



Thursday, February 25, 2021

**TO: Senator Maroney, Representative D'Agostino, Senator Fonfara, Representative Gibson, Senator Witkos, Representative Rutigliano and Members of the General Law Committee**

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

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

**S.B. 156 AN ACT CONCERNING CONSUMER PRIVACY – *position: Concerns***  
**S.B. 893 AN ACT CONCERNING CONSUMER PRIVACY – *position: Concerns***

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Thank you for the opportunity to submit this testimony expressing concerns on the companion consumer privacy bills. Credit unions are not-for-profit financial cooperative businesses. Cooperatives are owned and controlled by their members which means, first and foremost, that member deposits are used to fund member loans; there is no outside capital. Any profits made are returned to members in the form of better rates on deposits and loans. There are no shareholders to divert profits away from the members or even out of Connecticut. Additionally, credit unions are designed to support families and individuals with financial education and make other investments in community health and well-being.

Fulfilling this important public purpose and mission means that credit unions are the least able of all financial institutions to absorb the cost of cyberattacks and data breaches. Every dollar of increased costs takes one more dollar away from the member, or from a community investment. Accordingly, not only the member-customer but our surrounding communities will suffer from the diversion of this capital away from the core mission of credit unions. We will see lower interest rates on savings, higher cost loans, and, most importantly, reduced community investment.

Defending against cyberattacks is an area of major concern for credit unions and all regulated financial institutions. As a result, cybersecurity is top-of-mind for credit unions and their boards. News of high profile data breaches is becoming unsettlingly commonplace. The increasing frequency of these attacks is only outpaced by the increasing level of sophistication used by hackers. Even the threat of a cyberattack can heighten litigation risk, compliance risk, and reputation risk for credit unions.

For practical perspective, as of [YEAR], the impact of data breach expenses as a percent of total assets for credit unions is .29% for small credit unions, .24% for mid-sized credit unions and 14% for larger credit unions. The total impact across all credit unions is that .25% of assets is spent to mitigate or prevent the impact to the member or consumer. Especially for the small to mid-size credit unions, **these costs could wipe out 100% of profits and send a credit union into financial trouble. It is no overstatement to say that costs related to a cyberattack pose a significant financial threat to the health of many credit unions.**

To a very real extent, consumers will suffer the effects of having these increased costs passed on to them directly or indirectly. Credit unions in particular already bear significant costs and compliance burdens associated with stringent federal credit union privacy laws.

We support the efforts of Congress to establish a federal privacy law that will create a single set of privacy rules alleviating uncertainty and will help maintain parity by leveling the playing field among all credit unions regardless of a state or federal charter.