

March 11, 2014

To: Members of the Banks Committee  
Fr: Peter T. Garland  
Senior Vice President/Chief Credit Officer, Bankers' Bank Northeast  
Re: S.B. No. 399, AN ACT CONCERNING BANKERS' BANKS  
Position: Support

Chairman Leone, Chairman Tong and Members of the Banks Committee – thank you for the opportunity to speak with you today about Senate Bill 399, which would amend the Connecticut Bankers' Bank statute. My name is Peter Garland and I'm the Senior Vice President and Chief Credit Officer of Bankers' Bank Northeast, a cooperative, correspondent bank located in Glastonbury, CT. The mission of the Bankers' Bank is to serve community banks and credit unions in Connecticut, Massachusetts, Vermont, New Hampshire, Rhode Island, Maine, New York and New Jersey - by providing correspondent banking services. These include cash letter settlement, coin & currency, domestic wire transfer, international, lockbox collection, overnight liquidity lines, federal funds investing, and loan participations. In an effort to level the playing field, bankers' banks aggregate the product and service needs of the community banks and credit unions giving them the collective purchasing power of a much larger financial institution. This helps create operational efficiency for community banks and credit unions. In addition, Bankers' Bank Northeast provides a high level of expertise in areas like international services that smaller institutions cannot afford individually.

Bankers' Bank Northeast was established in 1997 as Bank Services Corporation under Connecticut statute that authorized the formation and operation of a bankers' bank in the state. Before receiving its state banking charter, FDIC insurance certificate and opening its doors to clients, the Bank solicited capital investment from community banks in Connecticut, Massachusetts and Rhode Island. On its first day of business as Bankers' Bank Northeast, September 8, 1998, the Bank had \$5.8 million in capital. As a cooperative institution, Bankers' Bank Northeast's shareholders are its clients; but, regardless of the size of an institution's stock investment, its

voting rights are limited to 5% of the total voting rights of all shareholders so no one investor can control Bankers' Bank Northeast.

Over time Bankers' Bank Northeast has expanded its footprint throughout New England and New York and New Jersey.

Today Bankers' Bank Northeast is a \$140 million bankers' bank with over \$16 million in capital. The Bank serves over 173 client in New England, New York and New Jersey and has 73 shareholders and 35 employees.

Bankers' Bank Northeast is looking to expand its client and shareholder footprint to the Mid-Atlantic States for three reasons. First, is to leverage our reputation for customer service excellence in other markets. Second, with industry consolidation, the Bank is looking to grow its client base in new market geographies. Third, the Bank is looking to benefit from the Bank leadership's strong business relationships with financial institutions in the Mid-Atlantic States offering its products and services in that market. More clients and new product and service users will lead to a stronger, larger and more profitable financial institution.

One of the most valuable products bankers' bank offers is loan participations. A loan participation network gives community banks access to larger, more creditworthy commercial customers. Bankers' Bank Northeast acts as a "lead" participant on these loans by retaining a portion for itself and further sub-participating the remainder to other community financial institution clients. To hold loan participations on its balance sheet, additional capital is necessary. As a matter of course, the Bank requires its loan participant clients to make a capital investment in the Bank. As Bankers' Bank Northeast grows its client base in the Mid-Atlantic its essential that those clients be permitted to purchase capital to support their loan participations. A strong lending market is important to economic growth in the smaller towns and communities.

The current bankers' bank statute limits Bankers' Bank Northeast shareholders to financial institutions in New England and New York. By modifying the statute to include investors in New Jersey and Pennsylvania, it will provide the opportunity to bring investment capital from banks outside the state into a Connecticut financial

institution. Additional investment in the Bank will make it a stronger, well-capitalized state-chartered bank positioned to better serve its community bank and credit union client base into the future. Finally, additional capital investment in Bankers' Bank Northeast brings the opportunity for business and balance sheet growth that could lead to new well-paying jobs for residents of the state of Connecticut.

Chairman Leone, Chairman Tong and Members of the Banks Committee, I ask that you support the modification of the bankers' bank statute to add New Jersey and Pennsylvania to the list of states where a financial institution can be located to invest in Connecticut-chartered bankers' banks as additional capital investment in bankers' banks is positive for community banking, the State of Connecticut Department of Banking and economic growth in Connecticut.

Thank you again for the opportunity to voice our support for Senate Bill 399 and I'd look forward to answering any questions you may have.

