



**Testimony in Support of House Bill 2971
House Committee on Commerce and Consumer Protection
March 27, 2025**

Chair Sosa, Vice Chair Osborne, Vice Chair Chaichi, and members of the House Committee on Commerce and Consumer Protection, my name is Kevin Christiansen and I am the government affairs director for the Oregon Bankers Association (“OBA”) and Community Banks of Oregon (“CBO”). Our organizations represent the diverse FDIC insured banks and trust companies doing business in Oregon. The banking industry employs almost 20,000 Oregonians at approximately 800 locations throughout our state. Thank you for the opportunity to provide testimony in strong support of House Bill 2971 and the -1 amendment.

House Bill 2971 modernizes two Oregon laws that would benefit Oregon-chartered banks. Section 1 updates the Bank Act to reflect the current banking environment as it applies to capital and provides banks with the opportunity for a more diversified portfolio. Section 2 helps ensure that Oregon-chartered banks utilizing the Community Bank Leverage Ratio (“CBLR”) can hold public funds like other banks and credit unions.

Section 1 amends ORS 708A.115. First, it replaces the term “stockholders’ equity” with “Tier 1 Capital”. Tier 1 capital is a bank’s net worth at a specific period, excluding intangible assets such as goodwill. Tier 1 Capital is essentially the bank’s equity that it can leverage for purposes of serving its community and growing the bank. This is subject to risk evaluation and policies established by the bank in conjunction with their bank regulators’ requirements. To be consistent with the standard for prudent risk management and to modernize the statute, changing the capital definition from stockholder equity to Tier 1 Capital is needed. The second change removes the twenty percent limitation on a bank holding out-of-state bonds. Based on federal regulatory guidelines, banks already have required policies in place that govern investment type and geographic concentrations. Removing the twenty percent limitation allows Oregon-chartered banks to diversify their portfolios and invest in quality bonds and lessen concentration in bonds from a single geography.

Section 2 amends the definition of “net worth” in ORS 295.001 to clarify that Oregon-chartered banks that utilize the CBLR may continue to hold public funds. Federal banking regulators have established capital requirements, or capital ratios, that banks must maintain to be considered safe and sound. Since most small banks maintain capital levels well above regulatory minimums, performing complex “risk-based” capital calculations is burdensome. To alleviate this burden the three federal banking agencies established the CBLR. This allows qualified small banks to opt into a higher capital ratio requirement in exchange for being excused from performing complex “risk-based” calculations. Several Oregon-chartered banks have opted into the CBLR, which means they are holding more capital than would otherwise be required by regulation. Oregon statutes governing which banks can hold public funds still refers to “risk-based” capital ratios that are no longer performed by these CBLR Oregon

banks. Concern was raised that, left uncorrected, the current wording could be interpreted to preclude these Oregon-chartered CBLR banks from holding public funds. The -1 amendment makes the change to ensure these banks can continue to take public funds.

The Department of Consumer and Business Services raised no objection to the bill. The Treasurer's office raised no objections and worked with us to draft the -1 amendment before you.

We encourage you to pass HB 2971 with the -1 amendment. If you have any questions, please feel free to contact me at (503) 576-4123 or our lobbyist John Powell at (503) 510-8758. Thank you.