

HB 5190

PA 586 (Vetoed) 1971

Banks 349-350, 415-416, 428

House 3209-3210, 4296-4297

Senate 2554-2557, 2966

**JOINT
STANDING
COMMITTEE
HEARINGS**

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BANKS AND REGULATED ACTIVITIES

WEDNESDAY

MARCH 24, 1971

to the regular order, HB-5189.

HB-5189 (Rep. Clark, Rep. Martin) AN ACT CONCERNING
BORROWING BY CREDIT UNIONS.

Chairman Buckley: Anyone in favor of HB-5189?

John Bickel, Managing Director of The Connecticut Credit Union League: I would like to preface my remarks relative to this bill and some of the other bills that will be following by stating that, in the State of Connecticut, we have a dual credit union system; that is, we have 319 credit unions operating under the Federal Credit Union Act and 180 credit unions operating under the State Credit Union Act, and we constantly have this problem of bringing about parity between the two type of credit unions. And that is the case in---at hand on Bill 5189 and I would like to speak in favor of the bill.

This bill, by copying the relevant provision of the Federal Credit Union Act, would give state chartered credit unions parity with their Federal counterparts insofar as borrowing limitations are concerned. The percentage of unimpaired capital and surplus which can be borrowed would be raised from 25 to 50%. In no instance will it be permissible for a credit union to borrow in excess of 50% of its paid-in and unimpaired capital and surplus. And I have a written statement with an attachment showing the Federal Credit Union Act to show that parity is in order. Thank you. (SEE ATTACHMENT ELEVEN)

Rep. Ervin: One question. ...(INAUDIBLE)

Mr. Bickel: Yes, it is. It's an attachment in the Federal act.

Rep. Blake: Anyone else wish to speak in favor of 5189? Any opposition to 5189? Seeing none, the hearing is closed on 5189.

This time we'll move on the Bill No. 5190. In favor?

John Bickel: On Bill No. 5190. I would like to speak in favor as brief as possible. Recently, effective beginning of 1971, the Federal Government has brought about share insurance for credit unions. It is mandatory for Federal credit unions and it is optional for state-chartered credit unions. In conjunction with the State Banking Department, we have strongly urged all state-chartered credit unions to apply for the share insurance. This bill would, in fact, make

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it mandatory for state-chartered credit unions also to apply and qualify for share insurance. So it is again a parity situation. I also have a copy of my statement. (SEE ATTACHMENT TWELVE)

Rep. Spain: I have a question.

Mr. Bickel: Yes, sir.

Rep. Spain: Can you tell us what share insurance is?

Mr. Bickel: O.K., I'd be glad to. Federal share insurance is the same as FDIC type, FSLIC type insurance on the deposits of people in banks and savings and loan associations. Share insurance is the same idea as the NCUA, National Credit Administration Insurance Agency.

Rep. Spain: According to this bill, a union which was not qualified, couldn't obtain this insurance, could still continue in existence. Aren't they the kind of, exactly the kind that you should be protecting with share insurance?

Mr. Bickel: Mr. Spain, one of the---one of the problems we have at the present time with the Federal Share Insurance Statute as it is now being implemented is the fact that, if a Federal-chartered credit union does not apply, there is a hard and fast rule which seems to be unfair---we're trying to change that in Congress---that, if the credit union does not apply within one year after being rejected, they would have to dissolve, liquidate. Now, there are always extenuating circumstances. For example, right now with unemployment at the rate of 10% in the State of Connecticut, these factors have placed a great burden on collecting, recollecting outstanding loans. The delinquency is high as versus the reserves. But this is an economic situation of recent days. The credit unions, prior to this circumstance, have been good operations and they will be again once the situation reverses. So what we're trying to do here is, the Banking Commissioner always has the right to put a credit union into liquidation or dissolution, especially if they are insolvent or jeopardizing the shares of the members. What we're saying here is that we would hope that they would not be forced to die just because they do not, within a given short period of time, qualify; that we would be able to work with them and try to get them healthy or that the Banking Commissioner would exercise his right in putting them out of business.

Rep. Blake: Anyone else with to speak in favor of 5190? Hearing none, any opposition? Seeing none, the hearing on 5190 is closed. Any wish to speak in favor of 5191?

STATEMENT BY JOHN A. BICKEL, MANAGING
DIRECTOR OF THE CONNECTICUT CREDIT
UNION LEAGUE, INC. AT A HEARING OF
THE BANKS AND REGULATED ACTIVITIES
COMMITTEE ON MARCH 24, 1971

BILL #5190 - SHARE INSURANCE FOR CREDIT UNIONS

In a sense, Bill #5190 seeks parity for state chartered credit unions with their federal counterparts in another area. The maintenance of share insurance on member savings accounts of credit unions up to \$20,000 is now mandatory for federal credit unions under provisions of the Federal Credit Union Act and voluntary for state chartered credit unions. The Connecticut Credit Union League has been encouraging its member state chartered credit unions to apply for share insurance since the institution of this insurance program at the federal level.

Now, for the good of the credit union movement, we are asking that state chartered credit unions be required to apply for federal share insurance, with the provision that state chartered credit unions which are not able to qualify will nonetheless be permitted to remain in existence. Passage of this bill will make certain that the benefits of share insurance are extended to a greater number of share owners of state chartered credit unions. The requirement that all credit unions apply for share insurance will also result in a greater number of state chartered credit unions adopting administrative and financial controls and prac-

tices which we feel are in the best interest of all credit unions.

March 4, 1971

Rep. Francis Mahoney
19 Hamlin Street
Manchester, Conn. 06040

Dear Fran:

The Connecticut Credit Union League introduced through Rep. Owen Clark bills #5189, 5190, 5191, 5192, 5194, 5195 and 5196. All of these bills with the exception of 5195 deserve support and passage.

Bill #5195 concentrates unusual powers to the exclusive use of one Credit Union. It further circumvents the federal law that restricts (and safe-guards) the investment of Federal Credit Union's funds. Since it is asking for allowance for Federal Credit Unions to deposit their excess funds with the Central Credit Union and further allows the Central to reinvest these funds in non-guaranteed private businesses it directly circumvents the federal laws.

Contrary to it's statement of purpose the Federal Credit Unions would not use it as a central bank. Since the bulk of the "Excess Investments" of Federal's are held by less than a dozen Credit Unions who are larger, more professional and more efficiently operated.

The request to exempt "Corporation Funds" from dividend maximums set by state law for Credit Unions would open pandora's box to other Credit Unions who have large "Corporate" investments such as federal agency securities etc. to request similar permission.

Likewise the waiver of restrictions on loan limits, maturities and repayment provision as well as other reserve requirements, less than the normal, are discriminatory and should not be allowed.

* I urge you to use your influence to see this bill kept in committee or defeated if it comes out of committee. Thanks


John J. Hutchinson

JJH:eg

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

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3011-3376**

concerning tenant participation in management of public housing.

EFH

JOHN D. PRETE:

Mr. Speaker, may that matter be passed temporarily?

MR. SPEAKER:

So ordered.

THE CLERK:

Page 4, Calendar No. 827, Substitute for H.B. No. 5859, an Act concerning payment of damages under fire insurance policies.

JOHN D. PRETE:

Mr. Speaker, may that matter be passed temporarily?

MR. SPEAKER:

So ordered.

THE CLERK:

Calendar No. 850, Substitute for H.B. No. 5190, an Act concerning share insurance for credit unions.

OWEN L. CLARK:

Mr. Speaker, I move acceptance of the committee's favorable report and passage of the Bill.

MR. SPEAKER:

would you remark.

OWEN L. CLARK:

Mr. Speaker, this Bill will provide that credit unions, all credit unions, shall, within one year of the effective date of the Act, make application for share insurance, provided the credit unions under the Federal Credit Union Act. Failing to obtain this share insurance, they shall notify the Commissioner...Bank Commissioner...promptly, and the Commissioner then shall proceed

Thursday, May 20, 1971 16.

under the statute already on the books, Sections 36214 in the General Statutes and take whatever action he deems proper. I think it's a good protection for all credit union members for its passage.

MR. SPEAKER:

Will you remark further. If not, all those in favor indicate by saying "aye". Opposed. The Bill is passed.

THE CLERK:

Page 5, Calendar No. 961, Substitute for H.B. 6902, an Act concerning members of the Liquor Control Commission.

ALBERT PROVENZANO:

Mr. Speaker, I move the Joint Committee's favorable report and passage of the Bill.

MR. SPEAKER:

Question's on acceptance and passage. Will you remark.

ALBERT PROVENZANO:

Mr. Speaker, the Bill would remove from the present statute the prohibition of anyone having an interest in the Liquor Commission...or rather the...yes, the Liquor Commission from being of the liquor industry. About ten years ago, a very notable person working hard in the community was appointed on the Liquor Commission, and after his appointment it was found that he had an interest in a restaurant in Connecticut and therefore was removed from the Commission. It is the opinion of the Liquor Committee that because other Commissions require that a Commission member, at least one Commission member, be from either the profession or of the interest therein, that we should at least remove this prohibition from taking place. I think the Governor of the

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3878-4343**

Tuesday, June 1, 1971

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THE SPEAKER:

Representative Johnson of the 124th.

MR. JOHNSON: (124th)

Mr. Speaker, this bill was passed by the House several days ago and the Senate has amended it and I would move adoption of Senate Amendment Schedule "A" except that we haven't heard it.

THE SPEAKER:

Question is on acceptance and passage. Will the Clerk call Senate Amendment Schedule A.

THE CLERK:

Senate Amendment Schedule A. In line 66 after the word person, insert the following: \$20,000.

THE SPEAKER:

I suggest that we Pass this temporarily and return to it at the completion of the Disagreeing Actions.

THE CLERK:

Page 30, Cal. 850, Sub. for H.B. 5190. AN ACT CONCERNING SHARE INSURANCE FOR CREDIT UNIONS, as amended by Senate Amendment Schedule "A".

THE SPEAKER:

Representative Clark of the 14th.

MR. CLARK: (14th)

Mr. Speaker, this bill was passed by the House several days ago. The Clerk has the amendment. Will the Clerk please read the amendment.

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Tuesday, June 1, 1971

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THE CLERK:

Senate Amendment Schedule A. In line 1, after the word unions, insert to the exception of mutual benefit associations. in line 1, after the word shall, insert not later than July 1, 1973,. In line 1, after the word shall, delete within one year of. In line 2, at the beginning, delete effective date of this act,. In line 11, delete--shall promptly. In line 11, after the word commissioner, insert the word may. In line 14, after the word necessary, insert ".". In line 14, delete in accordance. Delete all of lines 15 and 16.

MR. CLARK: (14th)

Mr. Speaker, I think the amendment makes a good bill bad and I urge rejection of Senate Amendment A.

THE SPEAKER:

The gentleman of the 14th, has moved rejection of Senate Amendment Schedule A. Will you remark further on Senate A. If not, the motion is to reject Senate Amendment Schedule A. All those in favor of rejection indicate by saying AYE. Opposed. SENATE A IS REJECTED.

We now have a disagreeing action. The following House Committee on Conference is named: Chairman of the Committee on Banks, Dr. Blake of the 53rd; the gentleman from the 14th, Rep. Clark of West Hartford and Rep. Ervin of the 140th. from Fairfield.

THE CLERK:

Cal. 892, Sub. for H.B. 8461. AN ACT CONCERNING THE

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THE CHAIR:

Will you remark further? On the amendment. If not, all those in favor signify by saying Aye. Opposed nay. The ayes have it. The amendment is adopted. I will rule the amendment technical. You may proceed with the bill as amended.

SENATOR JACKSON:

Mr. president, the new bill as amended will make certain that a person who has not made bail cannot be detained in a community correction center for an offense not punishable by death longer than forty-five days unless he has ^{been} presented in court and the amendment shows he would have to be presented after a forty-five day period in which time the court would look at the bail and see whether it should be reduced, modified or discharged.

THE CHAIR:

The question is on passage of the bill as amended. Will you remark further? Hearing none, all those in favor of passage signify by saying aye. Opposed nay. The ayes have it. The bill is passed.

THE CHAIR:

Senator Caldwell.

SENATOR CALDWELL:

May we go, in deference to Senator Powers, who has to leave immediately may we go to page 13 and take up Calendar 919?

THE CHAIR:

So ordered. Senator Buckley.

The CLERK: Favorable Report of Banks and Regulated Activities. Sub. for H.B. 5190. An Act Concerning Share Insurance for Credit Unions.

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SENATOR BUCKLEY:

I moved acceptance and passage and yield to Senator Power who will introduce an amendment.

SENATOR POWER:

The Clerk has an amendment.

THE CHAIR:

Will the Clerk please read the amendment?

THE CLERK:

In Line 1 after the word "unions" insert "With the Exception of Mutual Benefit Associations"

In Line 1 after the word "shall" insert "NOT LATER THAN JULY 1, 1973",

In Line 1 after the word "shall" delete "within one year of"

In Line 2 at the beginning delete "the effective date of this act,"

In Line 11 delete "shall promptly"

In Line 11 after the word "commissioner" insert the word "May"

In Line 14, after the word "necessary" insert a period.

In Line 14 delete "in accordance"

Delete all of Lines 15 and 16.

SENATOR POWER:

Mr. President, I move for passage of the amendment.

THE CHAIR:

Will you remark?

SENATOR POWER:

This amendment will safely protect several mutual benefit associations that would have been affected by this bill in its original form and will

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SENATOR POWER:

also set a date for the regular credit unions to live up to the provisions of this particular bill and it also...the third point is , that it is permissive as far as the Bank Commissioner is concerned and it makes it "may" instead of "shall". I move the adoption of the amendment.

THE CHAIR:

Questions on passage of the amendment. Senator Buckley.

SENATOR BUCKLEY:

Mr. President, I would support the amendment for the reasons given by Senator Power.

THE CHAIR:

Will you remark further on the amendment? If not all those in favor of passage of the amendment, signify by saying AYe. Opposed? Nay. The ayes have it. The amendment is carried. You may proceed.

Senator Buckley. The amendment is ruled technical.

SENATOR BUCKLEY:

Mr. President, I think I have moved for passage of the bill as amended. The purpose of the bill is to require Credit Unions which are traditionally have had the greatest incidents of failure at least among members of the banking community to put into effect share insurance similar to the F.D. I.C. protection which covers other bank accounts. It exempts certain people who legitimately should be exempted as the amendment provides and provides that the effective date should be July 1, 1973. A valid protection and a valid compromise.

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THE CHAIR:

The question is on passage of the bill as amended. Will you remark further? If not, all those in favor of passage, signify by saying aye. Opposed nay. The ayes have it.

THE CLERK:

Page 3 of your Calendar. 688, File No. 1008. Substitute for Senate Bill No. 429. An Act Concerning Retirement Salary for Certain Workmen's Compensation Commissioners.

SENATOR SMITH:

Mr. President. I move for acceptance of the committee's favorable report and passage of the bill.

THE CHAIR:

Will you remark.

SENATOR SMITH:

Mr. President. This bill increases the retirement salary of workmen's compensation commissioners who retired prior to July 1, 1965 and also beginning on July 1, 1972 these retirees shall have their retirement salary adjusted annually to reflect the increases and decreases of the consumer price index.

THE CHAIR:

The question is on passage. Will you remark further?

If not, all those in favor of passage signify by saying aye. Opposed nay. The ayes have it. The bill is passed.

Senator Dowd, would you like to preside? Or not like to , would you be willing to.

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June 5, 1971

Page 5

SENATOR CALDWELL:

On page 1, Cal. 1134, 568; on page 5, C L. 1047; on page 6, Cal. 1067; on page 7, Cal. 1110, 1116; on page 8, Cal. 1131, 1133; on page 11, Cal. 1159 page 12, Cal. 1160, 1164, 1165, 1168, 1169; I might point out that that Calendar is currently marked Banks and should be the Liquor Committee; on page 13, Cal. 1170, 1171, 1179; page 14, Cal. 1182; on page 17, Cal. 1208; on page 23, Cal. 919, on page 26, Cal. 327; on page 28, Cal 491; on page 30 Cal. 664; on page 31, Cal. 733; on page 14, I omitted one, that we might take up, Mr. President, and that is Cal. 1181. SB1017, SB808, SB1187, SB1837, SB584, SB839, SB1787, SB592, SB890, SB337, SB1836, HB5190, SB1588, SB31, SB1828, SB988, SB1139

THE CHAIR: SB1836, HB5190, SB1588, SB31, SB1828, SB988, SB1139

Is there any objection to the motions recommended by the Majority Leader for suspension of the rules on any single starred or no starred items and for the passage of all bills, as described by him? If not, the motions are granted, said bills are declared passed.

SENATOR CALDWELL:

Mr. President, I had a request from the Chairman of the General Law Committee, to remove one of those that I had placed on the Consent Motion, so I withdraw my motion with respect to that particular matter, it's on page 28, top of the page, Cal. No. 491.

THE CHAIR:

I don't think it's necessary to go through the proceeding of reconsideration. The motion is to withdraw the approval of that bill from the consnt list, if there is no objection. So ordered. That bill is not passed.

SENATOR CALDWELL:

Now, may we take up the following matters? On page 2, Cal. 665, recomit 765, take up 788; on page 3, take up Cal. 851, 858, 865, 925, and 929; on