Banking Committee
JOINT FAVORABLE REPORT

Bill No.: HB-7083

Title: AN ACT CONCERNING VARIOUS REVISIONS TO THE CREDIT UNION STATUTES RELATING TO LOAN OFFICERS, NONMEMBER PAYMENTS, MEMBER BUSINESS LOANS, CHARITABLE CONTRIBUTIONS, EXTENSIONS OF CREDIT, PROCEEDS OF THE RESALE OF REPOSSESSED GOODS, CAPITAL AND NET WORTH.

Vote Date: 3/11/2025

Vote Action: Joint Favorable Substitute

PH Date: 3/4/2025

File No.:

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SPONSORS OF BILL:

The Banking Committee

REASONS FOR BILL:

A credit union is a financial institution—either permanent or temporary—that operates as a nonprofit organization for the benefit of its community and members. Like for-profit financial institutions, the statutes governing credit unions must evolve to meet the needs of their communities and members. This bill updates and revises various credit union statutes related to loan officers, nonmember payments, member business loans, charitable contributions, extensions of credit, proceeds from the resale of repossessed goods, capital, and net worth. These changes will allow credit unions to extend their services to a broader range of individuals.

SUBSTITUTE LANGUAGE:

The substitute language for this bill makes several changes. In Section 1, it updates the definition of "immediate family member" to include spouses, parents (both natural and adoptive), step-relatives such as stepparents or siblings, in-laws, and grandparents. This change allows these individuals to make payments on individual accounts within credit unions. The revisions to Section 3 allow credit unions to accept payments that do not exceed $1,500,000 or 25% of the credit union’s total capital. Section 5 has been amended to remove previous language regarding re-loans secured by residential property in relation to member business loans. In Section 6, the bill now requires that any charitable contributions made by credit unions be for purposes such as education or the broader public welfare. Finally, Sections 7 and 8 have been removed entirely under the substitute language.

RESPONSE FROM ADMINISTRATION/AGENCY:

Matthew Smith, Connecticut Department of Banking, Director of Government Relations: He expressed both support and opposition to this bill. In support, he pointed to Sections 1 and 3, noting that these changes would allow credit unions in the state to better comply with federal and state regulations. He stated that enhanced compliance would benefit job security, increase opportunities, and potentially boost economic growth in Connecticut. In opposition, he raised concerns about Sections 6 and 7. In Section 6, he warned that charitable donations made by credit unions could create a gray area regarding limits and oversight, potentially allowing such actions to occur without adequate regulatory scrutiny. Lastly, in Section 7, he expressed concern that allowing insiders such as senior executives or board members to receive loans with favorable rates and terms could create a sense of unfairness among other credit union members and may potentially violate federal regulations.

NATURE AND SOURCES OF SUPPORT:

Bruce Adams, Credit Union League of Connecticut, CEO & President: He expressed reflecting on a credit unions' abilities to engage in helping not only the economic growth and development but also benefit the growth within communities. He also noted that this bill enables credit unions to be able to understand how to maintain and operate financial institutions successfully.

Kathy Chartier, Members Credit Union, CEO & President: She stated that Section 2 of this bill opens a financial opportunity to credit unions regarding the deposit limits they are allowed to keep on hand at the time of deposit. She claimed that in the event these deposit costs are low this enables credit unions to be able to support our communities whether that be low income or not.

Joanne Todd, Northeast Family Federal Credit Union, CEO & President: She explained that this bill allows for credit unions to be equally treated and regulated through both federal and state regulations. She stated that this is crucial as it allows credit unions to be able to serve consumers in which they feel confident and equal.

Carl Casper, Connex Credit Union, Chief Retail Officer: He stated that Section 3 of this bill would allow deposits to be made to credit unions, benefiting both the broader community and the institutions receiving the deposits. Mr. Casper also noted that this provision would provide credit unions with greater flexibility and help them develop financial stability.

NATURE AND SOURCES OF OPPOSITION:

Raphael Podolsky, Connecticut Legal Services, Policy Advocate: He expressed concerns that this bill would shift financial responsibility for repossessed goods away from the debtor, as well as affect the amount owed based on the appraisal of luxury motor vehicles. He also raised concerns about the language in Section 8 of the bill, stating that it could be interpreted as allowing credit unions to reduce the amount debtors are liable for, thereby weakening necessary protections.

Tom Mongellow, Connecticut Bankers Association, CEO: He explained that Section 3 of H.B. 7083 would allow credit unions to accept deposits from non-members. He stated that this change would disrupt the foundational principles of credit union operations and could create inconsistencies in how accounts are managed, putting community banks at an unfair disadvantage. He also addressed Section 5 of the bill, which concerns Member Business Loan exemptions. He noted that it excludes commercial loans in which other credit unions might participate. He warned that without this inclusion, proper regulatory requirements and oversight might be bypassed, potentially exposing credit unions to improper or high-risk lending practices. Regarding Section 7, he expressed concern that changes to loan discount programs would allow certain individuals, such as directors, to receive favorable loan rates and terms, without it being considered a form of compensation—raising fairness issues. Lastly, he discussed Section 8, which would permit credit unions to assign the value of repossessed goods, such as automobiles, instead of using fair market value or actual sale price. He stated that this could lead to impartial and unfair treatment compared to other lenders involved in auto lending.

Reported by: Morgan Dlugoleski **Date: 03/27/2025**