

Testimony before Business and Transportation Committee

on Senate Bill #712

Thursday April 18th 2013

My name is Paul Warr-King and I live in the city of Gresham. I retired from a forty year banking career where I had worked in the retail, commercial and international areas of a number of regional banks in Canada, California, Hawaii and Oregon. During the last eight years I was a member of the Gresham City Council and now continue to serve on the City's Budget and Finance Committee.

Over the last couple of years it has been my pleasure to work closely with a coalition of local bankers to facilitate better access to capital for small businesses and rural communities. This group was initially formed for the intent of sponsoring our own State Bank to encourage keeping dollars invested in Oregon by providing an access to participation lending for local community banks. This would have enabled smaller banks to compete on a even basis with large money center banks and help them to retain their clients and accommodate larger loan transactions beyond their normal lending limits.

As an alternative to the State Bank concept, with the formation of the Oregon Growth Board under the Oregon Investment Act, it was hoped their charter would also include an In-State Loan Fund participation pool as an essential source of liquidity for local community banks.

In the past this participation lending was readily available from large banks who had correspondent banking divisions that encouraged the formation and support of smaller community banks. This made it possible for community banks to handle larger loan transactions by having a source to take a participation in return for the placement of the local bank's reserve deposits and charging fees for support services such as cash management and international banking. Unfortunately this service has just about disappeared as the large banks go in direct competition with lower rates and fees and lending choices up to the discretion of remote policy decision makers such as deciding to restrict rural lending.

This In-State Loan fund could also be the recipient of investment capital in the form of deposits from the State, Oregon Municipalities and Counties. Gresham has recently allocated one million dollars out of its investment portfolio to be placed with four locally formed banks in our community.

Having an In-State loan fund would be a nice complement to our efforts to keep money circulating locally.

