

Having trouble viewing this email? Go [here](#).



Capitol Comments June 13, 2007

Members of the Oregon Bankers Association:

The latest edition of the Oregon Bankers Association's *Capitol Comments* is available in a link found below. We are pleased to provide this information for our membership.

Status of OBA Legislation

Several bills introduced by the Oregon Bankers Association are continuing to make their way through the state legislative process. With less than three weeks left before the Legislature reaches its proposed adjournment date, we are pleased to report that OBA legislative proposals are progressing as follows:

- **SB 447**, relating to identity theft of deceased individuals, passed the Senate and House and is headed to the Governor's desk to be signed into law.
- **SB 692**, relating to Uniform TOD, passed the Senate and House and is on its way to the Governor's desk to be signed into law.
- **SB 693**, amending the Oregon version of the Uniform Trust Code, passed the Senate and House and is on its way to the Governor's desk to be signed into law.
- **SB 734**, relating to stock grants, passed both the Senate and House and is on its way to the Governor's desk to be signed into law.
- **HB 2901**, relating to public fund deposits, passed the House and was assigned to the Senate Ways and Means Subcommittee on General Government. After a hearing last week, the bill passed out of the subcommittee and a hearing is scheduled for Friday in the full Ways and Means Committee. The bill will likely be passed out of committee and sent to the Senate floor for a vote.
- **HB 3025**, relating to land use planning, passed the House and Senate and is on its way to the Governor's desk to be signed into law.

Note: The bill OBA introduced relating to employment references stalled in the Senate Judiciary Committee due to opposition by the State's Department of Administrative Services. We will consider working with DAS and other stakeholders during the upcoming interim to develop a new proposal for introduction in 2009.

- [Status of OBA Legislation](#)
- [Non-Traditional Mortgage Lending Legislation](#)
- [Interest Rate Caps on Consumer Finance](#)
- [Business Energy Tax Credit](#)
- ["Stalled" Legislation...Thankfully!](#)
- [Thought for the Week](#)



DESIGN BY **EROI**

Non-Traditional Mortgage Lending Legislation

SB 965 imposes new laws relating to non-traditional mortgage lending on mortgage lenders. Banks as defined in ORS 706.008, as well as credit unions, are exempt from the bill in its current form. We were pleased to have secured this amendment in the House Consumer Protection Committee, but the final language of the bill is still pending. Our argument for an exemption was based on the fact that banks are already highly regulated institutions subject to specific regulations and regulatory guidance on both traditional and non-traditional mortgage lending.

Potential outcomes for this legislation include further amendments to the bill before a vote on the Floor, or pulling the bill in favor of establishing an interim workgroup on the issue of mortgage lending oversight in Oregon.

In its current form (B-engrossed version), this bill would require, for example, that lenders offering, originating or servicing nontraditional mortgage products not use loan terms and underwriting practices that rely on the sale or refinancing of the property once amortization begins. In addition, lenders that originate or purchase mortgage loans that combine nontraditional features, such as combining interest-only mortgage loans with reduced documentation or with a simultaneous second-lien loan, would have to demonstrate that risk mitigating factors support the underwriting decision and the borrower's repayment capacity. Risk mitigating factors may include, but are not limited to, higher credit scores, lower loan-to-value and debt-to-income ratios, significant liquid assets, mortgage insurance or other credit enhancements.

An additional facet of this legislation would require that before a potential borrower makes a choice on a nontraditional mortgage product, the lender would provide sufficient information, stated in non-technical language, allowing the borrower to fully understand the terms and relative risks of the available products. This information should include descriptions of the costs, terms, features and risks of the available products.

OBA continues to closely monitor this proposed legislation and will update our membership on its status.

Interest Rate Caps on Consumer Finance

HB 2871 passed both the House and Senate and is expected to be signed into law by Governor Kulongoski. This legislation caps the interest rate on state-regulated consumer loans to 36 percent or 30 percent above the Federal Reserve discount rate. The new cap is the latest bill designed to get at particularly high interest rates associated with car title and payday loans. Unfortunately, the bill is much broader in scope. It applies to all loans made by Oregon's consumer finance companies – not just payday and title lenders. It does not apply directly to banks.

HB 2871 follows recent Senate passage of **HB 2203** and **HB 2204**, which also address payday and title lending. The OBA believes allowing these two bills to go into effect would have addressed the concerns sufficiently, but there was political will to go further and impose more broad usury laws on all consumer finance companies.

Business Energy Tax Credit

SB 819 would change the method by which surplus "kicker" refunds are calculated for corporate income tax payers. Currently, the Oregon Department of Revenue (DOR) calculates the amount of a surplus kicker on a taxpayer's net tax liability, after tax credits are applied. This procedure means that taxpayers with tax credits would get a reduced tax surplus kicker during those years the kicker was returned to taxpayers.

SB 819 would require DOR to calculate the kicker amount on a taxpayer's gross tax liability, before tax credits are applied. The taxpayer would get full value of their surplus kicker and tax credits. OBA continues to actively lobby for passage of this bill and will keep our membership informed of its status.

"Stalled" Legislation... Thankfully!

In addition to supporting a number of bills this session, OBA spent even more time lobbying our position on bills that would have been detrimental to the banking industry in Oregon. Following are a few of the bills that are stalled at this point:

Elder Abuse Mandatory Reporting – *SB 840* never made it out of the Senate Judiciary Committee. OBA continues to be a leader – recognized nationally – for our work on elder financial abuse education and voluntary reporting.

However, we opposed this bill in its current form, as it included mandates and civil penalties, as well as requirements for banks to report all forms of elder abuse, including physical abuse.

Prepayment Penalties – *HB 2389* would have required lenders imposing prepayment penalties to ensure that instruments identifying terms and conditions of penalties be recorded in deed or mortgage records in the county in which the real property is located, resulting in increased cost for lenders. This bill did not make it out of the Consumer Protection Committee.

Nexus – *SB 177* related to corporate taxation, specifically business entities organized under the laws of Oregon with a substantial nexus here. There was significant momentum for this bill in the Senate Revenue Committee earlier in the session, but we are pleased that it was put on hold. The bill as introduced would have significant potential impact on industries like financial services. This issue, which is one of several bills coming out of a Multi-State Tax Commission, is the subject of several court cases around the country now.

Class Action Claims – *SB 121* would have allowed the Attorney General to intervene in class actions and deposit any excess funds not paid out in a class action suit to the general fund for education. This bill did not make it out of committee this session.

Debt Collection Practices – *SB 120* related to enforcement of unlawful collection practices. A key concern in this bill was that of severe enforcement penalties.

Thought for the Week

"I love deadlines. I like the whooshing sound they make as they fly by."

-Douglas Adams, English humorist & science fiction novelist (1952 - 2001)

[Send this email to a friend](#)



This email was delivered to sclark@banc-source.com on behalf of Oregon Bankers Association. To ensure delivery, please add ayoung@oregonbankers.com to your address book.

[Manage/update your email preferences?](#)

Postal address: 777 13th Street SE, Suite 130, Salem, OR 97301

