

SB 467

PA 721

1971

Banks 71,128,419-422

House 5567

Senate 2880

**JOINT
STANDING
COMMITTEE
HEARINGS**

BANKS

1-445

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JOINT BANKS AND REGULATED ACTIVITIES

WEDNESDAY

MARCH 3, 1971

The next bill to be heard is 467 - four, six, seven. Anyone wishing to speak in favor of this bill, please come forward.

Mr. Dolan:

Here is a very brief statement. My name is Robert Dolan, representing here today, the Connecticut Credit Union League, its 435 affiliated credit unions in the state with a total of some 350,000 members. I speak in favor of Senate Bill 467. Here is a very brief statement. My name is Robert Dolan, representing here today the Connecticut Credit Union League, its 435 affiliated credit unions in the state with a total of some 350,000 members. I speak in favor of S.B. 467, "The Powers of Credit Unions to Make Unsecured Loans". We do support the notion that loans fully secured by shares may be made for a period not to exceed one year without regard to the normal repayment provisions (substantially equal weekly, semi-monthly, or monthly installments) and without prior approval of the credit committee. The Connecticut League wholeheartedly supports the proposal that share accounts in credit unions located and doing business in this state be deemed security for such loans.

The Connecticut League feels that this bill might better serve the interests of certain somewhat neglected economic groups in our state if the normal repayment provisions are waived, as has been done in the relevant federal legislation. This is the intent of House Bill #5192 "Loan Repayment Schedules of Credit Unions" introduced by Representative Owen Clark, a measure which has the full support of the Connecticut League. (Copies of this bill for the Committee are submitted with this statement.)* By approaching the federal credit union position, greater flexibility could be introduced into loan repayment schedules for state chartered credit unions. Bill #5192 would permit state chartered credit unions to make single payment loans and irregular payment loans to members employed in a seasonal industry or engaged in a seasonal

* See Schedule 5 - 6:11 #5192

BANKS AND REGULATED ACTIVITIES COMMITTEE

HEARING - MARCH 3, 1971

MEMORANDUM FROM STATE BANKING DEPARTMENT

Bill No.: S.B. 467

Title: An Act Concerning the Powers of Credit Unions to Make Unsecured Loans

Purpose: To restore wording which was inadvertently deleted by the 1969 session of the General Assembly.

Comments By Banking Department:

This is a Banking Department correction which restores the possibility of a member continuing a loan without installment payments when such loan is fully secured by a member's own share balance. It also adds share accounts in credit unions located and doing business in this state as legal collateral for secured loans exceeding five year maturity. The title of this bill should have included "secured loans" as well as "unsecured Loans."

Attitude of Banking Department:

In favor.

the State Banking Department.

The Connecticut Credit Union League refers to the testimony presented by Mr. Robert Dolan at a hearing of this committee on March 3, 1971, in favor of S.B. 467 "The Powers of Credit Unions To Make Unsecured Loans". Bill #467 was designed to restore wording inadvertently deleted by the 1969 session of the General Assembly. It provided, among other things, for loans fully secured by a member's own shares to be made for a period not to exceed one year without regard to installment repayment provisions. At the hearing it was suggested that S.B. 467 might better serve the interests of somewhat neglected economic groups if it were incorporated into H.B. 5192. (See attachments)

CHANGES IN TEXT OF EXISTING STATUTES

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, the text of existing Federal statutes or parts thereof which the bill, as reported, would amend or repeal is printed below, with the proposed changes shown (a) by enclosing in black brackets material to be omitted, (b) by printing the new matter in italic type, and (c) by printing in roman type those provisions in which no change is to be made.

Federal Credit Union Act

SHORT TITLE

SECTION 1. This Act may be cited as the "Federal Credit Union Act."

TITLE I—FEDERAL CREDIT UNIONS

DEFINITIONS

SEC. [2] 101 As used in this Act—

- (1) the term "Federal credit union" means a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes;
- (2) the term "Administrator" means the Administrator of the National Credit Union Administration;
- (3) the term "Administration" means the National Credit Union Administration; [and]
- (4) the term "Board" means the National Credit Union Board[.]; and
- (4) *The terms "member account" and "account" (when referring to the account of a member of a credit union) mean a share, share certificate, or share deposit account of a member of a credit union of a type approved by the Administrator which evidences money or its equivalent received or held by a credit union in the usual course of business and for which it has given or is obligated to give credit to the account of the member, and, in the case of a credit union serving predominantly low-income members (as defined by the Administrator), such terms (when referring to the account of a nonmember served by such credit union) mean a share, share certificate, or share deposit account of such nonmember which is of a type approved by the Administrator and evidences money or its equivalent received or held by such credit union in the usual course of business and for which it has given or is obligated to give credit to the account of such nonmember;*
- (5) *The terms "State credit union" and "State-chartered credit union" mean a credit union organized and operated according to the laws of any State, the District of Columbia, the several territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, which laws provide for the organization of credit unions similar in principle and objectives to Federal credit unions;*

POWERS

SEC. [8.] 107. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- (1) to make contracts;
- (2) to sue and be sued;
- (3) to adopt and use a common seal and alter the same at pleasure;
- (4) to purchase, hold, and dispose of property necessary or incidental to its operations;

(5) to make unsecured loans with maturities not exceeding five years, and secured loans with maturities not exceeding ten years, to its members for provident or productive purposes upon such terms and conditions as this Act and its bylaws provide and as the credit committee or a loan officer may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances, inclusive of all charges incident to making the loan; except that no loans to a director or member of the supervisory or credit committee may be made except as authorized under paragraph (6) of this section. No director or member of the supervisory or credit committee shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day. The taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made. Loans shall be paid or amortized in accordance with rules and regulations prescribed by the Administrator after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Administrator deems relevant, but such rules and regulations shall not require payments more frequently than annually;

(6) to make loans to its own directors and to members of its own supervisory or credit committee, but all such loans shall be reported to the Administrator at least annually, and such a loan may be made only if—

(A) the loan complies with all lawful requirements under this Act with respect to loans to other borrowers and is not on terms more favorable than those extended to other borrowers;

(B) upon the making of the loan, the aggregate amount of loans outstanding to the borrower will not exceed the total amount of shareholdings in the credit union, not otherwise encumbered or pledged, which are pledged as security for loans to the borrower, or \$5,000, whichever is greater;

STATEMENT BY ROBERT M. DOLAN, DIRECTOR OF
MEMBER SERVICES OF THE CONNECTICUT CREDIT
UNION LEAGUE, INC., AT A HEARING OF THE
BANKS AND REGULATED ACTIVITIES COMMITTEE
ON MARCH 3, 1971

My name is Robert Dolan, representing here today the Connecticut Credit Union League, its 435 affiliated credit unions in the state with a total of some 350,000 members. I speak in favor of S.B. 467, "The Powers of Credit Unions to Make Unsecured Loans". We do support the notion that loans fully secured by shares may be made for a period not to exceed one year without regard to the normal repayment provisions (substantially equal weekly, semimonthly, or monthly installments) and without prior approval of the credit committee. The Connecticut League wholeheartedly supports the proposal that share accounts in credit unions located and doing business in this state be deemed security for such loans.

The Connecticut League feels that this bill might better serve the interests of certain somewhat neglected economic groups in our state if the normal repayment provisions were waived, as has been done in the relevant federal legislation. This is the intent of House Bill #5192 "Loan Repayment Schedules Of Credit Unions" introduced by Representative Owen Clark, a measure which has the full support of the Connecticut League. (Copies of this bill for the Committee are submitted with this statement.) By approaching the federal credit union position, greater flexibility could be introduced into loan repayment schedules for state chartered credit unions. Bill #5192 would permit state chartered credit

unions to make single payment loans and irregular payment loans to members employed in a seasonal industry or engaged in a seasonal business. Interest payments would continue to be paid not less frequently than quarterly. Such irregular repayment plans would be of great benefit to credit unions serving persons who experience occasional periods of low income or unemployment -- i.e. members engaged in the fishing industry, farmers, and teachers.

The Connecticut Credit Union League respectfully submits that the Committee on Banks and Regulated Activities take into account these points when considering Bill #467. We would hope that bill #467 would be incorporated into bill #5192 when the latter comes before this committee for consideration.

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
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5555-6226**

Tuesday, June 8, 1971

13.

MBS

Calendar No. 1563, Senate Bill No. 455, An Act Concerning Retail Installment Sale Contract Requirements, file 1545.

On page 2, Calendar No. 1564, Substitute for Senate Bill No. 467, An Act Concerning the Powers of Credit Unions to Make Unsecured Loans, file 1514.

Calendar No. 1565, Substitute for Senate Bill No. 508, An Act Concerning the Appointment of the Head Moderator for Elections and Primaries, file 1597.

Calendar No. 1567, Senate Bill No. 0652, An Act Concerning the Imposition of Finance Charges in Open End Consumer Credit Plans, file 1535.

Calendar No. 1572, Substitute for Senate Bill No. 815, An Act Concerning Motor Carriers of Property for Hire in Intrastate Commerce, file 1689.

Calendar No. 1573, Substitute for Senate Bill 0846, An Act Concerning Criminal Contempt, file 1593.

Calendar No. 1574, Substitute for Senate Bill No. 851, An Act Authorizing County Detectives to Administer Oaths, file 1536.

On page 3, Calendar No. 1575, Substitute for Senate Bill No. 868, An Act Concerning...Permitting Family Relations Officers to be Complainant to Initiate Action for all Non-support Cases, file 1523.

Calendar No. 1577, Senate Bill No. 898, An Act Providing for the Killing of Dogs by Resident State Policemen when such

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GENERAL ASSEMBLY

SENATE

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THE CHAIR:

Question is on suspension of the rules, any objection. You may proceed

SENATOR CALDWELL:

I move adoption of the following bills: Senate Bill 383 and 384; House Bill 8464; House Bill 6025; House Bill 6006; House Bill 5052; House Bill 5771; House Bill 5962; Senate Bill 1807; House Bill 9097;

THE CHAIR:

Question is on passage, of those bills that came up from the House, as amended. All those in favor indicate by saying, "aye". Opposed? The ayes have it; the bills are passed.

SENATOR IVES:

Mr. President, I move for suspension of the rules, for immediate consideration of Cal. 1370, Substitute House Bill 6447.

THE CHAIR:

Question is on suspension of the rules. Any objection? No objection you may proceed.

SENATOR IVES:

Mr. President, I move for the acceptance of the joint committee's favorable report and passage of the bill. This is the one year limitation on Welfare.

THE CHAIR:

Question is on passage of the bill. All those in favor indicate by saying, "aye".

SENATOR SMITH:

Mr. President, I rise to oppose this bill. For the record, Mr. President this bill is not a one-year residency requirement. It's not an act concern-