



Tuesday, March 2, 2021

TO: Senator Kasser, Senator Berthel, Representative Doucette, Representative Delnicki and Members of the Banking Committee

FROM: Bruce Adams, President & CEO – Credit Union League of CT

Contacts: Bruce Adams, badams@culct.coop - Mobile 860-593-3113

Kelly Fuhlbrigge, kfulbrigge@culct.coop - Mobile 203-500-9293

On behalf of Connecticut's 90 credit unions and their 1 million members, the League offers testimony on the following bills:

S.B. 891 AN ACT CONCERNING THE EZEQUIEL SANTIAGO FORECLOSURE MEDIATION PROGRAM AND OTHER ALTERNATIVES TO FORECLOSURE - *position: Opposed*

H.B. 6495 AN ACT CONCERNING EQUITY AND FAIR LENDING - *position: Concerns*

H.B. 6493 AN ACT ESTABLISHING THE EMERGENCY MORTGAGE ASSISTANCE LOAN PROGRAM - *position: Support*

Most members of the Banking Committee know that credit unions are not-for-profit financial cooperatives, owned by and existing only to serve their members. The unique structure of credit unions provides important context for our position on this issue. Credit unions do not issue stock or pay dividends to outside stockholders. Instead, all earnings are returned to members in the form of better product pricing, community investments, or improved processes that result in better access to affordable banking. Credit unions are democratically controlled; every member is an equal owner, and their volunteer boards of directors are elected by and from the membership. In addition to providing a full suite of financial products and services to members, credit unions believe in educating and investing in the communities they serve in their effort to strengthen consumers' financial lives.

S.B. 891 AN ACT CONCERNING THE EZEQUIEL SANTIAGO FORECLOSURE MEDIATION PROGRAM AND OTHER ALTERNATIVES TO FORECLOSURE

The credit union industry proactively helps their members stay in their homes because of the credit union philosophy of "people helping people." When a member struggles to make a payment, the credit union assists in many ways, working extensively with members to help them keep their homes. On the rare occasion when that is not possible, credit unions work toward a fair resolution that honors the need to be compassionate and financial stewards for all members of the cooperative.

The Foreclosure Mediation Program began when foreclosure rates were at a high due to the financial crisis, **and it was never intended to become permanent**. I have a unique insight to the intent and process of the Foreclosure Mediation Program from my experience as an architect in developing the program language in the Governor's Office, and again after its passage in implementing the program as acting Commissioner at the CT Department of Banking.

According to the National Association of Realtors, the national foreclosure rate fell from a peak of 4.64% in 2010 to 1.53% in 2016 and fell again to a new low of 1.2% in 2017. In Connecticut, the foreclosure rate fell from the local peak of 5.09% in 2012 to 2.31% in 2016 to 2.0% in 2017 and according to realtytrac.com, the rate fell to a new low of .05% last year. This significant and continued improvement in statistics demonstrates that the foreclosure mediation program served its important purpose but now needs to evolve to a self-sustaining program. Today's lower number of foreclosures indicates the best way for these to be handled is with the compassionate one-on-one approach taken by credit unions.

This program, although admirable, has had unintended consequences for credit unions. The program has lengthened the processes already used by credit unions as they diligently work to help their members remain in their homes. Unfortunately, the process has also resulted in raised costs that are then directly or indirectly absorbed by the other members of the credit union. This program caused adverse effects on Connecticut's credit unions and the everyday consumers who are their member-owners.

Credit unions already work to place their members first in all that they do. We would support a legislative study to determine the appropriateness of whether to make the program permanent and if it is necessary, the study should also determine the proper source of funding.

H.B. 6495 AN ACT CONCERNING EQUITY AND FAIR LENDING

The federal government currently already has an annual exam in place, an additional annual exam would be duplicatable and a burden on all parties involved. We support the intent of the rest of this bill although it looks like current federal and state laws may cover this already. Regardless, it is never a bad idea to do further careful and thorough research and would support a legal study on fair lending laws.

H.B. 6493 AN ACT ESTABLISHING THE EMERGENCY MORTGAGE ASSISTANCE LOAN PROGRAM

We support the intent of this bill but ask for an opportunity to work with the committee on language that appropriately expands this program. We saw great success with student loan refinancing in 2009 under a program we developed with Governor Rell that leveraged state dollars to their maximum benefit by partnering with credit unions. This program allowed credit unions to safely take on riskier loans at lower interest rates helping those who needed it the most. This structure was again used with the crumbling foundations fund, it is a very effective model and we recommend the committee look at it as a resource to expand this program.

Thank you very much for your time and consideration. I would be happy to respond to any questions.