



March 20, 2020

TO: Members of the Joint Special Committee on Coronavirus Response

FROM: Linda Navarro, President and CEO, Oregon Bankers Association and Community Banks of Oregon

RE: Banking Proposals Before the Committee

Thank you for your diligent work to address the coronavirus pandemic and its unprecedented impact on Oregon communities. We are all in this together, and we appreciate that every Oregon family, business and community is grappling with the impact of the pandemic.

The Oregon banking community is also hard at work addressing this crisis on behalf of our employees, customers and the local communities we serve in every corner of the state. Banks are deploying tested pandemic plans, engaging in programs that have proven effective in disaster relief efforts, and using every tool in their toolboxes to help their customers and communities. While temporary modifications are impacting bank lobby access in order to protect customers and employees, every bank is open and meeting the diverse and critical financial needs of their communities, ranging from protecting deposits to processing payments to making loans.

With respect to loans, banks have a built-in incentive to provide assistance to their borrowers and others in the community, whether in the form of special emergency loan programs, payment forbearance, loan modifications, reduced loan rates, fee waivers, or other forms of debt restructuring. I could list many examples here – like the [emergency loan fund](#) just announced by Oregon Pacific Bank in Florence or the [waived CD withdrawal penalties and “skip-a-payment” assistance programs](#) announced at First Federal in McMinnville – but the list would be quite long. In short, a bank’s ability to weather a crisis depends on its customers’ ability to do the same. Oregon’s banks will use our customized solutions within our regulatory and business framework to support our employees, customers and communities.

Fortunately, we have entered this unprecedented time with very strong bank capital and liquidity. Banks doing business in Oregon today are safe and sound. Banks continue to be the safest place to deposit one’s hard earned dollars, backed by the industry-funded FDIC deposit insurance fund. In fact, we appreciate the legislature’s and administration’s support of Oregon’s banks and your participating in quelling customer fears about the safety of their hard-earned dollars in this uncertain time. This is especially important for older Americans that are at greater risk of elder financial exploitation if they are sitting on too much cash at home.

With respect to the proposals now before the committee, we are concerned that they are narrow in their application to state-chartered banks and detrimental in what they prescribe to be solutions. They

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limit what state-chartered banks – Oregon’s community banks – can actually do for their customers and communities. Following are a few key points:

- There are 14 state-chartered banks based in Oregon. They are community financial institutions that are very close to the customers they serve. Most have a focus on small businesses, non-profits and the agriculture community, although some are still in the business of mortgage lending.
- As noted, banks are already working very hard with their borrowers to provide relief that is customized and best fits their customers’ needs. Prescribing certain actions related to how a bank modifies loans or lends to customers actually hinders their ability to do this. The proposals currently under consideration do not speak to the reality of how community banks serve their customers.
- Actions taking by the committee should support and enhance efforts to help our communities and businesses withstand financial hardship from the pandemic, not limit solutions by being prescriptive or even punitive.
- Small banks are small businesses themselves. They are also particularly focused on serving small businesses. If they don’t make loans that are repaid – and help their current borrowers avoid default – then the banks themselves will lose. There is no need to use legislation to “incent” a bank, especially a local community bank that depends on the health of their customers and borrowers.
- There are daily developments at the federal level to allow banks more flexibility in supporting their borrowers – including six different regulatory announcements just yesterday. Moreover, the third tranche of the federal coronavirus legislation – the stimulus bill - will include important provision for financial institutions to help additional small businesses. These include strong enhancements to the SBA 7(a) loan program. This will be a quick and efficient way to support small business borrowers. There is also the robust disaster loan program that is now available.
- The federal government has already barred foreclosures on any government backed residential mortgage loan (Fannie, Freddie, FHA). Large banks that hold other mortgage loans are following suit. Just today, Wells Fargo announced it has suspended residential property foreclosure sales, evictions and involuntary auto repossessions. And while few community banks service residential mortgage loans, we support helping everyone stay safely in their home during this crisis. We are open to ideas that provide homeownership assistance and keep people in their homes throughout the pandemic.
- The proposed actions would only impact a very small portion of the Oregon banking industry. The large banks have federal pre-emption and aren’t impacted. Why would Oregon enact well-intentioned but highly problematic rules that only apply to Oregon’s smaller banks that are actually in the perfect position to customize decisions and help their local communities with their specific needs?
- Oregon community banks employ many Oregonians and Oregon families themselves.
- The banking industry is working with many other stakeholders – like Community Development Financial Institutions – to help small businesses that aren’t currently their customers.

The most valuable approach for the legislature during this crisis is to support Oregon's banks, credit unions, CDFIs and others that are focused on meeting the financial needs of their customers and communities. Funding could be provided to assist with loan losses on low interest emergency loans, or to enact special programs via Business Oregon.

Thank you for the opportunity to comment. We are always available to discuss ideas and solutions aimed at assisting the communities we collectively serve.