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Subject: Steve Ferber testimony  
Senate Bill 712 - In-State Loan Fund

My name is Steve Ferber and I am President and CEO of Clatsop Community Bank, Oregon's newest community bank (chartered April, 2008). We serve the north coast of Oregon with offices in Seaside and Astoria and the vast majority of our shareholders are members of these and surrounding communities. As the only Oregon community bank in the area we know our market and have demonstrated consistent growth by financing capital needs of our community. All of this means that profits stay local and our owners and decision makers are committed to the health of our community.

That said, we are still a small bank and there are instances where it is more logistically challenging to do a loan. This may happen for a medium sized industrial loan, or a downtown main street commercial building that an investor wants to renovate to lease out, or other loans that exceeds our legal lending limit (about \$1.8 million). This same challenge could also pop up in terms of our concentration limits that cap lending to various sectors.

In many cases, having options to partner with other institutions helps us to take the lead on these loans and continue to compete with out-of-state and distant financial institutions. While it is true that currently in this economic environment we have had success working with our peers in the network of Oregon community banks, this might not always be the economic reality. Having another source for loan participations would benefit our ability to keep capital flowing in Clatsop county.

This additional funding source also represents, from the state's perspective, an avenue to invest in Oregon. Such investment possibilities would only reach the state for evaluation after a bank like ours has determined it is a high quality loan. We will be keeping a portion of such loans so we have to ensure it will meet the increasingly intense scrutiny of regulators. It is also advisable that the state manage this fund with an experienced banker at the helm to ensure prudent investment decisions in line with conservative banking regulations.

In addition, this bill would also allow community banks to purchase investments from the state. There are times in various cycles where smaller institutions have imbalances, either excess funds or high loan to deposit ratios. These days, while regulators scrutinize everything we do with a trend towards more conservative lending, it is difficult to make loans as quickly as we would like. Having the ability to buy a portion of a loan

that another community bank made across the state would help us even out our operations and keep more of our money invested in Oregon. The state's ability to sell investments represents a way to increase liquidity of this investment fund as well as generate fee income.

This bill is an interesting conversation starter on ways that more public funds can stay in-state while specifically partnering with local financial institutions that are strive to meet the credit needs of our communities.

Thank you for the opportunity to provide this testimony.



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