OREGON BANKERS ASSOCIATION
The Voice of Oregon Banking • Since 1905

Testimony in Opposition to HB 2009
House Business and Labor Committee

Chair Holvey, Vice Chair Grayber, Vice Chair Bonham and Members of the Committee, thank you for the opportunity to testify on House Bill 2009. The Oregon Bankers Association and our sister organization, the Community Banks of Oregon, represent state and national FDIC-insured banks doing business in the State of Oregon.

Oregon's banks are the premier providers of credit – particularly to small businesses – and are responsible for the safekeeping of $79 billion in Oregonians' hard-earned dollars. More than 20,000 people work for banks at over 944 locations in Oregon. These banks also support over 1,000 nonprofits and community organizations in Oregon donating $20.7 million and 225,600 volunteer hours each year. They are cornerstones of the communities they serve.

In addition, Oregon's banks have provided extraordinary assistance to Oregon families and businesses impacted by the COVID-19 pandemic. Some of this assistance was in partnership with the state and federal government, including forbearance for government-backed mortgage loans, origination of 85% of the Paycheck Protection Program loans to more than 70,000 Oregon businesses, and assisting the state with cash distributions to those awaiting unemployment. Less visible is the assistance banks have provided every day to their customers and communities, including extensive payment deferrals, fee waivers, loan modifications and emergency assistance. From housing families displaced by wildfires to restricting debt for COVID-impacted small businesses, Oregon's banks have gone above and beyond to assist our state during the past year. They will continue to do so in the year ahead.

With that said, we are deeply concerned about provisions of HB 2009, which would reimpose another lengthy moratorium on residential and some commercial mortgage loans. This action is not only unnecessary at this time, but it also dampens future extension of credit. We strongly urge you to vote no on this bill for the reasons outlined below.

Foreclosure moratoriums through June 30, 2021 are already in place for the vast majority of residential borrowers. Consider that:

- Approximately 70 percent of residential mortgages in Oregon are owned by federally controlled agencies like Freddie Mac, Fannie Mae, Ginnie Mae, FHA, USDA, and the VA. These mortgages are already subject to foreclosure moratoriums through June 30, 2021.

- Most of the major national bank home mortgage lenders have adopted their own programs to assist homeowners facing challenges paying their mortgages. Local community banks are continuing to work individually with their borrowers to assure they can avoid foreclosure.

The share of mortgage loans in delinquency or forbearance continues to decline as the economy improves. The Mortgage Bankers Association has reported that the total number of loans (all types) now in forbearance continues to decrease, and has dropped to 5.22 percent as of February 14, 2021. Among the 50 states and the District of Columbia, as of February, Oregon ranked 48 in mortgage delinquencies.

Financial help for borrowers is coming to Oregon in the federal $1.9 trillion COVID Relief/Budget Reconciliation Bill. Following are a few facts about the bill:

- A nearly $10 billion Homeowner Assistance Fund ("HAF") is being established by the bill. There are minimal restrictions and sums can be used to help borrowers catch-up on loans and pay delinquent real estate taxes and unpaid utilities. At least 60 percent of the funds would go to borrowers with incomes less than 100 percent of the national median income. Oregon would receive at least $40 million (the minimum paid to each state), but likely more, based on unemployment data and other factors. Support for the $10 billion HAF was also announced by the White House in mid-February.
- Oregon Congressman Peter DeFazio, in a letter on February 19, 2021 to Governor Kate Brown, Speaker Tina Kotek, and President Peter Courtney (see attached), indicated that the COVID relief bill includes $350 billion for state, local, and tribal governments, of which $4.1 billion is slated to come to Oregon. A portion of these funds could also be used to help distressed homeowners.
- The above sums are in addition to the $20 million Oregon Home Ownership Stabilization Initiative administered by the Oregon Department of Housing and Community Service.

The bill itself suffers from a variety of legal, technical, and practical shortcomings including, but not limited to:

- Provisions that are retroactive, unilaterally alter contract terms, and are subject to federal preemption and legal challenge.
- Confusing and conflicting terms that impose one-size-fits-all provisions that may not be in a borrower's best interest and could hamstring lenders trying to find workouts for their borrowers.
- A possible extension until the end of the year, beyond limits contemplated by the federal government or a likely recovery.

Please vote no on House Bill 2009.

If you have questions, please contact OBA Lobbyists Paul Cosgrove at (503) 799-5679 or Tim Martinez at (503) 510-9019.

February 19, 2021

The Honorable Kate Brown
Governor
The Honorable Peter Courtney
President, Oregon State Senate
The Honorable Tina Kotek
Speaker, Oregon House of Representatives
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

Dear Governor Brown, President Courtney, and Speaker Kotek:

I have been contacted by a number of my constituents who are confused and angry that their Economic Impact Payments (EIPs) – which Congress intended to be tax free – will be indirectly taxed by the state. Given that the number of confused and angry Oregonians will only grow as more work through their 2020 tax returns, it is essential that you ensure that EIPs do not increase the tax liability of Oregon's working families.

As you know, Oregonians will be harmed when they file their tax returns because the state indirectly taxes EIPs. The Oregon Department of Revenue announced that they are not directly taxing EIPs, but the direct result of the current state statute will increase the amount of income Oregonians pay taxes on at the state level.

Data from the Oregon Legislative Revenue Office shows that the CARES Act payments from last March will result in roughly 870,000 Oregonians seeing an increase in their Oregon tax liability to the tune of more than $100 million. This does not even account for the most recent round of EIPs.

This indirect tax will disproportionately impact individuals earning between $20,000 and $70,000 and families earning between $50,000 and $100,000 annually. It is unconscionable to ask those working families who have struggled the most during this crisis to bear the weight of the state's budget shortfall. <u>These Oregonians should not have their EIPs diluted.</u>

I understand that the state is projecting a $1.6 billion budget gap for the 2021-2023 budget as a result of COVID-19 response and wildfire recovery spending. However, Congress is currently working on another comprehensive COVID-19 relief bill, and I expect this bill to be passed and signed into law next month. <u>Funding allocated directly to state governments in this bill should more than cover the state's projected shortfall, alleviating this burden.</u>

Specifically, of the $350 billion fund available in the package for state, local, tribal, and territorial governments, Oregon's share is expected be approximately $4.1 billion, including more than $2.6 billion given directly to the state. Eligible uses include replacing lost, decreased, or delayed revenue. These current projections should be more than enough to fill the current budget gap and ensure our state is prepared for the months ahead.

In addition, President Biden recently responded to my and others' calls and issued a memo increasing the federal share for Federal Emergency Management Agency (FEMA) cost-share assistance from 75 percent to 100 percent for all COVID response activities. Oregon's Office of Emergency Management (OEM) estimates this relief will deliver the state more than $50 million in funding. Furthermore, OEM expects more projects to come through their office for reimbursement, especially from schools and other entities that were previously ineligible, as more specific guidance comes out. This will allow for even greater cost-share support.

Lastly, I did not support taxing the 2008 stimulus payments. Taxing these EIPs the same way is an even worse idea that grossly misses the scope of the financial pain Oregonians are dealing with and the depth of this economic crisis compared to that of the 2008 financial crisis. This burden must be alleviated, and I strongly urge you and your colleagues within the Oregon State Legislature to revisit this in order to make appropriate adjustments to ensure working class Oregonians are not impacted.

Thank you for considering this relief as a top priority for the next legislative session.

Sincerely,

Peter A. DeFazio
Member of Congress