

**Act Number:** 09-110

**Bill Number:** 842

**Senate Pages:** 1908, 1935, 1937-1938 4

**House Pages:** 6113-6138 26

**Committee:** Higher Ed: 283-288, 395-400 12

**Page Total:** 42

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**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
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Returned from Committee, Calendar 103 is marked PR.

Calendar 114, marked go.

Calendar 115, marked go.

Calendar page 27, Calendar 120, marked go.

Calendar 121, marked go.

Calendar page 27, Calendar 135, Senate Bill  
Number 842, Mr. President, I move to place this item  
on the Consent Calendar.

THE CHAIR:

Motion on the floor to place the item on consent.

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President. Calendar 136, PR.

Calendar 138 is marked go.

Calendar 140, Senate Bill Number 872, Mr.

President, I move to place this item on the Consent  
Calendar.

THE CHAIR:

Motion on the floor to place item on consent.

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

Thank you, Mr. President. Calendar 141, PR.

Calendar 142, PR.

Calendar 144 is marked go.

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for House Bill 6643; Calendar 536, Substitute for  
House Bill 6685.

Calendar page 15, Calendar Number 539, Substitute  
for House Bill 6287.

Calendar page 17, Calendar 553, Substitute for  
Senate Bill 885.

Calendar page 20, Calendar 587, Substitute for  
House Bill 6598; Calendar 588, Substitute for House  
Bill 6324.

Calendar page 21, Calendar 592, House Bill 6439.

Calendar page 27, Calendar Number 135, Senate  
Bill 842.

Calendar page 28, Calendar 140, Senate Bill 872.

Calendar page 29, Calendar 175, Substitute for  
Senate Bill 617.

Calendar page 30, Calendar 182, Senate Bill 973.

Calendar page 31, Calendar 206, Substitute for  
Senate Bill 949.

Calendar page 37, Calendar Number 368, Senate  
Bill 846.

Calendar page 38, Calendar 396, House Bill 5841.

Calendar page 42, Calendar 519, Substitute for  
Senate Bill 1092; Calendar 375, Substitute for Senate  
Bill 1021.

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items placed on the first Consent Calendar.

THE CHAIR:

Thank you. Clerk, if you could please call for a roll call vote, I will open the machine.

THE CLERK:

The Senate is now voting by roll call on the Consent Calendar, will all Senators please return to the chamber. The Senate is now voting by roll on the Consent Calendar, will all Senators please return to the chamber.

THE CHAIR:

Have all Senators voted? If all Senators have voted, please check your vote. The machine will be locked.

Mr. Clerk, please call the tally.

THE CLERK:

The motion is on adoption of Consent Calendar  
Number 1:

|                         |    |
|-------------------------|----|
| Total Number Voting     | 36 |
| Necessary for Adoption  | 19 |
| Those Voting Yea        | 36 |
| Those Voting Nay        | 0  |
| Those Absent/Not Voting | 0  |

THE CHAIR:

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Consent Calendar Number 1 passes.

Senator Looney.

SENATOR LOONEY:

Thank you. Thank you, Mr. President. Mr. President, I would move for suspension for immediate transmittal to the House of Representatives of item on calendar page 42, Calendar 519, Senate Bill 1092, An Act Concerning the Client's Security Fund, that was included in the immediately preceding vote on the Consent Calendar.

THE CHAIR:

Motion is to suspend down to the House Calendar 519.

Without objection, so ordered, sir.

SENATOR LOONEY:

Yes, thank you, Mr. President. Mr. President, as the second order of the day, I would ask the Clerk to call the item on calendar page 22, Calendar 595, Substitute for House Bill 6648.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Turning to calendar page 22, a matter marked second order of the day, Calendar Number 595, File

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Will the Clerk please call Calendar 606?

THE CLERK:

On page 20; Calendar 606, Senate Bill Number 842,  
AN ACT CONCERNING STUDENT LOAN GUARANTEE PROGRAM  
RESERVE FUND, favorable report by the Committee on  
(inaudible).

SPEAKER DONOVAN:

Representative Roberta Willis.  
REP. WILLIS (64th):

Good morning.

SPEAKER DONOVAN:

Good morning, madam.

REP. WILLIS (64th):

You look so fresh this morning.

SPEAKER DONOVAN:

You're fresh, too, madam.

REP. WILLIS (64th):

I'm fresh. I've been told that before.

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

SPEAKER DONOVAN:

Question is acceptance of the joint committee's  
favorable report and passage of the bill. Your

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remarks?

REP. WILLIS (64th):

Yes. Thank you very much, Mr. Speaker.

This bill directs the Connecticut Education -- Health and Education Facilities Authority, otherwise known as CHEFA, to allocate but not exceed \$3.5 million in an amount from its reserves.

The purpose is to guarantee qualifying student loans, qualifying student loans under the Credit Union League of Connecticut student loan program.

These are intended to provide low-interest loans to students experiencing difficulty obtaining financing for post-secondary education because of more restrictive qualifying criteria, reduced access to equity credit, and the decreased value of their home.

This is a first-loss guarantee on the amount of any individual loan guaranteed by CHEFA shall not exceed 20 percent of the original principal balance.

Hopefully this will expand access to higher education and post-secondary education in Connecticut.

I move adoption.

SPEAKER DONOVAN:

Thank you, Representative. Questions on passage of the bill? Remarks? Remark further?

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Representative Sawyer.

REP. SAWYER. (55th):

Thank you, Mr. Speaker. Good morning.

SPEAKER DONOVAN:

Good morning, madam.

REP. SAWYER (55th):

We look at the situation for students going to college and trying to obtain the loans. We know that there is a greatly varying interest differential for those loans. The loans are traditionally held by large banks; and in this case, there was an interest in qualifying the credit unions to be able to do the same.

So in the case where you have loans right now at the present percentage rate of 6.99, offered by institutions and currently offered by CHEFA, the Connecticut Higher Education Supplemental Loan Authority -- I'm sorry, CHESLA, my apologies, CHESLA. Yet the attempt here is to be able to do -- is to lower those rates, ladies and gentlemen, not by a point, but in some cases a point and a half, which is a significant amount of money when you're talking about people's loans for over four years.

This talks about the reserve fund. This talks

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about the ability to be able to back up those loans.

The account should be used to provide the first loss guarantee, participating credit unions, not to exceed 20 percent of the outstanding principal amount of the qualifying student loans originating at such credit unions.

Mr. Speaker, in this time where it's hard to get money, it's hard to find those loans, where it's difficult for students all the way around, what we have done here is make -- with these reserve funds is to change the playing field, to extend the playing field to another market and a much lower rate for students, and I thoroughly give my support.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative. Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. If I may, a couple of questions for the proponent of the bill.

SPEAKER DONOVAN:

Please proceed, sir.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

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I'm looking at the bill that's before us. I'm curious, is there -- are there any criteria for the credit unions that are participating in the program in terms of meeting certain standards.

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I'm not aware of that. All I know is that not all credit unions have to participate in this program. You can -- I think right now, there are 13 credit unions in the State of Connecticut who have expressed an interest in offering these student loans.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

I ask, because there are credit unions of actually different size in the state. I'm aware of one in eastern Connecticut that probably has a billion dollars in assets, and I know there are many others that are affiliated with hospitals or non-profits, and they may only have assets of two, three or \$4 million,

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so I'm -- the capabilities of those that may desire to participate and their risk tolerance may be different.

And so from the proponent's perspective, there wouldn't be any restriction as to the size of the credit unions that could participate?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

That's my understanding.

Through you, Mr. Speaker. It is optional for participation.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

Would there be any restriction in terms of the stability of the credit union? Would it have to meet certain financial standards or certain inspection standards to help safeguard these funds?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

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Through you, Mr. Speaker. I am not aware of that.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

In section 1, paragraph B, it discusses the Connecticut Health and Educational Facilities Authority, how the money shall be allocated. And I believe we've got a dollar amount of \$3,500,000 that's anticipated here if this bill were to be enacted.

How does this guarantee work of 20 percent of the funds?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I understand that this is a first-loss guarantee offered by the credit unions.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

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So by first-loss, does that mean that the very first dollars that are lost in a credit transaction will be borne by the State of Connecticut through this fund?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Yes. Through you, Mr. Speaker. That's my understanding.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And the guarantee that's listed here, the wording as I see it is, the amount of any individual loan guaranteed by the Authority shall not exceed 20 percent of the original principal balance.

So does that mean that credit union would extend the loan and then 20 percent of that cap therefore would be the exposure that the fund would have? It would never be any greater than that?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

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Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. That is my understanding.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker.

So in looking at the potential effect of the program as presented here, we really should probably multiply the \$3,500,000 times five, because that would be the total credit that could be extended here.

We -- I didn't get much sleep last night, so I -- maybe the proponent has multiplied that out, but I guess that would come out to maybe 17 and a half million dollars or perhaps \$18 million of credit would basically be extended if this bill were to pass.

Through you, Mr. Speaker.

Is that correct?

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Thank you, Mr. Speaker.

I didn't get much sleep either last night. And I

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would say that your calculations are approximately correct. On that, we should keep in mind that the total amount in the reserves I think is about 17 million.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And I -- I thank the proponent for bringing this bill out and for the answers.

This bill did receive wide support in higher education, largely because it was reaching out to a new audience, if you will, in a way that I think is pretty innovative.

My reservations on this is that there aren't more details in terms of restrictions, in terms of credit unions participating, but I think we're going to have to rely on the Credit Union League of Connecticut to help us develop those rules of the road, so to speak, to make sure that we maximize the dollars and do it in a thoughtful -- thoughtful way.

But I do support this bill.

Thank you, Mr. Speaker.

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SPEAKER DONOVAN:

Thank you, Representative.

Representative Hetherington.

REP. HETHERINGTON (125th):

Thank you, Mr. Speaker. A question or two to the proponent.

SPEAKER DONOVAN:

Please proceed, sir.

REP. HETHERINGTON (125th):

What is a -- this was touched upon, the concept of a first-loss guarantee.

What exactly is a first-loss guarantee?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

I'm not -- through you, Mr. Speaker. I certainly am not an expert in banking, but my assumption would be that this means that this is the first line of defense, so to speak, on the loan.

SPEAKER DONOVAN:

Representative Hetherington.

REP. HETHERINGTON (125th):

Through you, Mr. Speaker. Would this be a -- a

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last recourse measure? In other words, does the credit union -- must the credit union pursue all avenues of recovery and exhaust those before these guarantees come into effect?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I do not know that answer.

SPEAKER DONOVAN:

Representative Hetherington.

REP. HETHERINGTON (125th):

Through you, Mr. Speaker. Does CHEFA currently have 3.5 million in reserves to fund the program?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. That's what I have been informed, that they, in fact, have I think it's \$17 million.

SPEAKER DONOVAN:

Representative Hetherington.

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REP. HETHERINGTON (125th):

Thank you. Through you, Mr. Speaker.

I wondered if credit unions currently make student loans.

Do they currently make student loans?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Thank you. Through you, Mr. Speaker. My understanding is that they do not.

SPEAKER DONOVAN:

Representative Hetherington.

REP. HETHERINGTON (125th):

Thank you. I thank the gentlelady for her answers, and I believe that this is a very positive move. I would thank the Governor for her leadership in bringing this concept forward.

And before I relinquish the microphone, Mr. Speaker, this is the first time I have had the floor since -- and you've been on the bridge, so I would -- I would just like to add my congratulations to you on the successful adoption of the plan -- the health insurance plan which you took the leadership

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of.

SPEAKER DONOVAN:

Thank you, Representative. That's very nice.

REP. HETHERINGTON (125th):

Thank you.

SPEAKER DONOVAN:

Representative Stripp.

REP. STRIPP (135th):

Thank you, Mr. Speaker.

Mr. Speaker, somewhat of a novel idea to expand this to credit unions, and credit unions do a great job lending money for homes and lending money for cars, but they're going into another area that has a higher default rate, and I'm just wondering if there's anything in the bill or anything contemplated perhaps by regulations promulgated by the commissioner of banking that would mitigate the risk and limit the loans in any way.

Mr. Speaker, that's a question I'd like to ask through you to the proponent of the bill.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Thank you. Through you, Mr. Speaker. I'm not

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aware of the banking commission -- commissioner doing any regulations on this.

I think it -- it's important to know here that it's critical to this program that CHEFA, the Connecticut Health and Education Facilities Authority, has the reserves to back these.

That's the failsafe for the credit unions.

SPEAKER DONOVAN:

Representative Stripp.

REP. STRIPP (135th):

Mr. Speaker, I appreciate that answer, but I'm somewhat concerned, because the credit union still would be at risk for 80 percent of it, even though they would get a first-loss guarantee of the first 20 percent of the loss.

Mr. Speaker, through you, what's the maximum term that would be offered to a student that wanted to borrow the money under this particular program?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I assume the gentleman means the interest rate. That would be 5.7 or 6

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percent.

SPEAKER DONOVAN:

Representative Stripp.

REP. WILLIS (64th):

Which is much lower than the present lowest rate, which is about 6.99.

SPEAKER DONOVAN:

Representative Stripp.

REP. STRIPP (135th):

Yes. Through you, Mr. Speaker. When would a student get the 5.75 rate or the 6 percent rate? What would determine which rate they would receive for a loan?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I'm not aware of what the criteria would be.

SPEAKER DONOVAN:

Representative Stripp.

REP. STRIPP (135th):

Mr. Speaker, through you I heard a figure of 17 million mentioned. Is that the reserve that CHEFA

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has? Mr. Speaker, through you.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. That's what I have been told. The credit union officials pledged their support of the concept and estimated that up to 17.5 million could be committed to the program.

SPEAKER DONOVAN:

Representative Stripp.

REP. STRIPP (135th):

Mr. Speaker, I don't mean committed to the program. What is their total reserves that they might have?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I would have to look through my notes for the gentleman and some of the testimony, but I believe that someone testified that it was around 13 million, if I am correct.

SPEAKER DONOVAN:

Representative Stripp.

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REP. STRIPP (135th):

Through you, Mr. Speaker. With the market for real estate being as bad as it is, and the problems we have with loans, through you, Mr. Speaker, has anyone looked into the issues of what this might do to CHEFA, and do they have any problems with the current loans they have?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I am not aware of any problems.

REP. STRIPP (135th):

Through you, Mr. Speaker. The eligible students, now students are a broad term. Would that include an over-the-road truck driving school, for example?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. The bill does say post-secondary education. So that could be a technical school, it's my understanding.

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SPEAKER DONOVAN:

Representative Stripp.

REP. STRIPP (135th):

Mr. Speaker, I want to thank the gentlelady for the answers, it's going to be helpful -- very helpful to me in determining how I'm going to vote on the bill.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Representative O'Neill.

REP. O'NEILL (69th):

Through you, Mr. Speaker.

REP. WILLIS (64th):

Through you, Mr. Speaker, I am not aware that they have offered this.

SPEAKER DONOVAN:

Representative O'Neill.

REP. O'NEILL (69th):

Thank you, Mr. Speaker.

And I heard an answer earlier which suggested that the question was whether or not credit unions, in fact, have been originating student loans, and I thought I heard that the answer was no, but I just

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wanted to be sure what the answer to that question is, how have credit unions previously generated student loans.

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I'm sorry, I didn't catch some the question. I got the beginning and the end, but I didn't catch the middle.

SPEAKER DONOVAN:

Representative O'Neill, would you mind repeating that --

REP. O'NEILL (69th):

Sure.

SPEAKER DONOVAN:

-- question.

REP. O'NEILL (69th):

The question is, have credit unions that are -- well, I guess the first question is, are all of the 146 credit unions in the State of Connecticut that are members of the league going to participate in this program? Through you, Mr. Speaker.

SPEAKER DONOVAN:

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Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I'm not aware that all of them will be participating. I know that somewhere between 13 and 19 have already expressed a willingness to participate in this program.

They did testify -- the association did testify in support of this, but I am aware that not everyone has expressed a desire to participate at this time.

SPEAKER DONOVAN:

Representative O'Neill.

REP. O'NEILL (69th):

Thank you, Mr. Speaker. I'm looking at a website maintained by the Credit Union League, and it does look like there's a very short list on the website, and there might be as few as 20 or so, although some of the organizations that are listed here, for example, the Connecticut State Employees Credit Union and the Waterbury Teachers -- Connecticut Teachers Federal Credit Union are quite large.

But my guess is when looking at this, and from the answer from the Chair of the higher education committee, a relatively small percentage of all the credit unions in the State of Connecticut are likely

to participate.

Does the lady know whether, for example, the Connecticut State Employees Credit Union has ever originated student loans?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker. I am not aware.

SPEAKER DONOVAN:

Representative O'Neill.

REP. O'NEILL (69th):

Thank you, Mr. Speaker.

And the other question, I guess, that is of concern is, do we have any sense of what the 20 percent loss guarantee which is supposed to safeguard by the union, the credit union, is that based on some kind of industry standard?

Do we know where that 20 percent guarantee comes from? Is that based on an expectation that the losses are going to be and that a multiplier -- in fact, where does the 20 percent come from?

Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Willis.

REP. WILLIS (64th):

Through you, Mr. Speaker, to the gentleman, I'm not sure. My assumption was that the 20 percent really was based on the liability, maybe, that the Connecticut -- that CHEFA, Connecticut Health Education and Facilities Authority, wanted to take on.

That was my understanding. I may not be correct in that, but that was -- that was what I have assumed.

SPEAKER DONOVAN:

Representative O'Neill.

REP. O'NEILL (69th):

Thank you, Mr. Speaker. I would certainly say that even though we don't have as many details as I would like in this program, I know that credit unions are extremely careful; and in this context, I think we would all agree that we want credit unions to be conservative.

I, myself, have an account with the Connecticut State Employees Credit Union, so I'm, you know, interested in making sure that there are things done in a careful manner, but I'm also aware that they always have been, and they're a very sound, strong institution with substantial reserves, and certainly

are very well-managed, as far as I can tell from everything I've read about them.

And I believe the same thing is true of some of the other organizations that are listed on the website of the Credit Union League.

So it seems to me that even though we haven't laid out all sorts of rules, regulations and limitations, the people who are in the business of managing the credit unions are probably the least likely to engage in careless or unwise lending practices.

I just hope they're not pushed in that direction by our actions here today in our effort to try to help students obtain college loans, and that we don't do anything to them that would be harmful.

I certainly hope they will exercise the same kind of discretion in making student loans that they have done in making loans to their members for cars or home mortgages and that sort of thing.

But otherwise, I believe this is a worthy bill and deserving of support.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Remark further on the bill? Remark further on the bill?

If not, staff and guests come to the well of the House. Members take their seats. The machine will be open.

THE CLERK:

The House of Representative is voting by roll call. Members of the chamber, the House is taking a roll call vote. Members to the chamber, please.

SPEAKER DONOVAN:

Have all members voted? Have all members voted? Please check the board to make sure your vote is properly cast. If all members have voted, the machine will be locked. The Clerk please take the tally.

Will the Clerk please announce the tally?

THE CLERK:

Senate Bill 842, in concurrence with the Senate.

Total number voting 110

Necessary for passage 56

Those voting Yea 110

Those voting Nay 0

Absent and not voting 41

SPEAKER DONOVAN:

The bill passes in concurrence with the Senate.

Representative Rojas, for what purpose do you rise, sir?

REP. ROJAS (9th):

Thank you, Mr. Speaker. I'd like to register my vote in the affirmative.

SPEAKER DONOVAN:

(Inaudible)?

REP. ROJAS (9th):

No.

SPEAKER DONOVAN:

The machine's been closed, sir.

REP. ROJAS (9th):

The transcript?

SPEAKER DONOVAN:

We'll note it in the transcript. Thank you.

Would the Clerk please call Calendar 541.

THE CLERK:

On page 16, Calendar 541, (inaudible) for Senate Bill Number 778, AN ACT CONCERNING EVIDENCE OF WORKERS' COMPENSATION INSURANCE FOR CONTRACTORS ON PUBLIC WORKS PROJECTS, favorable report of the

**JOINT  
STANDING  
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HIGHER EDUCATION AND  
EMPLOYMENT ADVANCEMENT COMMITTEE

10:00 A.M.

Sincerely, Jean Fiorito, Executive Director.

REP. WILLIS: Thank you very much.

Any comments or questions from members of the  
Committee.

REP. WILLIS: Thank you very much --

WENDY SANDER: Thank you.

REP. WILLIS: -- for your testimony.

Connecticut Health and Education -- CHEFA.

JEFFREY ASHER: Yes. Good morning, Madam Chair and  
other distinguished members of the Higher  
Education Committee.

Thank you for the opportunity to offer  
supporting testimony on Senate Bill 842, An  
Act Concerning a Student Loan Guarantee  
Program Reserve Fund.

In November 2008, Governor Rell, in  
collaboration with the Credit Union League of  
Connecticut and its members, created the  
Student Loan Guarantee Program to benefit  
students enrolled in institutions of higher  
education in Connecticut as well as  
Connecticut residents enrolled in higher  
education institutions in any other state.

This Bill is important because it will assist  
credit unions in providing affordable loans to  
many Connecticut college students who have  
been unable to get funding through traditional  
student loan programs or whose families have  
been funding educational expenses through home  
equity loans that are no longer available.

This program can provide Connecticut college students with up to \$17.5 million in student loans without any funding from the State. A total of 19 credit unions have -- to date have committed to set aside approximately 11.8 million for student loans for this program.

Each credit union determines its own loan terms and underwriting criteria. They must also commit to set aside at least 100,000 of their own funds to be used for these loans. The maximum risk exposure is decided by each credit union based on the maximum level of funds they have opted to commit to this loan program. The largest commitment to date by one single credit union totals approximately \$3 million. Other individual commitments range from 100,000 to one million.

As an incentive to the credit unions for taking on this risk, the Connecticut Health and Educational Facilities Authority, CHEFA, was asked to set aside \$3.5 million of its reserve funds to fund a 20 percent loan guaranty on outstanding loan principle balances. The requirement to fund the 3 and a half million student loan reserve fund is contingent on CHEFA having the resources to fund the reserve.

This proposed legislative change is needed so that CHEFA will have the statutory authority to commit and fund loan guaranties directly to the Connecticut credit unions for the loan program. Initially, we expected to fund the loan guaranties through an entity like the Connecticut Student Loan Foundation or the Connecticut Higher Education Student Loan Authority, but those options proved not to be viable.

The most efficient method is for CHEFA to provide the guaranties directly to the credit unions. The structure of this proposed legislation is similar to the Child Care Guaranteed Loan Fund Protection Account that was created pursuant to the provisions of Public Act 97-259, which is An Act Concerning School Readiness and Child Daycare Program. CHEFA funded and maintains a \$4 and a half million reserve fund for that program to provide a 20-50 percent loan guaranty for the construction of child care facilities. And that program is spearheaded by Peoples Bank and a number of other participating banks.

In summary, we are simply looking for approval of an amendment to the CHEFA statutes that will allow us to fund the student loan guaranties directly to the participating credit union in this program.

I would like to thank again the Committee for the opportunity to present this testimony and I respectfully request the Committee's support for this bill and I am now happy to answer any questions you may have.

REP. WILLIS: Questions or comments. I have a couple if you don't mind.

On your -- your comment in your testimony, the requirement to fund the \$35.5 million student loan reserve fund is contingent upon CHEFA having the resources to fund the reserve. Could you explain that, I mean, because it seems as though if that isn't in place, the rest of it is not possible.

JEFFREY ASHER: Subsequent to submitting this testimony and requesting to testify, the governor's fiscal year 2009 budget deficit

remediation act or remediation plan came out. And part of that plan calls for the authority to transfer \$12.5 million of its reserve funds to the state. If in fact that happens at that level, we will not have the funds necessary to fund the 3.5 million. We are currently in conversations with the state and hopefully, we'll be able to reduce that dollar amount so that we will retain the 3 and a half million at the authority, which will then allow us to fund the reserve fund.

REP. WILLIS: And how much is in the reserve fund now -- did you say in total?

JEFFREY ASHER: In total?

REP. WILLIS: Yes.

JEFFREY ASHER: We have approximately \$23.5 million but there are a number of state mandated programs that we fund associated with that. And the proposal is to take away the 12 and a half million.

REP. WILLIS: That's your fault for having a reserve fund. I mean that pot of money out there this year is, you know, for those of you who planned well, there's-- there's a down side. I'll be sure to make sure that the members of this Committee and the Appropriations Committee pays attention to that particular item if that's what puts this in jeopardy.

The second question I have is because I've received a lot of inquiries about this. And -- and that's the issue of parents being able to cosign loans. And there's been concern -- because this has actually happened -- that because of the financial crisis that

we're now in, families are finding themselves in a, you know, more people have lost the jobs. Their -- b -- their home is worth less so there's not the equity anymore that -- that they can show on an application. I guess those are the -- the two big things. So in terms of this program, would that help in any way those families because it has a guaranty aspect to it?

JEFFREY ASHER: That's exactly why the program was designed. The important thing was that there were a number of families that were accessing home equity loans to pay for college tuition, etc. And the credit unions are very strong financially, did not have the exposure to the sub prime market mess -- the sub prime mortgage market mess that most of the other banks did and I think they've managed themselves very conservatively. In order to access this money, you have to be a member of the credit union as a part of the credit union family. And I think that those people that are members of the credit union have -- have some resources available. And it's designed specifically for those families that don't have access to some other funds. And the credit unions are attempting to make some dollars available. Does that answer the question?

REP. WILLIS: I see in your testimony that you sort of address that as well, so. And in terms of the number -- the -- the members in Connecticut that belong to a credit union, how many members are there? Do you happen to know that?

JEFFREY ASHER: No. But I mean, we -- I don't really know how many credit unions there are in the state. I do know that there are 19

credit unions that have signed up to -- to participate in this program. It's some fairly large credit unions, as well as, you know, you could have individuals moving into Connecticut as well that are coming to Connecticut schools and they can join a credit union, become a member and then enroll in this program. I don't know how many individuals in the state participate in credit unions. I do know that there are a lot of credit unions out there that are very anxious to participate in this program.

REP. WILLIS: Have -- have the credit unions looked at the possible impact in terms of, you know, the number of families that might be impacted that are members. For instance, do they look at families that have college age or about to be college age students so they would, can be able to anticipate what might happen to them in terms of impact?

JEFFREY ASHER: I am not entirely sure if each individual credit union did a market survey to determine how many people. I think that there's been a lot of publicity about this program both in the media in Connecticut as well as other states. The Connecticut Credit Union League has done a lot of marketing for this program among its members and I think that, you know, they're doing what they can to make sure that people know it's -- it's available.

REP. WILLIS: In -- in terms of the marketing, how would they do that? Send out notices to members and their --

JEFFREY ASHER: I would assume that some of them may be sending out notices to their members and posting stuff in individual credit unions.

**JOINT  
STANDING  
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**HIGHER EDUCATION  
AND  
EMPLOYMENT ADVANCEMENT  
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**2009**



M. JODI RELL  
GOVERNOR

STATE OF CONNECTICUT  
EXECUTIVE CHAMBERS

*TESTIMONY PRESENTED TO THE*  
**Higher Education and Employment Advancement Committee**  
*February 24, 2009*

*M. Jodi Rell*  
*Governor*  
*State of Connecticut*

**Testimony Supporting Senate Bill No. 842:**  
**AN ACT CONCERNING A**  
**STUDENT LOAN GUARANTEE PROGRAM RESERVE FUND**

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Good morning Senator Handley, Representative Willis and distinguished members of the Higher Education Committee. Thank you for the opportunity to submit written testimony on S.B. 842, An Act Concerning a Student Loan Guarantee Program Reserve Fund.

Last November, I met with top officials from Connecticut's credit unions to discuss the state's economic situation and to propose a new partnership between the State and Connecticut's credit unions that will provide students with access to higher education through a new student loan program. The credit union officials immediately pledged support of my concept and estimated that up to \$17.5 million could be committed to the program.

Connecticut's credit unions remain healthy in this economic environment; they are unique in the financial services industry and provide service to their members at the lowest possible cost. The credit unions have funds to lend and they are willing to target funds for higher education loans. The new student loan program would offer very low interest rates at no higher than 6 percent or 5.75 percent. Institutions offering 6 percent loans will be able to defer interest payments for one year; credit unions offering 5.75 percent loans would not defer interest payments.

This legislation will allow the Connecticut Health and Education Facilities Authority (CHEFA) to provide twenty percent loan guarantees on the loans. The requirement to fund the \$3.5 million student loan reserve fund is contingent on CHEFA having the resources to fund the reserve. This proposed legislative change is needed so that CHEFA will have the statutory authority to commit and fund loan guarantees directly to Connecticut credit unions for the loan program.

As you know, household budgets are already strained by the effects of our struggling economy. The national recession is hitting home on all levels and families across Connecticut are faced with difficult decisions on what expenses to cut. Under this program, college tuition does not have to be one of them.

These loans will be made to students who may not qualify for traditional loans or who may have already used all of their resources and are now having trouble paying for college costs. This program will be another financial resource for our families and it will serve important needs that in many cases are currently unmet by existing loan programs. Helping Connecticut families and their children by making sure they have access to loans for higher education is one of the best ways to support those families and to ensure that our state continues to have one of the most educated labor forces in the nation.

Making sure that families sending children to college have access to credit is about more than borrowing money; it is about creating jobs and the credit unions understand that. The state is facing some of the leanest economic times in our history, but there are some bright spots -- including our local banks and credit unions that play a vital role in our state's economic strength.

I trust you will act favorably with respect to this bill as a means of helping our struggling families and our struggling economy. Please do not hesitate to contact my office with any questions. Thank you for affording me the opportunity to provide testimony on this important bill.

*TESTIMONY PRESENTED TO THE*  
Higher Education and Employment Advancement Committee  
*February 24, 2009*

*Jeffrey A. Asher*  
*Executive Director*  
*Connecticut Health and Educational Facilities Authority*

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This bill is important because it will assist credit unions in providing affordable loans to many Connecticut college students who have been unable to get funding through traditional student loan programs or whose families had been funding educational expenses through home equity loans that are no longer available. This program can provide Connecticut college students with \$17.5 million in student loans without any funding from the State.

A total of 19 credit unions have committed to set aside approximately \$11.8 million for student loans for this program. Each credit union determines its own loan terms and underwriting. They must also commit to set aside at least \$100,000 of their own funds to be used for these loans. The maximum risk exposure is decided by each credit union based on the maximum level of funds they have opted to commit to this loan program. The largest commitment to date by one credit union totals \$3.0 million. Other individual commitments range from \$100,000 to \$1.0 million. As an incentive to the credit unions for taking on this risk, the Connecticut Health and Educational Facilities Authority (CHEFA) was asked to set aside \$3.5 million of its reserve funds to fund a 20% loan guarantee upfront and on the outstanding loan principal balance. The requirement to fund the \$3.5 million student loan reserve fund is contingent on CHEFA having the resources to fund the reserve.

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In summary, we are simply looking for approval of an amendment to the CHEFA statutes that will allow us to fund the student loan guarantees directly to the credit unions participating in this program.

I would like to again thank the committee for the opportunity to present this testimony. I respectfully request the Committee support this bill and I will be happy to answer any questions you may have.



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GOVERNOR

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