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March 25, 2013

Chair, Representative Paul Holvey,  
Members of the House Committee on  
Consumer Protection and Government Efficiency

ATTN: Committee Administrator

SUBJECT: House Bill 2823  
Committee Public Hearing – March 26, 2013, 1:00 PM

I own a home in the planned community known as Eagle Crest located in Deschutes County. I currently serve as an elected director to the board of directors and as president for the Eagle Crest Master Association. The Association I represent is comprised of several residential sub-associations, vacation ownership sub-associations, a hotel with commercial facilities, private roads, trails and open spaces, and an Association-owned golf course and domestic water and sewer systems.

Our primary interest in the legislation proposed as House Bill 2823 is to regain our ability to responsibly manage and invest our Association reserve funds, something we have successfully done since Association formation in 1985. The law as revised in 2009 (SB 963) introduced new restrictions that gave us few options for complying with the new laws without either a) incurring significant additional costs for holding qualified investments at FDIC insured institutions or ; b) liquidating investments at a loss and losing reasonable investment earning opportunities for incoming funds.

We believe the current law needs amending. We believe the proposed House Bill 2823 takes steps toward returning our ability to responsibly manage our Association funds.

However, we believe the present limitation on reserve fund investments to “obligations of the U.S. Government” (see Section 1 of the Bill, page 2, lines 9 – 10 and Section of the Bill, page 11, lines 3 - 4) should be amended. ***We seek a definition that includes direct obligations of the U.S. Treasury (investments that have the full faith and credit of the U.S. Government) and Government Sponsored Enterprises (GSE’s). This definition would include GNMA (Ginnie Mae) mortgage-backed securities (full faith and credit of U.S. Government) and FNMA (Fannie Mae) and FHLMC (Freddie Mac) (GSE’s) mortgage-backed securities.***

The main point of including these mortgage-backed securities is they have a high level of credit quality, improved rates of return over treasuries and significantly more monthly liquidity for cash flow to fund budgeted and unbudgeted expenses.

We do not support a definition that would limit our investment options to only U.S. Treasuries, notes and bonds.

In summary, we are fully capable of responsibly managing our members’ funds and object to legislation that is so restrictive as to hamper our obligation to make prudent fiscal decisions on behalf of our membership. While understanding an interest in trying to protect groups from making poor fiscal decisions, should that protection come at a true cost and penalty to the many successfully operated and managed owners association in Oregon? We do not believe that was the intention of the first law change and we encourage your support for modification as requested in this testimony.

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Regards,

A handwritten signature in blue ink that reads "Mike Bessonette". The signature is written in a cursive style with a prominent loop at the end of the last name.

Mike Bessonette  
Eagle Crest Master Association President