

HB 6807

PA 674

1971

Banks 91, 441-445

House 3648, 5348-5349

Senate 2897-2899

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**BANKS**

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delete the variable interest provision. It wasn't supposed to be there. There is no present restriction in state law on variable interest in the case of construction mortgages anyway.

Rep. Blake: Thank you. Anyone else in opposition to 7371? Hearing none, the hearing on 7371 will be concluded.

We'll now move on to bill #6807. Anyone in favor of 6807? It's a bill Concerning Unrestricted Savings Bank Investments. Anyone in favor?

Unknown: Mr. Chairman, I am in favor of it, but due to the fact that it was left off the list - well, there was a mis-understanding among our members. And, we're not ready to speak on it today.

Dr. Blake: In that case, I'll ask the Clerk to reschedule that bill at a later hearing. Does any member of the Committee have any objection to including that in next week's hearings? Hearing none, the Clerk will include it in next week's hearings. #6807.

Rep. Clark: ---Not legible--- Without completely studying this bill, that particular date. I believe this is ambiguous. And, scheduling it for next week, the 10th, Mr. Blake

Rep. Blake: We have the Conversion Bill and the Demand Deposit Bill next week.

There are objections on the part of the Committee, Mr. Hickey, about scheduling it next week so we'll have it at a later date.

We'll now move on to bill #6809. Any in favor of 6809, please come forward.

Mr. Frieda: Ed Frieda, Chairman, Mortgage Committee, Savings Banks Association of the State of Connecticut. I want to speak in favor of bill 6809, "Statement of Purpose to Authorize a Savings Bank to Make a Mortgage Loan on Security of a Lease Having a Term of at Least 10 Years Beyond the Maturity of the Loan! The present law requires that we

number of towns further along the line. If this should occur then, as I say, there ought to be a high authority to decide between the utility and the town. To simply say that a town, no matter what the equities may be or what the use may be, that the two parties are intending to make of it, should under all circumstances have superior power would, in our opinion be harmful to the needs and the desires of other communities other than the one that was actually exercising the power of eminent domain. We urge you to report this unfavorably.

Senator Buckley: Anybody else opposed to 1632? Seeing no one further opposed to 1632, we will end the hearing on 1632. I gather that ends the hearings for today. Mr. Schwartz.

David Schwartz: .....(away from microphone) We understood that today would be a clean up session.

Senator Buckley: I did say that today would be a clean up day and we have, as a matter of fact, cleaned up all the Senate Bills and I don't know about the House Bills but the Senate Clerk that sits to my left tells me that he has listed all the Senate Bills. Are there anymore House Bills? The other bills are in the legislative Commissioner's office other than the ones that the House Clerk, Mr. Clark, has in his hand now. Do you have 6807? Is there any objection to hearing information concerning the bills that may be the subject of further public hearings or may not be, as a matter of fact, if they come too late. Is there any objection among the Committee members to hearing those..any information they'd like to give us today? Proceed. Identify the number of the bill, please that you are particularly concerned with or give me a list of the numbers and I'll call them in the order. One bill? Alright. The hearing is now open for 6807. Anyone wish to speak in favor of 6807 please come forward.

William Wilcox: I am chairman of the Investment Committee of The Savings Banks' Association of Connecticut. Do I understand there will be further hearings on this bill?

Senator Buckley: That is undetermined at this point.

Mr. Wilcox: This I should file this statement on behalf of this bill at this time.

Senator Buckley: Yes. Anything you would do normally in regard to a public hearing on this bill I invite you to do now. There may or may not be a later public hearing.

Mr. Wilcox: In the interest of time, I will file this statement with the Committee and just read a brief summary, thereof. Historically the savings banks of Conn. have only been permitted to do what the legislature specifically authorizes them to do. This bill is a somewhat different approach, HB 6807. It simply says that savings' banks may invest up to two per cent of their assets in any loans or investments. There are, as you know, a great many loans and investments which savings' banks may not

make

make. Some of the more important examples are equity securities of housing development corporations, MESBIC's, such public service corporations securities as the Greater Hartford Development Corporation. Many of these are not deemed prudent risks for savings' banks. Commercial banks are permitted to make such loans and other investments, and some have already becom involved in certain of these activities. As good corporate citizens, as feel an obligation to contribute to the social as well as the economic well-being of the communities we serve. And enactment of this bill would give us this opportunity. Section 38-145 of the General Statutes allows insurance companies, both stock and mutual, to invest up to eight per cent of their assets in any loans or investments. The states of New York, Massachusetts, and New Jersey permit similar investment flexibility. Passage of this bill would eliminate the need to make numerous changes at each session of the General Assembly while at the same time enabling savings' banks to enter areas where both their resources and their expertise could be applied to the general well being of the community.

Rep. Blake: You indicate that passage of this bill would eliminate future changes along this area and save the legislature alot of work. How much are the commercial banks allowed to spend, what per cent are their assets in this type of investment?

Mr. Wilcox: My point is that through the holding company device, the commercial banks are allowed to and are in the....small business investment corporations they have bought stock in debentures of the Greater Hartford Development Corp. as a for instance.

Rep. Blake: Would it not be a little more to the point to try to get legislation passed allowing savings' banks to get involved with holding companies?

Mr. Wilcox: I think we would welcome such legislation.

Rep. Blake: Thank you very much.

Senator Buckley: Presumming, for a little hypothetical question, that this committee might consider persuing a greater stratification of the banking areas that commercial banks and savings' banks might get into in the future, somewhat along the line of savings' banks should be family service banks and be regulated to keep out of commercial investment fields and commercial banks keep out of savings' banks areas. Do you think this bill would reccommend itself to us if we had that idea?

Mr. Wilcox: Senator Buckley, I'm not quite sure I understand your question. I don't understand what you are getting at. Do you mean if savings' banks....

Senator Buckley: Let me clarify it a little further. Some of us, and I identify myself as one of those, are of the opinion that a greater identification should be in our law about what the function of commercial banks are and what the function of savings' banks are so that their investment rights are more clearly de-

fined and they are not so generally in each others backyards as they are now. Now this bill that you brought before us today, would seem to me to be the reverse of that proposition in allowing savings' banks to get into a field of investment which would sort of open end it and which had no statutory definition. So would it be therefore true that if we did feel that there should be a greater identification and limitation, if you will, of investment areas for.. to keep each segment of the banking community as healthy as possible that this bill might not therefore recommend itself to us.

Mr. Wilcox: Yes, in that context. We, of course, are a creature of the state as the mutual savings' banks are whereas the commercial banks are governed by statutes which originate in Washington and this is even true to a large extent, I'm afraid, of state banks because of the holding companies legislation that takes place in Washington. And in a way, in order to keep the state banks competitive the state legislature in Conn. has got to more or less go along with what is permitted by Federal Statutes as far as commercial banks are concerned. I want to assure you we don't have any Machiavellian schemes up our sleeves in this area but present laws, the statutes as they are on the books would not permit us to enter these areas which for the most part are really pretty well related to the...at least this is what we intended... in the housing area particularly.

Senator Buckley: A little preview of what may...I personally favor a recodification of the banking laws which more carefully defines and states what the function of the savings' bank industry is. In fact, I favor putting a floor under the amount of mortgage loans which they must have in their portfolio, except exemptions, safeguards that might be put in in event of extreme circumstances, if such loans were not available. I'm editorializing rather than getting to ...of the public hearing.

Rep. Blake: I take it from your recent conversation that you are aware of the fact that one of the prime reasons for this committees and this legislatures passing of a bank holding company built for state banks last session was that we were then in the process of losing three of our large state banks to the national set up, if we hadn't done that.

Mr. Wilcox: Yes, that was my earlier point.

Senator Buckley: Any other questions? Thank you.

Ed Freda: I am Chairman of the Mortgage Committee, Savings' Bank Association of Conn. I wanted to give a few illustrations of how we intend to use this bill if it is enacted and the way I think it could benefit the people of the state of Conn. I have four examples of investments or loans which we cannot make now and which we would like to and probably get involved in if we had the privileges. The first situation is "seed" money which could be identified as the money needed by a non-profit sponsor prior to an initial closing on an FHA housing project for the following expenses: organizational expense, legal fees for

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zoning, etc., consultant fees, architectural fees, preliminary site engineering fees, land option FHA application fees, Fanny Mae, Jenny Mae fees. The biggest figure, "seed" money would probably range from 3 to 4 percent of the cost of the project, this is what we found out in our bank. Many of these fees are recoverable from the ultimate proceeds of the mortgage, but they have to get in ahead of time. When a non-profit group comes to you they usually don't have an awful lot of money and the bank has no way as we see it, under present law to advance money to a non-profit corporation or to a non-profit group, we just can't do it. This could be available under this bill we are discussing. Another situation is the MESBIC, which is referred to- Minority Enterprise Small Business Investment Companies. Commercial banks are forming these, groups of banks, recently in New York some of the major banks announced formation of a MESBIC. We cannot do this in Conn., the savings' banks cannot do it. If we wanted to it would be available under this bill as proposed. The purpose of a MESBIC is to provide capital and expertise for minority small businesses, which could involve housing. Another facet, something our state association is involved in now, we have a subcommittee looking in to the idea of forming a statewide mortgage fund or mortgage corporation to provide urban lending in the low and moderate income field to supply needed housing, not only in major cities but in smaller communities throughout the state. We are looking into this and the way we see it we can't do it now unless we have some further legislation. And the final examples of national housing partnership, which is entity created by congress, it's a national undertaking, the goal, to expedite the development, construction and management of one hundred ten thousand units of moderate income housing by the mid 70's. We cannot own a share in that corporation unless we have different legislation.

Rep. Ervin: Did Mr. Wilcox say ... states now allow this?

Mr. Freda: Yes. I have a copy of what he said. Eight per cent of their assets...insurance companies, state of Conn. eight per cent of their assets in this type situation, unlimited and the savings banks in Mass., New Jersey and New York.

Rep. Ervin: What percentage do they allow?

Mr. Wilcox: The percentage in New York is 2%. Mass., 3% of assets and in New Jersey, 50% of surplus funds.

Senator Rome: In New York don't they have a limit on their mortgage rate?

Mr. Wilcox: I've forgotten the actual rate, whether it's  $7\frac{1}{2}$  or 7 per cent but they had a mortgage rate, the result of mortgage activity sort of came to a halt this last year with the tight money.

Senator Buckley: Anyone else in favor of the bill number that we are considering now, whatever it may be, 6807, was that the number? Anyone else like to address the Committee in favor? Anybody opposed? Seeing no one opposed, the public hearing on 6807 is

closed. Thank you all for coming.

Other material

My name is Charles Bruno. I am President of the Danbury Savings and Loan Association and a member of the Legislative Committee of the Savings and Loan League of Conn. The position of the Savings and Loan League of Conn. is one in support of Bill 8394. Enactment of Bill 8394 will provide still another vehicle for the proper servicing of primarily existing customers of our institution. We anticipate the 90-day payment provision in this bill will enable us to better accommodate our construction loan customers. For example, presently, many of our borrowers find themselves in a cash bind prior to receiving their first installment on a construction loan. Heretofore, we have been able to advance them funds on an installment loan basis and then at the time of the first construction advance the borrower from the proceeds of the first advance would eliminate the balance of the installment loan. However, in the interim, it was necessary for the borrower to make monthly installment payments. This creates a hardship on the borrower by causing additional unnecessary operational expenses on behalf of the institution. These expenses are ultimately passed on to the borrower, by necessity, in the form of higher interest charges. This does not mean additional income for the institution, however, it does create additional expense to the borrower. Favorable action on Bill 8394 would eliminate this inconvenience and expense to our customers.

The Savings and Loan Associations of Conn. are in favor of HB 6170 - An act concerning 90% loans of savings and loan associations. This bill will permit state chartered associations to approach parity with both mutual savings banks and federally chartered savings and loan associations. Under the existing state and federal regulations, savings banks are permitted to make 90% loans not in excess of \$35,000 and federally chartered savings and loan associations are permitted to make 90% loans not in excess of \$36,000. In view of the cost of today's housing, the present \$25,000 limitation imposed on state chartered savings and loan associations is impractical. Favorable action on this bill will prove beneficial to the housing industry in Conn. and will permit savings and loan associations to better serve the borrowing members, particularly the younger families who have difficulty in saving a sufficient amount for a down payment on a home.

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**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

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**VOL. 14  
PART 8  
3377-3877**

Tuesday, May 25, 1971

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MR. SARASIN (95th):

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Mr. Speaker, I move adoption of the Joint Committees' favorable reports and passage of the two star items on the Consent Calendar, which are as follows: Calendar No. 1072, substitute for H.B. No. 5848, An Act Authorizing Towns to Compensate Their Clerks on a Salary Basis, File No. 1171; Calendar No. 1074, substitute for H.B. No. 8557, An Act Concerning Termination of Workmen's Compensation Benefits, File No. 1175; Calendar No. 1075, substitute for H.B. No. 8561, An Act Concerning Blood Tests for Persons Driving Under the Influence of Alcohol, File No. 1172; Calendar No. 1076, substitute for H.B. No. 6807, An Act Concerning Social Purpose Investments of Savings Banks, File No. 1185.

I move the adoption of these items.

THE SPEAKER:

Are there further objections? If not, the question is on acceptance of the Joint Committee's favorable reports and passage of the bill. All those in favor indicate by saying aye. Opposed? The bills are PASSED.

MR. SARASIN (95th):

Mr. Speaker, I move for suspension of the rules and passage of the resolutions on today's Consent Calendar which are as follows: on page 3.

THE SPEAKER:

Hearing no objection, the rules are suspended.

MR. SARASIN (95th):

Thank you, Mr. Speaker. Calendar No. 1151, House Resolution No. 87, Resolution Commending Margaret Straat Bredice; Calendar No. 1152, House Resolution No. 88, Resolution Congratulating Abraham Weldon, Susan Fearing, Pamela Cross, Frank Gains and Marcia Fuller who have been cited in "Who's Who in American High Schools."

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PART 12  
5163-5554**

Monday, June 7, 1971

12.

DEPUTY SPEAKER:

Will you remark further on the bill as amended. If not, question is on acceptance and passage. All those in favor will indicate by saying AYE. Opposed. THE BILL IS PASSED.

THE CLERK:

Page 39, Cal. 1076, Sub. for H.B. 6807. AN ACT CONCERNING SOCIAL PURPOSE INVESTMENTS OF SAVINGS BANKS, as amended by Senate Amendment Schedule "A".

DEPUTY SPEAKER:

Representative Papandrea.

MR. PAPANDEA: (78th)

Mr. Speaker, this is a Disagreeing Action. I move the adoption of Senate Amendment Schedule A.

DEPUTY SPEAKER:

Question is acceptance and passage as amended by Senate A. Does the gentleman care to summarize and does he want the Clerk to read.

MR. PAPANDEA: (78th)

I request permission to summarize.

DEPUTY SPEAKER:

If there is no objection, please proceed.

MR. PAPANDEA: (78th)

Senate A is essentially, says that social purpose investments of Savings Banks shall be limited to municipalities having populations in excess of 100,000.

DEPUTY SPEAKER:

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Monday, June 7, 1971

13.

Will you remark further on Senate A. The gentleman from the 46th.

MR. DONNELLY: (46th)

May the record that I have absented myself from the Chamber in the vote on this matter.

DEPUTY SPEAKER:

The Clerk will so note that the Gentleman from the 46th has absented himself from the Chamber under Rule 18.

Will you remark further on Senate A. If not, the question is on adoption. All those in favor will indicate by saying AYE. Opposed. SENATE A IS ADOPTED. Will you remark further on the bill as amended. Rep. Papandrea.

MR. PAPANDREA:

Mr. Speaker, I move passage of the bill as amended by Senate Amendment Schedule A. It is a good bill. It is one that we have previously passed. It serves good purpose to permit the savings banks in this state to invest in the rehabilitating the housing in the inner cities and I would ask for passage.

DEPUTY SPEAKER:

Further remarks on the bill as amended. If not, all those in favor will indicate by saying AYE. Opposed. THE BILL IS PASSED.

THE CLERK:

Cal. 1409, Sub. for H.B. 8143. AN ACT CONCERNING  
QUALIFICATIONS OF ASSESSORS FOR MUNICIPAL REEVALUATION.

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Mr. President, There was a recent ruling of the Federal Government, we found it necessary to have this amendment put in. With this amendment we now eliminate two areas where, Connecticut was not in conformity with the Federal regulations. It brings us into conformity wherein now there was a question on the net and gross income and also it eliminates the area as to work related expenses. This amendment brings us now into conformity with Federal regulations. It's a good amendment and I urge adoption.

THE CHAIR:

Question is on adoption of the amendment. Will you remark further? If not, all those in favor of adoption of the amendment, signify by saying, "aye" Opposed, "nay". The ayes have it. The amendment is adopted.

SENATOR CIARLONE:

I move acceptance of the bill, as amended, by Senate Amendment Schedule A. This is a major piece of legislation of our committee that we're certainly happy to be associated with. The remarks on the amendment speak for themselves and under Section 2, this is another area where our current statutes were not in conformity with the federal regulations. Under confidentiality of records we now do conform with federal regulations. So we will not be losing any federal funding. We thought it a good bill and urge adoption by everyone.

THE CHAIR:

Question is on adoption 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 bill is passed.

THE CLERK:

CAL. NO. 988. File 1185. Favorable report of the joint committee on Banks

and activities. CAL. NO. 989. File 1186. Favorable report of the joint committee on Banks and 6807. Favorable report of the joint committee on Banks and 6807.

June 4, 1971

Social Purpose Investments of Savings Banks.

SENATOR BUCKLEY:

Mr. President, I move acceptance and passage. The bill, I'm sorry. The Clerk has an amendment. I move adoption of the amendment. Will the Clerk, please read the amendment?

THE CLERK:

SENATE AMENDMENT A, offered by Senator Buckley:

In line 26, after the word act insert a semi-colon and the following language: (d) Shares of stock and debt securities of corporations, and equity interest in and debt securities of partnerships and limited partnerships, engages solely in acquiring and rehabilitating housing in cities having a population of not less than one hundred thousand according to the most recent federal census.

SENATOR BUCKLEY:

Mr. President, the amendment facilitates the purchase of debts securities by savings banks of corporations involved in rehabilitation. I will reserve my remarks for the bill.

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.

SENATOR BUCKLEY:

Mr. President, if any bill has come from the Banks Committee this year, that might be described as of a bill that does not assist the banks, this is it. The bill authorizes the banks, savings banks to invest in minority small business investment companies, the so-called mezzanine which assist

minority group, members of minority groups to get into small business adventures. It also concerns itself with authorizing investment and debt securities of corporations which basically provide second mortgages for minority group people who own their own homes. Section C, provides for ownership of shares or debts securities of corporations which are involved under the National Corporation for Housing Partnerships. All of which including the amendment which is Schedule D, put the Savings Banks hopefully in the main stream of assisting people who are worthy of such investment opportunity into business opportunities and owning homes that they may be proud of. They may become better members of the communities in which we all live.

THE CHAIR:

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

SENATOR CALDWELL:

Mr. President, a couple of more changes since I spoke to you, last. On page 2, may we take up Calendar 624, first time on the top of the page? And on page 6, may we take up instead of holding, Calendar 1006, and on page 12, may we hold Calendar 1102?

THE CHAIR:

So ordered, there being no objection.

SENATOR HOULEY:

Mr. President, a request through you, to the Majority Leader. On page 2, Calendar 765, File 1090, Substitute Senate Bill 984, it's my understanding that is ready for action.