

**MINUTES OF THE  
MANAGEMENT ADVISORY COUNCIL  
September 17, 2008**

**Visit the MAC website at [ct.gov/MAC](http://ct.gov/MAC)**

Peter Bucknall, MAC Chair, called the regular meeting to order at 9:10 a.m. Peter introduced the new officers and thanked Mark Polzella and Doris Vieira for their service as Chair and Secretary, respectively.

**Approval of Minutes**

The minutes of the June 18, 2008 meeting were approved unanimously, as submitted.

**Treasurer's Report**

David Lynn, Treasurer, reported that the balance in the treasury is \$3,119.63. There was a dividend of \$15.52 paid on June 30, 2008. The Treasurer's report was accepted unanimously.

**Committee Reports**

Credentials. On behalf of Ellen Carter, MAC Credential Chair, Elise Kremer reported that the newly elected Alternate for the Department of Veterans' Affairs is Chris Beloff. Chris introduced himself and indicated he is looking forward to contributing to MAC. Allen Elstein reported that Richard Owens, the Alternate from the Insurance Department, is retiring. Given that Insurance is scheduled to hold an election for a term of office commencing January 1, 2009, they most likely will defer electing a new Alternate until then. There are some agencies for which we do not currently have a Representative and/or Alternate on record. These include Agriculture (no Representative), Economic and Community Development (no Alternate), Public Health (no Alternate), Public Safety (no Alternate), State Library (no Representative or Alternate). The Board of Pardons and Parole is eligible to participate, but has not, to our knowledge, held an election. Outreach is underway and David Lynn will follow up.

**Old Business**

Speakers and Logistics. We have requested the use of the DOT conference room for the 2009 meetings, and are awaiting confirmation. Elise reported that, due to a last-minute conflict that has arisen, Commissioner of Banking Howard Pitkin will not be able to speak at today's meeting. Deputy Commissioner of Banking Alan Cicchetti has graciously agreed to take Commissioner Pitkin's place on short notice. Deputy Commissioner of Transportation Albert Martin will speak in November on transportation

planning. Discussion ensued about potential speakers to start filling in the 2009 calendar. Peter Bucknall suggested the topic of geographic information systems, since a variety of applications of this technology are being developed by state agencies. There was substantial interest in lining up a speaker on this topic. There was also a suggestion to have a speaker who could give an overview of the state employees retirement system. A question was raised about whether there are any materials on this subject that could be linked to from the MAC website. Brenda will discuss this with colleagues at the Comptroller's Office.

Managers Day Committee. Mark reported that the arrangements are being wrapped up. Plaques are on order for the awards. There are about 200 registrants to date. The limit has been increased from 225 to 250 for the on-line registration. The registration deadline has been extended to September 19, with checks due by September 23. A message will go out today on the list serv with this information. There was a reminder that we will be accepting donations of used cell phones and new or gently used children's books. If managers have donations but are unable to attend Managers Day, hopefully these items could be brought by the MAC Representative or Alternate.

Web Site. Anne MacLeod filed a written report of work completed and work to be done. For work completed: meeting notices and minutes are current; Managers Day information has been published; and updates were made to the Latest News for Managers Day and the Meet the MAC Officers page. There are currently 169 managers registered in the State Manager role. For work to be completed: develop a new Discussion Center User Guide; update the MAC Agency Representatives page; publish additional Managers Day 2007 photos; generate a quarterly report of managers registered on the website; and obtain a current managers list from CORE. Procurement is pending in DOIT for a new Content Management System.

Communications Committee. There were no activities to report.

Orientation Committee. Peter Bucknall and Dave Lynn presented a segment at the New Managers Orientation Program. Peter commented that this was a very worthwhile effort and a great venue to introduce new managers to MAC. Only about a third of the participants were aware of MAC before the presentation. There are about 140 managers still in the pipeline to attend this program.

Managerial Sick Leave Bank (MSLB) Provisions. Copies were provided of a letter to Deputy Commissioner Martin Anderson, requesting similar provisions for the MSLB to those in the P-4 collective bargaining agreement. Receipt of the letter has been acknowledged, and Dave Lynn has been asked to work with legal counsel in DAS to review the request. They will be looking at all of the provisions of the MSLB, which is a positive step.

Other Old Business. There was no other Old Business.

## **New Business**

Selection of Recipients for Distinguished Managerial Service Awards (DMSA). The selection committee met and the following managers will be receiving awards:

Bruce Bockstael, DPW  
John D'Eramo, DMHAS  
Michael Varney, DOIT

A notice will be sent out today via the list serv, announcing the award recipients.

Other New Business. As a point of information, a member reported on the treatment of wage increases in the biennial budget submission. Wage increases were programmed in the OPM schedule only for those bargaining units with a signed contract in place. Neither a General Wage Increase nor PARS was programmed for managers.

## **Guest Presentation**

Deputy Commissioner of Banking Alan Cicchetti was welcomed and introduced. Commissioner Cicchetti began by providing an overview of the Banking Department, which is staffed by about 120 employees. A Financial Institutions Division oversees credit unions and banks. A Securities and Business Opportunities Division regulates brokers, registered agents, and financial advisors. A Consumer Credit Division oversees non-depository licensees and includes the mortgage group. There are administrative support areas and also a staff of examiners. About 2500 inquiries are handled annually, and about 80% of these relate to the mortgage business. There are three main types of "players" in the mortgage industry: mortgage lenders, mortgage brokers, and loan originators.

Discussion then focused on the current crisis, which was heavily assisted by the derailment of the subprime mortgage market. Recipients of these loans often had low credit scores. The mortgage lenders network imploded in November, 2006 in Connecticut. Basically, at the time of closing on a mortgage loan, there were no dollars available to fund the loan. About 1500 borrowers closed on their loans but were not funded. This marked the beginning of the subprime mortgage crisis. About 200 companies have gone out of business, most of these in California and Florida. Despite the crisis, 97% of borrowers are paying as agreed. The remaining 3% run the gamut from people who were taken advantage of and victimized to people with poor credit histories to people who committed fraud on "liar loans".

There was a special product developed but it was flawed. There is some concern that this product development was government-induced, out of concern for people who could not make payments on the standard formulas and could not otherwise afford a home. The government was interested in providing home ownership to a much broader range of borrowers, and a product arose to meet the needs of such borrowers. Because there was often no income verification, the process was wide open for potential abuse. Fraud

came into the picture, because the flawed product allowed it. Often there was no down payment and/or the loan value exceeded the property value. There was an assumption of a strong real estate market, with property values continuing to go up. The real estate market was artificially inflated because of all the loan activity. When the real estate market fell, borrowers did not realize the home equity that was anticipated from an escalation of home values. Because of the low rate, they had no amortization, and faced a reset point to rise to the market interest rate. Most borrowers who defaulted actually did so by their failure to make payments, and not at the reset point. When investment bankers who buy pools of loans from lenders found out that borrowers were not paying, they stopped buying the loan pools. Pools were devalued if there were any subprime loans in the pool.

In February 2007, the first major bank announced the impact of the subprime loans. Bankruptcy ensued in April 2007. In September 2007, the Federal Reserve began cutting interest rates, and made seven consecutive cuts. In July 2008, FDIC took over Indy Bank, a California company that issued liar loans. In September 2008, the Treasury Secretary announced the government take-over of Fannie Mae and Freddie MaC and pledged government assistance to banks and deserving loan holders. On September 15, Bank of America agreed, in a government-partnered effort that involved no government funds, to buy Merrill Lynch and bail out CountryWide. Far-reaching effects were now being felt on the commercial real estate market. The government agreed to help AIG, due to the anticipated impact their failure would have on the financial markets. The 85 million loan to AIG is being used to meet their short-term obligations, basically to buy them time until they can dispose of their assets. Taxpayers will own 80% of these assets. JP Morgan is still profitable and has announced earnings. They are now making a pitch to buy Washington Mutual.

As far as the subprime problem itself, it is mostly resolved. Investors no longer offered the flawed product when the crisis developed. The loans that have already been issued remain a problem. Most are being paid, and have a two-year reset.

Connecticut passed sweeping legislation that created a "non-prime" category of loans to which new lending rules apply (such as the requirement to escrow taxes). On the federal level, the Home Ownership Protection Act of 2008 has passed. A nation-wide mortgage licensing system is being implemented that would standardize regulatory standards across all states. To date, many states (unlike Connecticut) did not license loan originators. The new system would mandate FBI fingerprinting, surety bonds, and continuing education for loan originators. Eight states are on the system now, including Connecticut. All states must get on the system within a one or two-year period (depending on whether their Legislature meets annually or biennially), or HUD will take over the state's mortgage regulation.

Of the Northeast states, Connecticut has the best overall economic health, but the impact is still developing. Comparatively, property values are still very good in the state. Although it will not be as bad in Connecticut as in other states, the long-term impact will

likely include municipal job losses due to budget deficits, property tax increases, and cuts to Social Security and Medicaid.

### **Adjournment**

The business meeting was adjourned at 11.20 a.m. The next MAC meeting will be held on Wednesday, October 15, 2008 at 9:00 a.m. in Conference Room B at the Department of Transportation.

The list of those in attendance at the September 17, 2008 MAC meeting is attached and is hereby made a part of these minutes.

Respectfully submitted,

Elise Kremer  
MAC Secretary  
MAC Representative for the  
Department of Public Health

## MAC ATTENDANCE ROSTER

September 17, 2008

<u>Agency</u>	<u>Name</u>	<u>Rep/Alt/Guest</u>
Administrative Services	Dave Lynn, Treasurer	R
Banking	Percy Cave	R
Children and Families	June Wiehn	G
Comptroller	Brenda Halpin	R
Comptroller	Sandi Hurrie	A
Comptroller	Donna Braga	G
Consumer Protection	Elisa Nahas	A
Correction	Don Currey	R
Economic and Community Development	Joyce Heriot	G
Firearms Permit Examiners	Sue Mazzoccoli	G
Insurance	Allen Elstein	R
Motor Vehicles	Joe Lembo	R
Policy and Management	Ellen Carter	R
Public Health	Elise Kremer, Secretary	R
Public Utility Control	Peter O'Neil	R
Public Works	Robert Cody	R
Revenue Services	Tom Crafa	R
Social Services	Peter Bucknall, Chair	R
Transportation	Wanda Seldon	R
Treasurer	Robert Gnocchi	G
Veterans' Affairs	Babatunde Green	R
Veterans' Affairs	Chris Beloff	A