



February 19, 2015

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

Senator Leone, Representative Lesser and Members of the Banks Committee:

On behalf of Connecticut's 113 not-for-profit credit unions and their nearly 900,000 members, I am testifying in opposition of SB 317, PSB 318, SB 320 and PHB 5972. If passed, these bills would result in the loss of parity between state and federally chartered credit unions placing the state charter at a disadvantage.

As you may know, credit unions are not-for-profit financial cooperatives; we exist to serve our members, not to make a profit. All earnings are returned to our members in the form of higher dividends on savings products, lower rates on loans, or improved services to member-owners.

SB 317 AN ACT CONCERNING ATTORNEYS' FEES PROVISIONS IN DEPOSITORY CONTRACTS would prohibit any bank or other entity that accepts and holds deposits from claiming, and being awarded attorneys' fees if they prevail in a claim brought by their customers over issues covered by the parties' consumer contract. The ability to recover attorney's fees when a credit union prevails in a claim brought by their member acts as a deterrent to frivolous lawsuits, which consume significant resources, including research cost and legal fees. The ability to recover attorney's fees also transfers the cost of defending the institution from the entire member base to the individual(s) bringing the claim, in a case where the credit union prevails. In addition, if this bill is passed, it is likely there will be an increase in frivolous lawsuits demanding excess resources from our judicial system.

PSB 318 AN ACT CONCERNING FEES FOR UTILIZING BANK TELLERS would prohibit credit unions and other financial institutions from charging fees for using tellers. This could create restrictions on the choices financial institutions make available to members, potentially reducing the credit union's ability to offer service in the way that is best for its members. In an effort to reduce costs, many institutions provide financial incentives for members to use purely electronic means to open and/or service accounts. In exchange, they typically earn reduced or non-existent fees on the account. Market forces currently dictate that teller use charges are

limited or non-existent. In the future, with the cost of personnel and premises continuing to rise and new methods of servicing members continuing to be developed, financial institutions should have the right to create the best fee structure for their members, including such items as excessive use of teller services, large coin orders, foreign currency transactions, or teller use by non-members for certain services. Legislating fee restrictions on niche services could create unintended consequences resulting in less affordable financial services for those in greatest need as financial institutions seek ways to adapt to members' changing needs while remaining financially viable.

SB 320 AN ACT CONCERNING LIABILITY FOR ANY LOSS OF ASSETS HELD BY BANKS OR OTHER ENTITIES would prevent consumers of credit unions, banks and other entities holding their deposits from being exposed to loss of assets held by such bank and other entities prior to adjudication of the respective rights of the parties. We are concerned that if this bill is passed it would impact credit unions ability to auto-draft loan payments from member accounts with verbal agreements. We can imagine a scenario where the credit union becomes liable to a consumer because they did not get their prior written authorization to draft payments from their account. We are also concerned with how this would affect their right of offset, which is normally addressed in the loan agreement and/or membership agreement under which the member assigns a security interest in their accounts to the credit union. Offset also applies to funds in an account to any indebtedness to the credit union under a statutory lien.

PHB 5972 ACT PROHIBITING CERTAIN MONTHLY DEBIT CARD CHARGES would prohibit service fees, dormancy fees, and nonuse fees from monthly debit card charges. Card services are more and more expensive to provide to members; EMV card upgrade costs; fraud losses are completely born on the financial intuitions side as are breaches caused by retailers and other financial entities. Removing the ability to charge for low or no use on the card means the credit union or other financial institution cannot recover any of the costs listed above in the normal use of the card via interchange. Most credit unions do not charge a per-use fee on debit cards; in fact, there are very few ways to charge a fee on a debit card other than those listed above due to market and competitive pressures. Removing the choice from credit unions and other financial institutions to charge the fees to offset debit-related costs could result in these costs being borne by members that may not utilize debit cards, possibly resulting in less affordable financial services for those in greatest need.

Thank you very much for the opportunity to testify.

Sincerely,



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