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TO: Banks Committee Members

FR: The Credit Union League of Connecticut

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Testimony provided on SB 410, SB 411, HB 5559, HB 5560, HB 5561, HB 5563 and HB 5567.

The Credit Union League of Connecticut thanks you for this opportunity to testify on behalf of our 108 not-for-profit cooperative credit unions representing approximately 900,000 credit union members in Connecticut.

We support SB 410 An Act Repealing the Mortgagor in Good Standing Statute. If passed, this bill would remove the requirement that a mortgagee provide a mortgagor with a certificate of good standing at the request of such mortgagor, where such mortgagor has completed a foreclosure mediation program and remained current on payments for a period of three or more years following the completion of such program. Credit unions did not cause the financial crisis of 2008, but ever since they have found themselves negatively affected by the unintended consequences of legislation aimed at regulating big banks. As a result, the number one concern of credit unions today is the cost of compliance due to so many new regulations. Credit unions are member owned, democratically controlled and have a mission of helping people, any legislation introduced to reduce regulatory burden on credit unions can only help them achieve these goals.

We have concerns with SB 411 An Act Allowing Rent Payments to Housing Authorities to be Considered

When Calculating Individual Credit Scores. This bill provides the most at-risk communities with a tool to help citizens build credit, increasing their access to credit and making financial services more affordable and more attainable. As cooperatives, concern for the community is a major pillar upon which credit unions have built business. We support the intent of this bill but have a few concerns that if addressed, could strengthen the final legislation. Our concern is that changes may need to be made to credit reporting and it is unclear if there will be implementation costs, programming impacts and policy and/or procedural and underwriting changes as well, we would be happy to discuss this further and work with the committee on this.

We support HB 5559 An Act Concerning the Reporting of Unauthorized Signatures or Alterations by Banks. If passed, this bill would allow banks and customers to enter into agreements regarding the time frame during which banks will be held liable for discovering and reporting unauthorized signatures or alterations.

We oppose HB 5560 An Act Concerning Personal Information. If passed, this bill would mandate the removal of a customer's personal data at the customer's request by any person who conducts business in the state and maintains computerized data. This bill is admirable in principle but could potentially put businesses in conflict with other state and federal laws mandating the retention of such data, particularly card issuers and processors. We think the state would be better served at making merchants accountable and responsible for the cost of their data breaches. When merchant data breaches occur, credit unions and other financial institutions bear the actual costs of the breach, which includes not just fraud, but the expenses of helping the consumer. Credit unions are already strictly regulated with regard to data security and notification of data breaches to affected members by the requirements under the Gramm-Leach-Bliley Act (GLBA). Merchants that accept cards for payment should be held to the same standards as the credit unions and banks that issue the cards.

We oppose HB 5561 An Act Concerning Fairness in Consumer Contracts. If passed, this bill would allow a consumer to seek a court order to reform consumer contracts. Credit unions provide their members contracts that are mutually agreeable, consumer friendly and regulated by the National Credit Union Administration (NCUA) and the Consumer Financial Protection Bureau (CFPB). This bill would require all of the material terms of the consumer contract to be contained in a single document. Depending on the product, there are contracts or agreements that are not and cannot be encompassed in a single document but still compliant with the NCUA and CFPB. If passed, this bill would not only put an additional strain on our judicial system and the Attorney General's office, it would put an additional burden on credit unions who are already overwhelmed with compliance issues. This bill also invites a consumer who refuses to be accountable for their debts an option to potentially walk away from them if they decide to after the agreement. If there is a responsible credit union member who is in need of reworking a contract due to financial constraints, credit unions sit down with them to find a resolution that is beneficial to both the member and the credit union.

We support HB 5563 An Act Concerning Residential Property Assessed Clean Energy. This bill would establish a residential sustainable energy program in the state for the purpose of financing energy improvements. The Credit Union League of Connecticut has several members who have partnered with Connecticut Green Bank to provide no money down, low-cost financing with flexible terms to help Connecticut consumers upgrade their home's energy performance. This bill would increase opportunities for Connecticut residents to reduce energy consumption and cost, install a system for clean energy, address water conservation, waste reduction, and health and safety issues which are long term cost saving measures. The program financing is structured so that the owner can be cash-flow positive on day one and can finance deeper improvements that take longer to pay back through the energy savings those

improvements create. The payment obligation is tied to the property, not to the person, which helps expand the market for energy improvements. Homeowners who otherwise wouldn't get solar or pursue upgrades because they either couldn't afford them or were concerned that they may need to sell their homes, would be able to get those improvements because the payment obligation transfers with the property, as do the bill savings. Although, the home buyers can still ask for the lien to be paid off as a condition of sale.

We have concerns with HB 5567 An Act Concerning Alternatives to Foreclosures. If passed, this bill seeks to facilitate alternatives to foreclosure that are mutually agreeable to mortgagors and mortgagees with senior encumbrances. Our concern is that this bill appears to strip out the rights of a Junior lienholder once a Senior lienholder begins the foreclosure process, including notification to Junior lienholders of actions that would invalidate their liens. Currently, Junior lienholders continue to have a say in the process up until strict foreclosure. The Home Affordable Modification Program (HAMP) rules administered by Fannie May recognize this right of Junior lienholders in the process. We support the mutual consent provision in Section 7a that allows the mortgagor and mortgagee to enter into discussions regarding the possibility of marketing the property pursuant to a listing agreement at a point subsequent to the commencement of a foreclosure action. If this bill is passed as it is currently written, it would make second liens riskier for lenders, and considerably pricier for consumers.