

Testimony Before
The Banks Committee of the Connecticut General Assembly
By
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Chairman Leone and Chairman Tong, members of the Committee Members, It's a pleasure to be testifying before the Committee again and thank you for this opportunity to comment on various bills on the agenda.

You may recall I testified on the Mortgage Servicing Bill at last week's public hearing. My name is Martin Geitz and I'm the President and CEO of Simsbury Bank. I'm here today in my role as Co-Chair of the CBA's Legislative Committee and will briefly to talk about the bills on today's agenda. The CBA represents all the banks in the State and I'd like to direct you to our written testimony, which presents comments and positions on many of the proposed bills. While, I'm not going to directly comment on all of those bills, I encourage you to speak with Tom Mongellow of the CBA or Fritz Conway of Gaffney Bennett should you have any questions or comments on that testimony or the legislation before you.

The first bill I'd like to refer you to is Senate Bill 399, AN ACT CONCERNING BANKERS' BANKS, which would allow the market expansion and increased capital raising abilities for the Glastonbury based Bankers Bank Northeast. You should be hearing testimony from Peter Garland of the Bankers Bank about that bill and we urge your support of it.

The next bill I'd like to comment on is House Bill No. 5470 AN ACT REQUIRING A SALES AND USE TAX EXEMPTION FOR SALES TO CONNECTICUT CREDIT UNIONS. This bill would expand a Connecticut chartered credit union's existing state and federal income tax exemptions to include a State sales tax exemption and we are opposed to this bill.

All credit unions across the country enjoy a significant pricing and profit advantage over banks and other consumer lenders due to their income tax exemption on both a state and federal level. That exemption advantage equates to higher net profitability than the banking industry on a national basis. That subsidized profit allows the credit union industry to offer significantly higher deposit rates and lower loan rates.

While the credit unions across the country benefit from this, the federal and state tax systems should not provide a tax subsidy for one particular industry over another, when both industries perform the same functions. Although credit unions were founded to extend short-term personal loans to narrowly defined groups, today's credit unions frequently function more as full-service consumer banks.

The existing tax exemptions for credit unions should be phased out over a reasonable period of time so as to provide them with the appropriate period to reprice products and services, to unsubsidized market driven levels. This approach was used in the early 1950's when mutual savings banks were phased out of their tax exempt status, which resulted in minimal impact on that industry. Indeed, you can see that over 60 years later, those mutual institutions are still

well capitalized and providing important banking services to their communities. We urge the Committee to thoughtfully consider the negative ramifications of House Bill 5470.

Lastly, I'd like to refer to House Bill, 5514 AN ACT CONCERNING AN OPTIONAL METHOD OF FORECLOSURE. As you may recall, this bill was raised last year by the Realtors Association, and in that previous form it would have increased foreclosure delays and created a potential loss of value on a banks collateral. Since then, industry representatives have met with the proponents of the bill over many months to produce the compromise proposal before you today. House Bill 5514 bill creates a "pre-foreclosure" sales solution that will provide homeowners with no equity in their properties the ability to quickly and efficiently sell their properties without the stigma of foreclosure. This process should reduce a borrower's deficiency versus the existing foreclosure process which can result in tens of thousands of dollars of insurmountable and unpayable deficiencies on their mortgage. It also has the potential to reduce blight and produce better sales prices for homeowners using this new approach. We'd like to thank the Department of Banking for facilitating the negotiation process and appreciate the proponent's willingness to work with the banking industry on this proposal. Thank you again for allowing me to testify today.

