

Act Number	Session	Bill Number	Total Number of Committee Pages	Total Number of House Pages	Total Number of Senate Pages
PA 71-245		456	6	2	2
<u>Committee Pages:</u> <ul style="list-style-type: none"> • <i>Banking</i> 123 • <i>Banking</i> 45-46 • <i>Banking</i> 135 • <i>Banking</i> 139-140 				<u>House Pages:</u> <ul style="list-style-type: none"> • 2388- 2389 	<u>Senate Pages:</u> <ul style="list-style-type: none"> • 1478- 14179

H-112

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
1971**

**VOL. 14
PART 5
1968-2502**

Monday, May 10, 1971

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THE CLERK:

In line 1, insert "Section 1."

Add a section 2, as follows: "Sec. 2. This act shall take effect from its passage."

THE SPEAKER:

Will you remark on this technical amendment? If not, all those in favor indicate by saying aye. Opposed? The amendment is adopted. It's ruled sub, I mean technical. You may proceed with the bill as amended.

MR. TIFFANY (70th):

I move adoption of the bill as amended by House Amendment Schedule "A".

THE SPEAKER:

Will you remark?

MR. TIFFANY (70th):

This is a good bill, Mr. Speaker. It was on the Consent Calendar the other day.

THE SPEAKER:

Further telling remarks? If not, all those in favor indicate by saying aye. Opposed? The bill is PASSED.

THE CLERK:

Page 13, Calendar No. 752, S.B. No. 456, An Act Concerning Instalment, Educational and Home Improvement Loans by Savings Banks, File No. 540.

MR. HEALEY (87th):

Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

djh

Monday, May 10, 1971

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THE SPEAKER:

Will you remark?

MR. HEALEY (87th):

Yes, Mr. Speaker. Under the present law, there is a limit of \$5,000 on the amount of a loan by a savings bank when we're dealing in installment, educational and home improvement loans. This has provided a little bit of a problem when we have either add-on interest or we want to discount, both of which are very common banking practices. Because it has been the position of the bank commissioner that under the law as written, the full amount of the note must not exceed \$5,000 and that means that if the note is discounted or if there is an add-on that the amount which the borrower actually walks away with is considerably less than \$5,000, the difference being the interest. What this bill provides is that the loan net of interest must not exceed \$5,000. This bill must be viewed with full cognizance of the fact that we do have truth-in-lending which will point up the exact cost of interest to the borrower. I feel it is a good bill and it ought to pass. It is supported by the banking department.

THE SPEAKER:

Will you remark further on the bill? If not, all those in favor indicate by saying aye. Opposed? The bill is PASSED.

THE CLERK:

Calendar No. 756, S.B. No. 1819, An Act Creating a Charitable Organization Permit.

MR. ESPOSITO (168th):

Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

djh

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**CONNECTICUT
GENERAL ASSEMBLY**

SENATE

**PROCEEDINGS
1971**

**VOL. 14
PART 4
1457-1920**

May 3, 1971

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records containing such proof, were destroyed when the Town Office was removed from an old building to a new building.

THE CHAIR:

Question is on passage. Will you remark further? If not, all those in favor signify by saying, "aye". Opposed, "nay". The bill is passed.

THE CLERK:

CAL. NO. 443. File No. 384. Favorable report of the joint committee on Government Administration and Policy. House Bill 7553. An Act Concerning the Issuance of Bonds by the Cromwell Fire District.

SENATOR CRAFTS:

Mr. President, I move the acceptance of the joint committee's favorable report and passage of the bill. This bill would allow the Cromwell Fire District to issue Bonds not to exceed three million dollars bearing interest at the rate of not greater than 7%. And the installments of such bonds to mature not later than 2 years from the date of issue. A needed bond issue for developing water and other necessities of the District. It's a good bill and I ask your support.

THE CHAIR:

Question is on passage. Will you remark further? If not all those in favor signify by saying, "aye". Opposed, "nay". The bill is passed.

THE CHAIR:

If there is no objection, we will now return to the Bank bills, which we passed.

THE CLERK:

CAL. NO. 405. File No. 540. Favorable report of the joint committee on Banks and Regulated Activities. Senate Bill 156. An Act Concerning Instal-

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ment, Educational and Home Improvement Loans by Savings Banks.

SENATOR BUCKLEY:

Mr. President, I move acceptance of the joint committee's favorable report and passage of the bill. This bill clears up an apparent ambiguity in the previous law which allowed the Home Improvement Loan up to \$5,000. There was a question as to whether this included interest charges to be paid over the term of the loan or whether it didn't. The bill adds the words, netted interest charges to make clear that it is a full 5% of \$5,000 that's allowed on the loan.

THE CHAIR:

Question is on passage. Will you remark further". If not, all those in favor signify by saying, "aye". Opposed, "nay". The bill is passed.

THE CLERK:

CAL. NO. 427. File No. 377. Favorable report of the joint committee on Banks and Regulated Activities. House Bill 6178. An Act Concerning Veteran Administration Mortgages by Savings and Loan Associations.

SENATOR BUCKLEY:

Mr. President, I move the acceptance of the joint committee's favorable report and passage of the bill. The law now requires certain reserves against losses for State Savings and Loan Associations. The language which is added in line 32, is subsequent lines, says that that loss reserve, contingent loss reserve need not be greater than Federal Savings and Loans are required to have.

THE CHAIR:

Question is on passage. Will you remark further? If not, all those in favor. Say, "aye", Opposed, "nay". The bill is passed.

**JOINT
STANDING
COMMITTEE
HEARINGS**

BANKS

1-445

**1971
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EBP

JOINT BANKS AND REGULATED ACTIVITIES

WEDNESDAY

MARCH 3, 1971

Senator Joseph B. Buckley, Presiding
Representative John E. Blake, Presiding

Committee Members Present:

Representatives: James T. Healey, Donald F. Esposito,
George J. Ritter, Robert G. Bruno, James J.
Clynes, Owen L. Clark, William J. Smyth, John
D. McHugh, Samuel Liskov, Albert W. Cretella,
Jr., Michael R. Colucci, Clyde Billington, Jr.,
Richard A. Gosselin

Rep. Blake: This hearing will commence. Be quiet please.
The Commissioner has a statement he would like
to introduce at this time.

Commissioner Hagen: Thank you Dr. Blake, Senator Buckley and
Representative Healey. The Banking Department
has redrawn about forty-seven bills. They are
all here, of which our Committee members have
memorandum on the first twelve.* The conclusions
reached on all of these are based on proper
banking procedures and with the public interest
in mind, of course. The balance of the bills,
about thirty-five, do not have our memorandums
attached, but should questions arise while we're
over, that is, Mr. Raney Bardeck, whom most of
you know, is ready to answer them. We've
written memorandum on all of them. We'll get
them to you next week, to cover all of them.
Thank you very much.

Rep. Blake: Thank you Commissioner. Are there any members
of the General Assembly here who would like to
be heard on any bill? Hearing none, the hear-
ing will be open to the public

We move into Senate Bill #456. Proponents
please come forward. Anyone favoring 456?
Anyone else favoring 456, please move into the
empty chair, if you would.

Mr. Schwartz: My name is David Schwartz. I'm here for the
Savings Banks Association of Connecticut. We

* See Schedules 1

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EBP

JOINT BANKS AND REGULATED ACTIVITIES

WEDNESDAY

MARCH 3, 1971

would like to give the Committee a substitute bill at this time, and our statement in support of it. This is a technical bill. Some banks, when they make a loan of \$5,000. and charge, say \$200 interest on it, instead of describing it that way, describe in terms of a discount. They say that they're making a loan of \$5,200 and discounting \$200 in advance. This has created a problem for some of the Bank Examiners. They've seen a bank carrying a loan of \$5,200, where the statute prescribes a maximum of \$5,000. It's clear under the Truth and Lending Act, this is really a loan of only \$5,000. And, our substitute bill uses the language of the Truth and Lending Act to clarify this.* Thank you.

Rep. Blake:

Any other proponents of this bill? If not, any against? Anyone wishing to speak against this bill, please come forward. Seeing none, we'll call the hearing on this bill closed.

Move on to 457. Any proponents of 457, please come forward. Anyone in opposition to 457? Hearing none, we'll declare the hearing closed on 457.

Bill #461. Anyone wishing to speak in favor of this bill, please come forward. Seeing none, anyone wishing to speak against this bill? Please come forward. Hearing no speakers and seeing no speakers, we'll call the hearing on this bill closed and move on to the next one.

Bill #463. Any proponents? Please come forward. Anyone wishing to speak against this bill? Please come forward.

Mr. Goodspeed:

Mr. Chairman and members of the Committee, my name is Norwick Goodspeed, Chairman of the Legislative Committee of the Savings Banks Association, speaking with regard to Senate Bill 463, which is a Banking Department bill. And, I wonder whether, at the same time, it may be possible to discuss House Bill 6946, which is the fourth from the bottom on page 20, if you

* See Schedules 2

*Commissioner Hogan
See page 6 of minutes 3/3/71*

BANKS AND REGULATED ACTIVITIES COMMITTEE

HEARING - MARCH 3, 1971

MEMORANDUM FROM STATE BANKING DEPARTMENT

Bill No.: S.B. 456

Title: An Act Concerning Instalment, Educational and Home Improvement Loans by Savings Banks

Purpose: To change the maximum amount of instalment loans to individuals

Comments By Banking Department:

This is a Banking Department proposal and is designed to correct an inconsistency in instalment lending procedures. This proposal will permit a savings bank to loan up to the maximum \$5,000 and add the amount of interest. Thus, the loan and interest would be repayable in stipulated payments and the borrower would receive the entire amount of the loan, viz., \$5,000. In accordance with an informal opinion from the office of the Attorney General, savings banks could not borrow in excess of \$5,000 and thus were deprived of using the "add-on" principle of instalment lending. The "add-on" principle is permitted on government insured instalment loans and is a generally accepted method by most lenders.

Attitude of Banking Department:

In favor.

STATE OF CONNECTICUT,

Substitute for
Bill No. 450

Page 1 of 1

Rep. Blake, 53rd Dist.
Introduced by Sen. Buckley, 17th Dist.

Date

Ref. to Committee on Banks

General Assembly,

January Session, A. D., 19 71

AN ACT CONCERNING THE MAXIMUM AMOUNT OF A LOAN

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. For the purpose of determining whether a loan exceeds the maximum amount prescribed by any applicable section of title 36 of the general statutes, the amount of the loan is the amount of credit of which the obligor had the actual use or which was paid to him or for his account or to another person on his behalf.

Sec. 2. This act shall take effect from its passage.

STATEMENT OF PURPOSE: To clarify the sections of the Connecticut banking law which prescribe the maximum amount of a loan.

*Shipman & Goodwin**Counselors at law**799 Main Street**Hartford, Connecticut 06103*

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March 3, 1971

To the Joint Committee on Banks
 and Regulated Activities:

Statement of The Savings Banks' Association
 of Connecticut in support of its proposed
 Substitute for Senate Bill No. 456, "AN ACT
 CONCERNING THE MAXIMUM AMOUNT OF A LOAN".

Senate Bill No. 456 is a technical bill sponsored by
 the Banking Department to clarify what is perhaps best de-
 scribed as a truth-in-lending problem.

Many banks describe the interest on their instalment
 loans in terms of what is called an add-on. For example, on
 a loan of \$5,000 for one year, such banks might say that they
added on interest of \$200, so that the borrower would repay
 one-twelfth of \$5,200 each month.

Some other banks, however, describe the interest on
 their instalment loans in terms of what is called a discount.
 These other banks would describe the loan referred to in the
 preceding paragraph as a loan of \$5,200 for one year, from which
 they discounted \$200 interest in advance, so that the borrower
 received the same \$5,000 and would repay the same one-twelfth
 of \$5,200 each month.

This "discount" description created a problem for some
 bank examiners. They would see a bank carrying a loan of
 \$5,200 where the applicable statute prescribed a maximum amount

To the Joint Committee on Banks
and Regulated Activities:

March 3, 1971

of \$5,000. Truth-in-lending reveals, however, that a \$5,200 loan with discounted interest of \$200 is really a loan of only \$5,000.

The proposed substitute bill uses the wording which is contained in both the federal Truth-in-Lending Act (in §129(a)(1) thereof) and in the Connecticut Truth-in-Lending Act (in §36-406(a)(1) of the general statutes).

Respectfully submitted,

THE SAVINGS BANKS' ASSOCIATION
OF CONNECTICUT

By



David Schwartz
Its Attorney