

SENATE COMMITTEE ON BUSINESS, HOUSING AND CONSUMER AFFAIRS

March 1, 1993      Hearing Room 343 3:00 p.m.      Tapes 22 - 23

MEMBERS PRESENT:    Sen. Bill Dwyer, Chair Sen. Bill Kennemer, Vice-Chair  
Sen. Brady Adams Sen. Ron Cease Sen. Peg Jolin

MEMBER EXCUSED:

VISITING MEMBER:

STAFF PRESENT:            Cherie Copeland, Committee Administrator Richard  
Day-Reynolds, Committee Assistant

MEASURES CONSIDERED:            Possible introduction of committee bills

Public Hearing and Possible Work Session: SB    235    -    Allows  
savings banks to receive demand deposits without restriction SB  
449 - Allows Director of Veterans' Affairs to enter  
into contracts with credit unions for

processing and servicing of veterans' farm

and home loans

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These minutes contain materials which paraphrase and/or summarize  
statements made during this session. Only text enclosed in  
quotation marks report a speaker's exact words. For complete contents  
of the proceedings, please refer to the tapes. [--- Unable To Translate  
Graphic ---]

TAPE 22, SIDE A

010 CHAIR DWYER: Calls the meeting to order at 3:14 p.m.

INTRODUCTION OF COMMITTEE BILLS

020 CHAIR DWYER: Introduction of LC 1540-1, LC 3496, LC 2973, LC  
3579, LC 3002, LC 3420, LC 2972, LC 3662, LC 3547 as committee  
bills.

Introduction of these bills by the committee in no way implies agreement  
or disagreement with them by the members of the committee.

000 MOTION: SEN. JOLIN moves LC 1540-1, LC 3496, LC 2973, LC  
357 9, LC 3002, LC 3420, LC 2972, LC 3662, LC 3547 be introduced as

committee bills.

037 SEN. ADAMS: Potential conflict of interest on LC 3579, LC 3496,  
and LC 3002 as president of a financial institution.

043 CHAIR DWYER: Possible conflict is so noted. Hearing no objections to the motion, SO ORDERED.

SB 449 - ALLOWS DIRECTOR OF VETERANS' AFFAIRS TO ENTER INTO CONTRACTS WITH CREDIT UNIONS FOR PROCESSING AND SERVICING OF FARM AND HOME LOANS - PUBLIC HEARING Witnesses: Sen. Peg Jolin, District 22 Steve Rodeman, Oregon Credit Union League Philip Sanker, Federal Metals Central Credit Union Frank Brawner, Oregon Bankers Association

051 SEN. JOLIN: This is not the first time these have come before the Legislature. Even though credit unions are non-taxable institutions of

the private sector, I feel every avenue should be available to veterans for securing home loans.

065 SEN. ADAMS: Potential conflict of interest on SB 449 as a president of a savings and loan.

067 CHAIR DWYER: Conflict so noted.

070 STEVE RODEMAN, OREGON CREDIT UNION LEAGUE: Introduces PHILIP SANKER, PRESIDENT, FEDERAL METALS CREDIT UNION. Continuing, Rodeman states that he is in favor of the measure. Submitted (EXHIBIT A). Bill amends

existing statute to expand definition of "lending institutions" to include credit unions.

101 SANKER: In favor of the measure.

106 CHAIR DWYER: How many loans do you anticipate processing?

108 SANKER: Our institution will only process several per month.

116 CHAIR DWYER: What about credit unions throughout the state?

119 RODEMAN: We don't know what level of participation there will be since we haven't been in the system.

129 CHAIR DWYER: What kind of rates do you anticipate setting? Who sets those rates?

133 SANKER: The ODVA sets the rates. We would provide origination services.

137 SEN. CEASE: What is the cost of the origination process?

143 SANKER: Explains some of the procedures in obtaining financing for a home. This is a service our customers are interested in receiving and

that we are interested in providing.

183 FRANK BRAWNER, OREGON BANKERS ASSOCIATION: Opposes the bill. Credit unions do not pay taxes. This program has become a status symbol.

There is no profit in originating these loans. The ODVA should be here

to answer questions.

207 CHAIR DWYER: This doesn't change any of the qualifying requirements for institutions. This won't change who is qualified and who isn't, will

it?

216 BRAUNER: One has to ask why we're doing this. We would support this bill if credit unions paid their fair share of state taxes.

234 SEN. CEASE: I would like to hear from the ODVA.

238 CHAIR DWYER: I think that would be appropriate. We'll hold it over until we can hear from the ODVA. Closes public hearing on SB 449.

SB 235 - ALLOWS SAVINGS BANKS TO RECEIVE DEMAND DEPOSITS WITHOUT RESTRICTION - PUBLIC HEARING Witness: Frank Brauner, Oregon Bankers Association

243 SEN. ADAMS: Declares a potential conflict of interest on SB 235.

248 FRANK BRAUNER, OREGON BANKERS ASSOCIATION: (EXHIBIT B). Every institution in Oregon except our state-chartered savings banks can offer demand deposits - checking accounts - without statutory restrictions.

This restriction is that there must be a loan relationship with a commercial customer in order to issue demand deposits. Wants to add amendments (EXHIBIT C). These should have been included in original bill. Deals with state-chartered savings banks and another antiquated savings bank restriction. The Legislature said state chartered savings banks could make secured or unsecured commercial, corporate, business and agriculture loan or leases, but restricted them to 15% of assets. The amendment would allow a limit of 25%, more in keeping with the competitive marketplace. We feel 25% is very prudent. Supports the bill.

300 CHAIR DWYER: The amendment mentions insurance collateral. The bill doesn't, does it?

306 BRAUNER: That is in existing language. The only change in amendment language is on page two, where we move from 15% to 25%.

310 CHAIR DWYER: Is there a federal rule on limits?

315 BRAUNER: [QUOTE] "The counterpart rule... State chartered savings banks are a different breed of cat." They are insured under FDIC, and

come under the Bank Insurance Fund. They get regulatory authority from the state regulator and the FDIC. In Oregon, many of them are between 70% and 75% loaned, and they have no restrictions as to categories of loans. Federal savings and loans have different incentives. Asks Sen. Adams for a clarification on tax incentives with commercial lending.

334 SEN. ADAMS: Federally chartered savings and loans receive tax incentives to maintain their original purpose.

343 BRAUNER: Federally chartered savings and loans must maintain two-thirds of their portfolios in residential loans to maintain their tax

incentives, but the balance can be in whatever loans they wish to make.

354 SEN. CEASE: [QUOTE] "The amendment is a new Section one, right Frank?"

358 BRAUNER: No, it is not. [There was discussion by several members of the committee at the same time. Mr. Brauner had a different copy of the amendment than did the members of the committee.] The amendment is in

addition to the bill. The bill removes the requirement that you have an existing loan before you can offer demand deposits if you are a business.

372 CHERIE COPELAND, COMMITTEE ADMINISTRATOR: The amendment does insert a new Section one and changes what is currently Section one to

two. It is an addition to the bill.

380 SEN. CEASE: Okay, so you're supporting the bill as amended with this additional section added, changing the limits from 15% to 25%.

BRAUNER: It doesn't affect any other requirements or statutes. It does two things. It removes the requirement that you have to have a loan before you open a checking account if you're a business. Second, it moves the aggregate amount you can loan from 15% to 25%.

415 CHAIR DWYER: This is different from savings and loans.

418 BRAUNER: That's correct. Savings and loans don't have to do that.

(Tape 22, Side A) SB 235 - ALLOWS SAVINGS BANKS TO RECEIVE DEMAND DEPOSITS WITHOUT RESTRICTION - WORK SESSION

433 MOTION: SEN. KENNEMER moves the -1 amendments.

TAPE 23, SIDE A

020 SEN. ADAMS: Declares a potential conflict of interest on SB 235-A.

022 CHAIR DWYER: Potential conflict so noted. Hearing no objection, SO ORDERED.

024 MOTION: SEN. KENNEMER moves SB 235 as amended to the floor with a Do Pass recommendation.

VOTE: The measure passes 4 - 0, Sen. Jolin excused.

029 CHAIR DWYER: Adjourned the meeting at 3:44 p.m.

Submitted by:

Reviewed by:

Richard Day-Reynolds  
Administrator

Cherie Copeland Assistant

EXHIBIT LOG:

A - Testimony on SB 449 - Stephen Patrick Rodeman - 1 page B -  
Testimony on SB 235 - Frank Brawner - 3 pages C - -1 Amendments to SB  
235 - Staff - 2 pages D - Witness registration sheets - Staff - 2 pages