flourish for the benefit of the consumer. The Connecticut Department of Banking (DOB) is able to allow state-chartered credit unions flexibility in the products and services they can provide their members because they operate in close proximity with credit unions. Laws and regulations are enforced locally from a Connecticut perspective. Consumer issues that may arise are dealt with quickly and efficiently

with Connecticut Consumer Protection. A choice of chartering options for credit unions is worth preserving.

There are currently only 29 state-chartered credit unions compared to 90 federal credit unions doing business in Connecticut. The number of state-chartered credit unions is in decline. Under current law, state-chartered credit unions are required to pay sales and use taxes, while federal credit unions are not. While each is a not-for-profit, financial cooperative that is mutually owned by the members and has unpaid directors who are democratically elected, purchases of goods and services by state-chartered credit unions are subject to sales tax. A sales tax exemption would create equality between state and federal charters and foster the growth of state-chartered credit unions.

The prospect of fewer state-chartered credit unions should not be taken lightly. Fewer state credit unions would mean less local oversight of Connecticut's financial institutions and a reduction in Department of Banking assessments. It would also cause injury to the current dual chartering system that has benefitted the credit union movement for 75 years. The passage of IIB 5470 is warranted and would be a significant benefit to the citizens of the state of Connecticut.

Sincerely,



Daniel R. Daigle
Chief Executive Officer
Connecticut State Employees Credit Union