SB 210 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 1/28

WHAT THE MEASURE DOES:

Allows board of directors of Oregon stock bank or stock savings bank to declare dividend in excess of retained earnings with prior approval of the Director of the Department of Consumer and Business Services. Revises reference to federal law for calculation of "capital" as related to loans and other obligation limits.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Administered by the Department of Consumer and Business Services (DCBS), the Oregon Bank Act provides for the charter, regulation, and supervision of banks and trusts. As of 2020 Q3, Oregon's 15 state-chartered banks held over $30 billion in deposits and $35 billion in assets. According to the Oregon Bankers Association, state-chartered banks operate 360 branch locations employing over 7,000 Oregonians and provide 80 percent of the state's agriculture-related loans.

The Act allows state-chartered institutions to be incorporated and sell stock. The board of directors of an Oregon stock bank or stock savings bank may declare a dividend at any regular meeting. The dividend may not exceed the institution's unreserved retained earnings minus bad debts, assets charged off, and accrued expenses. In 2020, DCBS adopted administrative rules allowing an institution to pay dividends that exceed the institution's retained earnings with the written approval of the Director.

Senate Bill 210 allows for the payment of dividends that exceed statutory limits by a resolution of the board and with the prior approval of the Director of DCBS. The measure prohibits the Director from approving a nonconforming dividend if the payment would leave inadequate equity for the safe and sound operation of the institution. The measure also clarifies references to federal law for the calculation of "capital" as it relates to loan and other obligation limits.