

PA 11-050

SB1109

Banking	229-231, 250	4
House	6904-6917	14
<u>Senate</u>	<u>887-891</u>	<u>5</u>
		<b>23</b>

**JOINT  
STANDING  
COMMITTEE  
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March 8, 2011  
11:00 A.M.

support. You know, I've talked to her, and I've talked to you, and we're encouraged that she's working with us in the General Assembly on -- on jobs and on bills like this that are pro growth, pro business formation, pro business, and we look forward to working with you in the future on these bills and others that -- that serve that goal. Thanks.

DEPUTY SECRETARY JAMES SPALLONE: Thank you, Mr. Chairman. Likewise. We enjoy being part of the team in trying to get all this done.

SENATOR DUFF: Thank you, Representative. Any other questions or comments? Seeing none, thank you very much.

Next is Commissioner Howard Pitkin. Commissioner. Commissioner, thanks for coming today. We appreciate it. And at our initial organizing meeting, I don't think we had the opportunity to introduce you, so I want to thank you for your service to the State, and we are very, very pleased that -- I'll speak for myself -- that Governor Malloy has reappointed you as Commissioner of the Banking Department.

You've held a steady hand in a very difficult time for the banking industry, in general, and we appreciate that and thought he made a great choice by reappointing you.

COMMISSIONER HOWARD PITKIN: Thanks.

SENATOR DUFF: So I want to welcome you and thank you again for all that you've done in the past, and especially working with this committee as well. So please proceed with your testimony.

SB 1109  
SB 1110  
HB 6285  
(HB 6351)

COMMISSIONER HOWARD PITKIN: Thank you for your -- for your kind comments, and thanks to the members of the committee in total. This has

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been a -- a very easy committee to work with during difficult times.

Good morning, Chairman Duff, Chairman Tong, members of the committee. My name is Howard Pitkin. And I am the Commissioner of the Connecticut Department of Banking. I'm here to testify in favor of three pieces of legislation.

Senate Bill 1109, AN ACT CONCERNING BANKS is the first bill I wish to speak on. The proposal is necessary to clarify the fees for out-of-state branch locations and to delete a redundant and confusing provision.

The bill would allow the agency to grant investors conditional -- another provision of the bill would allow the agency to grant investors conditional preliminary approval to organize more than one bank to acquire failed banks. This is the overnight charter that we enacted two years ago.

It is unnecessary and unduly burdensome to have investors file another application for preliminary conditional approval in order to organize additional banks to acquire failed banks. The department already will have checked the resources and suitability of the investors prior to issuing the preliminary approval.

Moreover, the agency has the ability to impose conditions in the preliminary approval process with respect to the organization of subsequent banks to ensure that all capital and other requirements continue to be met.

Another part of the bill provides for a new provision authorizing Connecticut banks to merge with their nonbank affiliates. This

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would give these organization -- organizations optimum flexibility, with respect to corporate reorganizations, and put them on a level playing field with national banks.

This bill was proposed last year and wasn't -- was not enacted due to time constraints.

The next bill I wish to comment on is Senate Bill 1110, AN ACT CONCERNING CONSUMER CREDIT LICENSES. This proposal requires an applicant for a license under various provisions of the consumer credit statutes to provide the complete history of criminal convictions of the applicant, and authorizes the agency to conduct state and federal criminal history records check of such persons and certain other related persons of such applicant.

The bill authorizes the Commissioner to deny an application for a license if the applicant, or certain other related persons of such applicant, have been convicted of any misdemeanor involving any aspect of the business for which a license is being sought, or any felony are necessary to exclude such -- such persons from engaging in the various types of consumer credit businesses.

This bill was also proposed last year, and it, too, died due to time constraints.

The last bill is purely technical in -- in nature, as much technicality as a bill can be, House Bill 6285, AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT. It clarifies and conforms Connecticut law with federal law, by requiring state notice filing requirements, apply only to advisors registered with the FCC.

Thank you for your attention to these matters,

**TESTIMONY SUBMITTED TO THE BANKS COMMITTEE**  
**March 8, 2011**

*Commissioner Howard F. Pitkin*  
*Department of Banking*

**SB 1109, AAC BANKS,**  
**SB 1110, AN ACT CONCERNING CONSUMER CREDIT LICENSES,**  
**HB6285, AAC THE CONNECTICUT UNIFORM SECURITIES ACT,**

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Good morning Chairman Duff, Chairman Tong, members of the committee, my name is Howard F. Pitkin and I am the Commissioner of the Connecticut Department of Banking. I am here to testify in favor of three pieces of legislation.

**SB 1109, AAC BANKS**, is the first bill I wish to speak on. The proposal is necessary to clarify the fees for out-of-state branch relocations and to delete a redundant and confusing provision.

The bill would allow the agency to grant investors conditional preliminary approval to organize more than one bank to acquire failed banks. It is unnecessary and unduly burdensome to have investors file another application for preliminary conditional approval in order to organize additional banks to acquire failed banks. The department already will have checked the resources and suitability of the investors prior to issuing the preliminary approval. Moreover, the agency has the ability to impose conditions in the preliminary approval process with respect to the organization of subsequent banks to ensure that all capital and other requirements continue to be met.

Also there is a proposed new provision authorizing Connecticut banks to merge with their nonbank affiliates would give these organizations flexibility with respect to corporate reorganizations and put them on a level playing field with national banks. This bill was proposed last year and was not enacted due to time constraints.

The next bill I wish to comment on is **SB 1110, AN ACT CONCERNING CONSUMER CREDIT LICENSES**. This proposal impacts, in different ways, all of the industries licensed by the Consumer Credit Division. With regard to mortgage licensees, the proposal addresses the following: (1) it requires certain individuals engaged in loan processing or underwriting to obtain a loan processor or underwriter license; (2) it creates an ability for entities exempt from licensing requirements as mortgage lenders, correspondent lenders, or mortgage brokers to register as exempt registrants on the NMLS for purposes of sponsoring and bonding individuals required to hold mortgage loan originator licenses; (3) it clarifies bonding requirements for mortgage loan originators and their sponsoring entities. With regard to debt negotiator licenses, the proposal requires certain individuals who are engaged in such activity in connection with

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DEPUTY SPEAKER KIRKLEY-BEY:

The bill passes. Will the Clerk please call  
Calendar 406?

THE CLERK:

On page 17, Calendar 406, Substitute for Senate  
Bill 1109, AN ACT CONCERNING BANKS, favorable report  
of the Committee on Banks.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong, you have the floor, sir.

REP. TONG (147th):

Good evening, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Good evening, sir.

REP. TONG (147th):

I move acceptance of the joint committee's  
favorable report and passage of the bill.

DEPUTY SPEAKER KIRKLEY-BEY:

The motion before us is acceptance of the joint  
committee's favorable report and passage of the bill.  
Will you remark further?

REP. TONG (147th):

Thank you, Madam Speaker. This bill comes to us

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from the banking department and it represents an effort over several years to address some of the challenges we faces as a state in the financial crisis that we went through in 2008 and 2009. What it does is it gives the banking commissioner in our state new tools to address failing banks, to prequalify institutions that might come in and save a failing bank so that we have institutions at the ready to accomplish that should that become necessary in the future. It also expands the authority of the banking commissioner in our state to do background checks on certain classes of lenders and it also adds a new provision that permits Connecticut banks to merge with their nonbank affiliates to make them more competitive with their national counterparts and I urge passage of the bill.

DEPUTY SPEAKER KIRKLEY-BEY:

Thank you. Will you remark? Will you remark further on the bill that is before us? Representative Shaban, you have the floor, sir.

REP. SHABAN (135th):

Thank you, Madam Chair. Through you, a questions for the proponent please?

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DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong, prepare yourself.

Representative Shaban, I hope I say that right, please proceed.

REP. SHABAN (135th):

Thank you, Madam Chair. What -- I'm trying to find in the bill, is there a definition of nonbank affiliate, through you, Madam Chair?

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, Madam Speaker. I believe that it is defined in the statutes. I do not know whether it is defined in the bill itself, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Shaban.

REP. SHABAN (135th):

Thank you, Madam Chair. I guess I'm just trying to get a comfort level if the bank or a state bank can merge with a nonbank affiliate, can a state bank merge with, I don't know, a broker dealer for instance, through you, Madam Chair.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, Madam Speaker. I believe that this is intended to allow Connecticut banks to merge with their investment advisors or other entities that do not perform -- that are not qualified public depositories or traditional banks, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Shaban.

REP. SHABAN (135th):

Thank you, Madam Chair. Well, I'm just trying -- and thank you for the response, I'm just trying to get a comfort level that we're not going to create a situation at the state level that kind of got us jammed up in the national level, where lenders -- the lending part of a business and the speculative sales part of a business are going to be able to merge, through you, Madam Chair, I'm trying to determine whether or not that was considered and whether or not that fear is a viable one or a good one, thank you, through you, Madam.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, Madam Speaker. We did not discuss that specific question. This is simply a measure to ensure that our Connecticut banks that are Connecticut businesses trying to compete nationally and internationally with banks and other states, banks that operate in multiple states and our federally chartered banks that are Connecticut State banks can compete in that environment. You know, with regard to specific examples like a broker dealer or a trading operation, I can't speak to that, but what it does do is it allows a Connecticut State bank to merge with its nonbank affiliates like an investment advisor, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Shaban.

REP. SHABAN (135th):

Thank you, through you, Madam Chair, thank you for the response. I voiced my concerns and I appreciate the responses. I'm going to tease through here and if I have any questions, I'll follow up off the floor. Thank you, Madam Chair.

DEPUTY SPEAKER KIRKLEY-BEY:

Thank you, sir. Representative Alberts, you have the floor.

REP. ALBERTS (50th):

Thank you, Madam Speaker. If I may, several questions to the proponent of the bill that's before us?

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong prepare yourself.  
Representative Alberts, please frame your questions.

REP. ALBERTS (50th):

Thank you, Madam Speaker. To go through this bill in a little bit more detail, I've highlighted a couple of areas which I think will help the members become a little bit more familiar with the bill. I know that this is exciting material at 10:15 on a Thursday evening. Looking at section one, lines 16 and 17, there's mention of notification to the commissioner of material changes in electronic data processing services and as I understand it in today's banking world, there essentially is a requirement that banks have to send the banking commissioner a contract or a copy of the contract that they have for any type of electronic data processing service that they may

outsourced in today's world, but essentially what we're going to do is we're going to eliminate that requirement with this language and basically allow the commissioner just to notify or be notified if there's a material change in electronic data processing, is that not correct?

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, yes.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. Then continuing in section two, there's mention in lines 38 and 43 of consent orders and preliminary warning letters as well and essentially what we are doing is providing the banking commissioner with some permissible powers so that there are some additional agreements the banking commissioner can enter into, is that not correct, through you, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

That is correct, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. Then, continuing further through lines 148 and through 179 and beyond, this is in section four, we're looking to change existing laws so that multiple applications can be made by banks in one fell swoop rather than just one application at a time, is that not correct, through you, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Yes, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. In section five as I understand it, right now there's a requirement it's somewhat antiquated in banking law that prohibits the ratio of the installment debt on a construction

facility, it limits it to 50 percent or in a second stipulated case, the final proportion of the completed property value and what we're essentially going to do in section five is eliminate that 50 percent requirement so that we will make it a little bit easier for lending to take place in the State of Connecticut, is that not correct, through you, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, Madam Speaker, yes, the provision is intended to expand and enhance the flow of credit and to make our banks and our lending institutions more competitive, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. There's a lot of requirements on banks with regard to insider loan policies and tracking of insider loans. The community bank that I work for has requirements to make sure that we track and report those. In section six this

essentially, as I understand it, codifies what is the Connecticut State law to conform with federal requirements to make sure that technical changes that have happened at the federal level are in Connecticut State law, is that not correct, through you, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

That is correct, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. Looking a little bit further in lines 282 through 284, I see a definition of a business day which defines a business day for banks to be any day other than a Saturday, Sunday or a day on which a financial institution is closed as required or authorized by state or federal law and I also see reference to close of business and these definitions are here merely to codify what the understanding is of the these two terms, is that not correct, through you, Madam Speaker.

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DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, yes.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. In section nine, looking at lines 360 to 361, there is mention of consent orders or preliminary warning letters and additionally memorandums of understanding or letters of understanding and essentially what these are is additions to the list of regulatory orders or agreements that might trigger higher collateral requirements for banks to maintain, is that correct, through you, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Through you, that is correct.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. And, then going further in lines 449 through 455 we're stipulating some requirements that may trigger in this section which is section 11, the possible fingerprinting of principals, executive officers, directors of banks and in section 12 members of senior managements of credit unions under very limited circumstances, is that not correct, through you, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Tong.

REP. TONG (147th):

Under limited circumstances, yes, through you.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. And, I think the final point I just want to bring out and my colleague brought it up earlier in section 15, this passage would allow a Connecticut bank to merge with one or more of its nonbank affiliates as long as the result of the merger was a Connecticut bank, is that not correct, Madam Speaker.

DEPUTY SPEAKER KIRKLEY-BEY:

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Representative Tong.

REP. TONG (147th):

Through you, that is correct.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. I think that the honorable Chairman of the Banking Committee has gone through this with me. I think this makes technical changes that we're very comfortable with and had been requested by the banking department and I urge my colleagues to accept it.

DEPUTY SPEAKER KIRKLEY-BEY:

Thank you. Will you remark further on the bill that is before us? Will you remark further on the bill that is before us? If not, staff and guests please come to the well. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. Members to the chamber. The House is voting by roll call. Members to the chamber please.

DEPUTY SPEAKER KIRKLEY-BEY:

Have all members voted? Have all members voted?  
Please check the board to see that your vote has been properly cast. The machine will be locked and the Clerk will prepare the tally. Will the Clerk please announce the tally?

THE CLERK:

Senate Bill 1109, in concurrence with the Senate

Total number voting 144

Necessary for adoption 73

Those voting Yea 144

Those voting Nay 0

Those absent and not voting 7

DEPUTY SPEAKER KIRKLEY-BEY:

The bill passes in concurrence with the Senate.

Will the Clerk please call Calendar 502?

THE CLERK:

On page 33, Calendar 502, substitute for Senate Bill 1068, AN ACT CONCERNING A SWOT ANALYSIS OF THE STATE'S INSURANCE AND FINANCIAL SERVICES CLUSTERS, favorable report of the Committee on Insurance and Real Estate.

DEPUTY SPEAKER KIRKLEY-BEY:

Representative Elaine O'Brien, you have the

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Number 160, Substitute for Senate Bill Number 1109, AN  
ACT CONCERNING BANKS, favorable report of the Banking  
Committee.

THE CHAIR:

Senator Duff, good afternoon, sir.

SENATOR DUFF:

Thank you. Good afternoon, Madam President.

I move acceptance of the joint committee's  
favorable report and passage of the bill.

THE CHAIR:

Acting on approval of the bill, will you remark  
further?

SENATOR DUFF:

Thank you, Madam President.

Madam President, this is merely a technical bill  
supported by the department that we had passed last year  
I believe. And again, pretty technical and doesn't do  
too much. So I hope that the circle will support it.  
Thank you, Madam Chair.

THE CHAIR:

Sorry. Will you remark further? Will you remark  
further?

Senator Duff.

SENATOR DUFF:

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Thank you, Madam President.

If there's no objection, I'd like to place this  
on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered.

Mr. Clerk, at this time, will you call the -- oh, I'm going to call on Senator Looney first so he can do that.

SENATOR LOONEY:

Thank you, Madam President. Madam President, first of all what move that all of the bills referred to various committees thus far in today's session be immediately transmitted to those committees and not held.

THE CHAIR:

So moved. And so ordered, sir.

SENATOR LOONEY:

And also Madam President, would ask the Clerk to call the items on the second consent calendar so that we might proceed to a vote on that second consent calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

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Madam President, according to the Clerk's record on page 2, on the second consent calendar, Calendar Number 43, Senate Bill Number 851; on page 3, Calendar Number 46, Senate Bill -- Substitute for Senate Bill Number 849; on page 4, Calendar Number 65, Senate Bill Number 889; on page 7, Calendar Number 106, Senate Bill Number 933; on page 8, top of the page, Calendar 118, Senate Bill Number 885; on page 9, Calendar 131, Senate Bill Number 861; on page 10, Calendar Number 153; and also on page 10, Calendar Number 160, Substitute for Senate Bill Number 1109. SB 911

That completes the items placed on the second consent calendar according to my record.

THE CHAIR:

Thank you, sir. We have one more --

THE CLERK:

Madam President, on the top page 11, Calendar Number 162, Substitute for Senate Bill Number 1076.

THE CHAIR:

Thank you, sir.

Would you please call -- announce a roll call vote and the machine will be open.

THE CLERK:

An immediate roll call vote has been ordered in

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the Senate on the second consent calendar. Will all Senators please return to the chamber.. An immediate roll call vote has been ordered in the Senate on the second consent calendar. Will all Senators please return to the chamber.

THE CHAIR:

Mr. Clerk, could you announce it one more time please?

THE CLERK:

The Senate is voting on the second consent calendar. Will all Senators please return to the Chamber. The Senate is voting on the second consent calendar. Will all Senators please return to the Chamber.

THE CHAIR:

Everybody has voted. All members have voted. The machine will be locked. Will the Clerk please announce the tally.

THE CLERK:

Madam President, the result of the vote on the second consent under is:

Total Number voting	34
Necessary for adoption	18
Those voting Yea	34

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Those voting Nay 0

Those absent and not voting 2

THE CHAIR:

The consent calendar is adopted.

Senator Looney, please.

SENATOR LOONEY:

Thank you, Madam President. For purposes of a clarification.

Madam President, on calendar page 11, Calendar 162, Senate Bill 1076 was not an item that I had announced for the consent calendar. I'm told that it may have been listed on the consent calendar, but it should not have been. So I just want to make sure that is deleted.

THE CHAIR:

Yes, sir, and it was not listed on the machine, sir. Thank you.

At this time, Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, the Clerk is now in possession of Senate Agenda Number 4.

THE CHAIR:

Mr. Clerk.