



March 11, 2014

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 for the opportunity to write to you in support of **House Bill 5470, An Act Requiring a Sales and Use Tax Exemption for Sales to Connecticut Credit Unions**. I am the President/CEO of American Eagle Federal Credit Union, a \$1.4 billion community credit union located in East Hartford, Connecticut serving 103,000 members throughout Hartford, Middlesex and Tolland Counties. Although we are a federally chartered credit union and currently exempt from paying state sales tax, I would like to express my support for the passage of this Bill.

In offering my support, I believe it would be helpful to provide some historical perspective on the reasons for my support of the Bill. American Eagle Federal Credit Union was founded in 1935, to serve the employees of Pratt & Whitney Aircraft and other UTC companies. As you know, the size of Pratt & Whitney's and UTC's workforce in the State of Connecticut has declined substantially from the peak periods of the 70's and 80's. As a result of this condition, the Credit Union found it necessary to seek new growth opportunities and chose to become a community chartered credit union. The process of changing our charter began in 2004 until our final approval by our regulator, the National Credit Union Administration (NCUA) in 2006.

At the time of our charter change we chose to pursue a four-county community field of membership, which included New Haven County, but we received strong opposition from the NCUA for approval of New Haven County. It was at this time that we seriously considered changing our charter from federal to state. The reasons for this consideration had much to do with the State Banking Commission's liberal and accommodating approach to approving community field of membership charters for requesting credit unions. Since the NCUA's process and approach to field of membership expansions was very cumbersome and restrictive, we were prepared to change to a state charter until consideration of the state sales and use tax assessments. After detailed financial analysis, we decided to stay with a federal charter to forego the state sales and use taxes for an organization our size. I would like to note that had it not been for the state sales and use tax issue, we would most likely be a state chartered credit union today.

As you know from the earlier portion of this letter, we currently serve Hartford, Middlesex and Tolland Counties and as the future unfolds, I am confident that we will be looking for future growth opportunities which may once again include a field of membership expansion. That being the case, I am sure that we will most likely be faced with a choice between a federal and state charter. It is for this reason that we are hopeful that this Bill will pass so it will not once again be a deterrent to our options for a field of membership expansion.

I would like to note that currently there are only 29 state-chartered credit unions, while there are 90 federally chartered credit unions in the State of Connecticut. I would also like to note that I have been a credit union employee for 42 years and President/CEO of American Eagle for the past 24 years. During that time, I have become very familiar with many credit unions and President/CEOs throughout the state and I can assure you that the sales and use tax issue has been an issue in their decision-making process for choosing a state or federal credit union charter. I also know that had it not been for the state sales and use tax, there would be many more state-chartered credit unions in the State of Connecticut today. Having more state-chartered credit unions in the State of Connecticut would increase the Department of Banking's assessment revenues and strengthen their organization. It would also add more jobs at any future branches that we might be able to build to serve our members in an expanded state charter and at the DOB for Connecticut residents, since many federal NCUA examiners live out of state.

I would like to thank you for taking the time to consider our Credit Union's support for **HB5470**. We are hopeful that this Bill will pass as we believe its passage will provide considerable benefits to the State of Connecticut in the long-run.

Sincerely,



William J. Dokas
President/CEO
American Eagle Federal Credit Union