



Date: June 12, 2025

To: Chair and Members of the House Revenue Committee

From: Scott Bruun, Oregon Bankers Association

RE: Testimony in support of HB 3975 / Oregon De Novo Bank Act

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Chair Nathanson and Members of the Committee,

My name is Scott Bruun, and I am the President and CEO of the Oregon Bankers Association and the Community Banks of Oregon. We represent the FDIC-insured banks and trust companies operating in Oregon. We also advocate to improve Oregon's business climate because every business issue is also a banking issue.

Thank you for the opportunity to testify in support of HB 3975. The bill, as you heard, is pretty simple: It would give newly chartered Oregon banks, known as "de novo" banks, a limited three-year excise tax exemption of up to \$1 million per year. This temporary tax relief would help offset the extraordinary costs of regulatory compliance, technology, staffing, and capital formation that are inherent in starting a bank today. HB 3975 is based on a successful law in Ohio which I'll discuss in a moment.

First, however, let me quickly summarize the banking environment in Oregon. In Oregon we have three types of banks: we have the bigger national banks; then we have some larger regional banks that may operate in 3 or 4 states; and finally, we have much smaller community banks headquartered and chartered in Oregon. All types and sizes of banks are important. But this bill is about community banks.

In Oregon our existing community banks are doing well, but the model to start a new community bank has been broken for years. In fact, the last time a new bank started in Oregon was in 2007, that was Lewis & Clark Bank in Clackamas County. Ironically, it was just announced in April that Lewis & Clark was being acquired by Maps Credit Union of Marion County. This is the second acquisition of an Oregon bank by a credit union in just the last 6 months.

25 years ago, there were 54 Oregon-chartered community banks. Today there are 13, a 75% decline. This is the result of a much more challenging regulatory environment following federal Dodd-Frank legislation, high startup costs, and fierce competition from tax-exempt credit unions that now engage in commercial lending—and bank acquisitions—without paying state or federal income taxes.

The bottom line is that these factors are serving to erode our locally owned banking sector and threatening the model of relationship-based, taxpaying, community-focused banking that is so vital to Oregon's diverse communities.

I would also note that without an incentive like the one in HB 3975, there is virtually zero chance that a new bank will start in Oregon. Just last week we spoke with TK Keen. Mr. Keen is the administrator of the Oregon Division of Financial Regulation, which is the first place you go if you want to start a bank in Oregon. He told us that while his office stands ready, there hasn't been a serious inquiry about starting a new bank in Oregon in at least 6 years, and even then, it was related to a public municipal bank—not a private community bank.

Madame Chair, committee, HB 3975 is a smart, growth-oriented response to Oregon's community banking challenge. And we know the concept works. Ohio was in a similar position; no new bank had started there since 2008. Then in 2020, they passed legislation which HB 3975 is modeled after. Since then, at least 3 new state-chartered banks have begun in Ohio.

Interestingly, of those new banks, one—Fortuna Bank—is Ohio's first majority woman-owned bank; and another—Adelphi Bank—is Ohio's first majority *minority*-owned bank.

This is tangible proof that this kind of incentive policy can catalyze responsible new bank formation.

Committee Members, the need in Oregon is urgent, even dire. Community banks are often the only lenders serving small businesses, farmers, and families in rural and underserved communities. They pay taxes. They reinvest locally. They are subject to the federal Community Reinvestment Act and are held accountable for meeting the needs of their communities.

Trust me, I understand it's late in session! But Oregon's community banking model is in crisis and there's nothing on the horizon that suggests that will change. If we believe that community banks matter—if we believe in their mission and their value—then we cannot afford to wait.

We urge your support of HB 3975. Thank you.

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