

SB 712 – In-State Loan Fund – April 18, 2013

Hello, my name is Michael Menzies. I provide financial planning to individuals and businesses, and I feel connected in multiple ways to the issue being discussed today. I thank you for the opportunity to speak this afternoon.

I grew up in a small farming town on the east coast. My brother and I spent our weekdays working in restaurants and for local farmers and today my wife and I own a small farm outside of Colton. My father is a community banker and my mother a real estate agent. My parents taught me that the job of a business professional was to help members in our community achieve their dreams and goals.

As a financial advisor, my clients and I are painfully aware there are few opportunities to invest in-state. I understand the many ways markets have shaped this occurrence, and I have no illusions this legislation will solve these challenges for my profession. But, I wanted to highlight the reality that we need to find more ways to invest in Oregon. The Oregon Growth Board and Treasurer are working on this, but I think the conversation in this context also warranted.

I believe finding more ways to invest in-state and in partnership with community banks will help Oregonians achieve their business and financial dreams.

One of my areas of specialty is serving members of the agricultural community, helping them make wise financial decisions and invest for the future. Given my family connections to banking, real estate and farming I have seen the needs and pressures farmers face today. Farming is capital intensive and access to capital is imperative for farmers and the costs of debt financing especially, stress smaller and newer farmers.

This bill is not about economic development in the traditional senses, but more about slowing economic leakage. It reminds me of another state which has developed the means to keep more assets in-state and as a result, arguably has the best funded agricultural economic development programs in the country. That state is North Dakota, and the means is the Bank of North Dakota.

This hearing today is also not about a state bank, but I think the North Dakota example points to an interesting synergy that could be created here in Oregon. The Bank of North Dakota can do anything any other bank can, but in practice chooses primarily to partner with community banks for two types of lending - buying commercial loan participations and buying good residential mortgages.

As a financial advisor I would love to have the opportunity for my clients to invest in an Oregon version of the Bank of North Dakota. In the last 12 years the Bank has averaged a 22% return on equity. But rather than profits going exclusively to the private sector, the Bank of North Dakota returns a portion back to the state. It is easier for the banking community and the Bank of North Dakota to ask their legislature to fund economic development tools when they have a built in funding stream to pay for them.

I highlight this example because even experiencing half of the success of the Bank of North Dakota would slow economic leakage and generate revenue at the state level.

In summary, I think it is important for Oregon to explore ways of increasing investing in Oregon. Partnering with Oregon community banks by purchasing straightforward commercial loan participations and residential loans may not be the most exciting prospect, but it does represent a tangible way we can keep more money in Oregon. And, revenues could be used for economic development programs for our farmers and main street businesses.

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