76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session **MEASURE: HB 2614**
STAFF MEASURE SUMMARY **CARRIER: Rep. Kennemer**
House Committee on Business and Labor

REVENUE: No revenue impact
FISCAL: No fiscal impact

Action:		Do Pass
Vote:		7 - 1 - 0
	Yeas:	Conger, Doherty, Esquivel, Johnson, Matthews, Kennemer, Schaufler
	Nays:	Hoyle
	Exc.:	0
Prepared By:		Theresa Van Winkle, Administrator
Meeting Dates:		2/7, 2/9

WHAT THE MEASURE DOES: Removes the statutory requirement for a banking institution to reduce the book value of real estate owned or held under a certain provision of law by a certain amount each year. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:
- How current depreciation process works
- How current statute conflicts with national accounting standards and guidelines of federal regulatory entities
- Length of time Oregon statute has conflicted with national accounting standards
- Number of states that have similar statutes regarding required depreciation
- What would occur if the measure was not enacted
- Level of incentives, beyond the current statute, for banks to report property on their books
- How banks calculate a property's "cost to sell"

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Current statute requires banks as they receive real estate under foreclosure to reduce the property's book value by no less than five percent of its original book value per year, commencing on the year the title is vested and continuing until the earlier of the year the real estate is disposed of, or the expiration of the period such real estate may be owned or held under ORS 708A.195 (fifteen years). This differs from United States generally accepted accounting principles (GAAP), which require that an entity, such as a bank, evaluate every quarterly reporting period whether the net proceeds of selling the property would be lower than the carrying cost of the property.

While at times the two values are the same, in an appreciation of the real estate market, banks are required to depreciate the asset by the five percent rate until the property is sold. House Bill 2614 removes this statutory requirement.