

HOUSE COMMITTEE ON COMMERCE

May 22, 1997 Hearing Room 357

8:15 A.M. Tapes 46 - 47

MEMBERS PRESENT:

Rep. Eldon Johnson, Chair

Rep. Cynthia Wooten, Vice-Chair

Rep. Ron Adams

Rep. Roger Beyer

Rep. Richard Devlin

Rep. Jim Hill

Rep. Bob Montgomery

Rep. Jackie Taylor

Rep. Tom Whelan

STAFF PRESENT:

Keith Putman, Committee Administrator

Julie Neburka, Committee Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

SB 674 - Public Hearing and Work Session

HB 3575 - Public Hearing and Work Session

SB 85A - Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

Tape/#	Speaker	Comments
Tape 46, A		

004	Chair Johnson	Opens meeting at 8:19 AM. Announces that HB 2060 will be heard next Tuesday.
012	Rep. Adams	States that the -29 amendments to HB 2060 are available.
016	Julie Neburka	Clarifies that the amendments are not yet available but that they will be soon.
021	Chair Johnson	States that the committee members are excused from the floor session on Tuesday. Opens public hearing on SB 674.
<u>SB 674 - PUBLIC HEARING</u>		
034	Greg Aube	President of First Consumers National Bank. Submits written testimony (EXHIBIT A). Talks of the income his company has brought to the state and its volunteer efforts. Talks about mutual benefits from their relationship but that the conditions which originally brought the bank to the state no longer exist. Notes that citizens who pay credit on time currently subsidize those who don't. States that banks located outside the state can export their fee structure to their customers in Oregon. Supports the bill
085	Irving Levine	Renaissance Bank. Notes that Oregon citizens represent a small percentage of their customer base. Talks of partnerships with other banks. Talks of volunteer programs in the state. States that the bill addresses the issue of job exportation. States that a laissez-faire attitude towards late fees attracts customers.
125	Neil Goldschmidt	Former Governor. Describes the Credit Card Bank and impediments which prevented it from moving to the state. Notes that it was the state's first attempt to attract a business to the state, and that they hoped that it would alleviate unemployment. Notes that the state from which a credit card is issued helps determine the rates. States that the banks in Oregon represent only 3% of the state's citizens. Talks of future unemployment due to business closures.
189	Rep. Adams	States that Mr. Levine is a constituent in his district. Asks if the bill pertains to late-fees in the state.
201	Keith Putman	Answers that it pertains to installment loans and credit cards.
205	Rep. Adams	Asks of the vote coming from the Senate.
206	Chair Johnson	Responds that staff will retrieve that information for the committee.
208	Rep. Montgomery	Asks if the banks aren't charging enough.
212	Aube	Answers that the problem is a mandate that they work within a particular statute and that they can't negotiate the issue with customers. Notes that banks outside the state have more flexibility.
220		

	Rep. Montgomery	Asks how the committee can ensure that customers aren't "nailed" by not understanding the rules.
230	Levine	Refers to the requirement that changes in the rules are properly disclosed and that there is a process for customers to challenge those changes. States that there is a movement in the industry to charge higher rates to individuals who don't pay their bills on time. Notes that in Oregon the banks are not allowed to charge those high rates, to the detriment of the "ethical" customer.
254	Rep. Montgomery	States that the problem is banks giving people credit who shouldn't have it.
257	Rep. Wooten	Asks about the rate changed to "high risk individuals."
265	Levine	Answers that they charge their customers 13.9-19%, and that individuals who don't pay on time are charged at the high end of that range.
269	Rep. Wooten	Asks if there is an upper cap.
270	Levine	Answers that they add 3-4% to individuals who are "seriously delinquent."
272	Rep. Wooten	Asks if the additional capacity provided by the bill would be "on top" of the current upper limit of 24%.
273	Levine	Answers yes.
277	Rep. Wooten	Asks if the additions will result in approximately 33% compounded interest on a daily balance.
278	Levine	Responds that the late fees are only charged to balances which are late, and that the "punitive rate" goes away as soon as payment is made.
281	Rep. Whelan	Asks of the "going rate" for late fees.
292	Aube	Answers that it ranges from \$15-20.
295	Rep. Devlin	Asks how many insurers of this type of credit there are in the state.
305	Frank Brawner	Oregon Bankers Association. States that US Bank is the largest commercial bank issuer. Notes that credit card banks were created through federal legislation and that they don't accept deposits. Talks about the ability of banks to relocate credit card issuance to any state. Guesses that there are 25 issuers in state and that they are relatively small.
337	Levine	Answers that there are only 3 of any considerable size.
342	Brawner	Points out that the bill addresses late fees. Notes that there is a grace period.
349	Aube	States that the grace period is usually around 20-30 days.
351	Rep. Taylor	Asks if open-ended amounts is common in other states.
359	Aube	Answers that the proposed legislation is what is common in other states.
367	Brawner	

		Adds that it is common to treat open-ended credit, credit card credit, and installment credit in the same manner.
377	Rep. Hill	Asks about the upper limit in Delaware and North Dakota.
388	Aube	Clarifies that grace periods aren't affected by the bill. States that the proposed legislation gives an additional 10-day grace period. Adds that such an additional grace period isn't found in other states.
408	Rep. Hill	Asks if in other states there is no additional 10 days and no limit on late fees.
420	Aube	Answers yes.
TAPE 47, A		
002	Rep. Whelan	Asks for a description of the market.
004	Levine	States that the market is maturing, and that the market share of the top 20 issuers has grown from 30% to 75%.. Notes that his company is a specialist, and that there is no guarantee of its survival. Notes that as profits in the industry become more and more scarce, there will be migration to where the rules are the most conducive to running high profits.
015	Rep. Whelan	Asks for assurance that there will be "active and vigorous" competition reducing rates.
023	Aube	Cites "intense competition." Notes that his company provides diverse products and looks into expanding markets.
039	Goldschmidt	Notes some advantages to smaller businesses. Mentions bankruptcy. States that late fees deal with the problem immediately and that they are preferable to bankruptcies.
064	Rep. Adams	Asks of a possible 15-day bill cycle.
073	Levine	Answers that it isn't possible at this point due to the additional administrative costs.
079	Aube	Adds that competition necessitates the current grace periods.
085	Chair Johnson	Opens work session on SB 674.
<u>SB 674- WORK SESSION</u>		
090	Rep. Whelan	MOTION: Moves SB 674 to the floor with a DO PASS recommendation.
096		VOTE: 8-1 AYE: 8 - Adams, Beyer, Devlin, Montgomery, Taylor, Whelan, Wooten, Johnson NAY: 1 - Hill
	Chair	The motion CARRIES.

		REP. TAYLOR will lead discussion on the floor.
118	Chair Johnson	Opens public hearing on HB 3575.
<u>HB 3575 - PUBLIC HEARING</u>		
124	Steve Rodeman	Vice-President and General Counsel with the Oregon Credit Union League. Submits written testimony and section-by-section analysis (EXHIBIT B). States that the bill is a "housekeeping bill." Mentions the current number of credit unions in the state. Reads the section-by-section analysis (EXHIBIT B, p. 2).
174	Rodeman	Discusses the -1 amendments (EXHIBIT C). Continues with analysis (EXHIBIT B, p. 3).
223	Vice-Chair Wooten	Asks for questions regarding any of the sections.
240	Brawner	Supports the bill and the amendments.
248	Vice-Chair Wooten	Asks if there are incongruities between the bill and SB 125A.
254	Brawner	Answers that there are no conflicts between the two bill. States that SB 125A deals with the banking code. States that the bill is "parity."
268	Cecil Monroe	Administrator of the Division of Finance and Corporate Securities. Talks about reporting on bond claims. Supports passage of the bill and the -1 amendments.
293	Rep. Adams	Asks if Dave Barrows was in support.
295	Chair Johnson	Answers yes.
300	Brawner	States that Mr. Barrow, representing the Oregon League of Financial Institutions and the state's Savings and Loans, was in support of the bill and the amendments.
307	Chair Johnson	Opens work session on HB 3575.
321	Rep. Wooten	MOTION: Moves to ADOPT HB 3575-1 amendments dated //97.
325		VOTE: 9-0
	Chair	Hearing no objection, declares the motion CARRIED.
332	Rep. Wooten	MOTION: Moves HB 3575 to the floor with a DO PASS AS AMENDED recommendation.
337		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Whelan

	Chair	The motion CARRIES . REP. WOOTEN will lead discussion on the floor.
341	Chair Johnson	Opens public hearing on SB 85.
<u>SB 85A - PUBLIC HEARING</u>		
350	Keith Putman	Committee Administrator. Explains the amendments.
358	Scott Taylor	Oregon Real Estate Commissioner. Submits written testimony (EXHIBIT D). States that the bill moves competitive market analysis (CMA) from ORS 674, which deals with appraisals, to ORS 696, which deals with real estate licenses, and that it expands the definitions of letter opinions and CMAs to more accurately reflect the current market. Notes that under current statute a real estate licensee is not legally able to perform such appraisals.
406	Linda Riddell	Administrator for the Appraiser Certification and Licensure Board. Submits written testimony and written materials (EXHIBIT E). States that the board was created as a result of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which in turn was a result of the Savings and Loan Bailout.
TAPE 46, B		
032	Riddell	States that the board establishes education and experience requirements for aspiring real estate agents. Reiterates the effects of the bill
042	Roxanne Gillespie	Chair of the ACLB, Licensed State Certified General Appraiser, and a Member of the Appraisal Institute. Supports the bill.
049	David Lau	Vice-Chair of the ACLB, Licensed State Certified General Appraiser. States that he has nothing to add.
054	Rep. Hill	Asks about the effects of the bill.
056	Riddell	Answers that the bill allows real estate appraisers to issue oral reports, it transfers the authority to define CMA and letter opinions and to regulate those activities from the ACLB to the real estate agency, it defines current statutory language regarding real estate appraisal activities, and it gives the ACLB the authority to issue subpoenas prior to a contested case, noting that other boards have that authority.
066	Rep. Hill	Asks who would want an oral opinion.
068	Riddell	Answers that such an opinion would be given through real estate consultations. Notes that agents develop long-term relationships

		with clients and that the bill informalizes and thus facilitates this process.
077	Gillespie	States that she currently cannot issue oral opinions of value. Notes that her clients would be comfortable with her opinion.
087	Rep. Hill	Asks if there is a change for real estate agents.
091	Taylor	Answers that, under current statute, a real estate agent can be held liable for issuing an oral opinion of value.
098	Rep. Hill	Asks who would be subpoenaed.
100	Taylor	Answers that a real estate agent could be subpoenaed, e.g., in a divorce case where property value is an issue.
110	Rep. Hill	Asks if, under the bill, a real estate agent can't say whatever they want and not be liable.
117	Taylor	Answers that the bill addresses that concern by defining CMA.
119	Rep. Hill	Asks if real estate agents can be held accountable.
120	Taylor	Answers yes.
124	Rep. Whelan	Asks the Appraisal Institute has standards for oral appraisals.
127	Gillespie	Answers yes, stating that oral reports are permitted as long as a summary report is included in the work file.
134	Rep. Beyer	Refers to section 4, subsection 6. Asks how it changes current statute.
142	Riddell	Answers that it doesn't change the amount of civil penalties but that it assures that the process is followed.
148	Rep. Beyer	Mentions HB 2948 which sets up independent hearing officers. Asks if the board would fall under that designation.
154	Riddell	Answers that they are named in that bill but don't hold their own hearings. States that they hire an "outside hearings officer."
158	Rep. Adams	Refers to a letter which raised concerns over page 4, line 15 of SB 85A and its exclusion of certified appraisers who aren't licensed.
168	Putman	States that the sentence in question was added in the Senate but that it is no longer wanted. States that the amendments delete it.
178	Chair Johnson	Closes public hearing on SB 85A, opens work session on SB 85A.
<u>SB 85A - WORK SESSION</u>		
182	Rep. Adams	MOTION: Moves to ADOPT SB 85A-8 amendments dated 5/7/97.
		VOTE: 9-0
	Chair	Hearing no objection, declares the motion CARRIED.
189	Rep. Adams	MOTION: Moves SB 85A to the floor with a DO PASS AS AMENDED recommendation.
191		VOTE: 9-0

		AYE: In a roll call vote, all members present vote Aye.
	Chair	The motion CARRIES. Rep. Montgomery will lead the discussion on the floor.
207	Chair Johnson	Reminds the member that Thursday's agenda is full. Adjourns meeting at 9:30 AM.

Submitted By, Reviewed By,

Coben Tistadt, Keith Putman,

Administrative Support Administrator

EXHIBIT SUMMARY

A - SB 674, written testimony, Greg Aube, 3 pp.

B - HB 3575, written testimony, Steve Rodeman, 3 pp.

C - HB 3575, LC amendments, staff, 1 p.

D - SB 85A, written testimony, Scott Taylor, 2 pp.

E - SB 85A, written testimony and materials, Linda Riddell, 13 pp.

F - SB 85A, LC amendments, staff, 1 p.