

Banking Committee JOINT FAVORABLE REPORT

Bill No.: SB-1033

Title: AN ACT CONCERNING VARIOUS REVISIONS TO THE BANKING STATUTES.

Vote Date: 3/7/2023

Vote Action: Joint Favorable Substitute

PH Date: 2/21/2023

File No.:

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SPONSORS OF BILL:

Banking Committee.

REASONS FOR BILL:

To make clarifying changes to banking statutes.

Substitute language:

Combines:

- SB 1021 – LCO Technical Revisions
- SB 1034 – Requirements for Deposit Accounts
- SB 1087 – Limits on Loans to One Obligor and CT Bank Investments
- SB 657 – FOM of CT Credit Unions
- HB 6750 - Bank Merger Ombudsman

RESPONSE FROM ADMINISTRATION/AGENCY:

[Matthew Smith, Director of Government Relations and Consumer Affairs for the Connecticut Department of Banking](#) submitted written testimony in support of this bill which combines several agency proposals.

"Sections 1-4 of this bill makes various changes to our small loan statutes. First, it raises the small loan limit from \$15,000 to \$50,000 which is intended to capture loans made at higher amounts, particularly for student borrowers who may enter into income-sharing agreements. The bill incorporates income sharing agreements within the definition of small loans. These extensions of credit are based on future income, which often results in excessively high effective APRs. This proposal would limit the interest to 25% on loans up to \$50,000. This proposal also clarifies the calculation of APR.

"Section 5- 6 of the bill would raise the limit for sales finance company's installment contracts on vehicles and equipment. For vehicles it is raised from \$50,000 to \$75,000 and \$16,000 to \$25,000 for equipment. Raising these limits, which have remained unchanged for over two decades, captures more consumers as prices have increased (due to inflation).

"Section 7 of the bill defines GAP waivers and allows consumers to cancel these agreements for full refunds or credits to balances owed upon cancellation."

NATURE AND SOURCES OF SUPPORT:

[Cristher Estrada-Perez, Executive Director, Student Loan Fund](#) submitted written testimony in support of the bill. Ms. Estrada-Perez stated "Specifically, we support that it increases the small loan limit from \$15,000 to \$50,000. This is particularly impactful for student borrowers who may enter into income-sharing agreements because the bill incorporates income sharing agreements within the definition of small loans. Income Share Agreements are dangerous forms of student debt. According to the Women's Institute for Science Equity and Race (WISER), "ISAs are a form of debt and may end up costing borrowers even more than a Federally-backed or private loan.""

[Anne Watkins, Founder of Student Loan Fund](#) submitted written testimony in support of the bill. Ms. Watkins stated that they support "this bill because it raises the small loan limit from \$15,000 to \$50,000 which will include loans made at higher amounts. This particularly impacts student borrowers who may enter into income-sharing agreements."

[Jack Kelly, Managing Director for the American Legal Finance Association \(ALFA\)](#) submitted written testimony in support of the bill and requested [amendments](#). He stated that "while the legislation's goal is well-intentioned, it will result in several unintended consequences for members of ALFA. Therefore, we respectfully request that the proposed amendments, which contain exemptions to the licensing requirements for highly regulated entities and Affiliates of licensees, be approved."

She continued "Student Loan Fund strongly believes that Income Share Agreements are dangerous forms of student debt and may in fact be more predatory than private loans."

[Guaranteed Asset Protection Alliance \(GAPA\)](#) submitted written testimony indicating they support the bill with a request for amendments. They state that "Connecticut is one of only 9 states that do not expressly authorize the sale of GAP Waiver." They "wholly support codifying existing GAP Waiver treatment, expanding the definition to include Extended Wear and Use agreements, and providing the ability to offer a waiver or credit toward a replacement vehicle."

NATURE AND SOURCES OF OPPOSITION:

None expressed.

Reported by: Jeanie Phillips, Clerk

Date: March 8, 2023