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April 28, 2017

The Honorable Jonathan Dever  
77 South High Street  
Columbus, OH 43215

Re: Opposition to House Bill 67

Dear Chairman Dever:

Please allow this letter serve as testimony to the opposition of HB 67. The bill is very clearly Anti-Business, Anti-Consumer, and Anti-Common Sense. If the desire is to nearly shut down lending on chattel business assets, this would be a great bill.

A monetary default is not the only important aspect of default. Technical defaults carry just as much weight, and this issue is being overlooked in this proposed amendment. A technical default would involve issues like the loss of collateral, years of delinquent taxes, the loss of a tenant, and abandonment. A loan doesn't even need to be past due for a technical default to occur. That's why they are the scariest. Defaults, however, are rare with less than 1% of loans ever defaulting, but 99% benefit from the risk-pricing that cognovit note provisions provide.

I read some of the pro-amendment testimonies, and they are very misleading. I've been a local community banker in Dover, Ohio for the past 26 years. During that time, we've had an extremely important role in helping businesses, consumers, and entire communities grow and realize their dreams. There's a substantial amount of trust put into our customer relationships. They deposit money with us, we lend it out, and they promise to pay us back...plain vanilla banking on Main Street, USA.

No banker wants to ever liquidate their collateral. It's our very last resort, and everyone loses: The consumer, the business and their employees, the bank, and sometimes even the community. However, there are rare instances where things just don't work out. For real estate, it's fairly simple and straightforward. The customer sells their real estate voluntarily, they give us the deed, or we foreclose on a timely basis. Whether this liquidation process takes 2 months or 2 years, is typically not crucial, because the asset (house, land, building, etc.) cannot disappear or be moved. However, with non-real estate collateral (equipment, inventory, accounts receivable), the timing and opportunity of preserving any value to this collateral is very delicate. The loan may not even be past due, but the customer is collecting all the final receivables, selling out of inventory, and/or hiding or selling the equipment. I have seen it many times in my career. What we thought we had for collateral would be long gone.

With that said, I've also seen several liquidations, even when a loan was not past due, where we were able to react quickly, and preserve our collateral. \$50,000 dozers, \$25,000 photography equipment, \$50,000 embroidery equipment, \$80,000 cash value of a life insurance policy, and even cash in the bank, for instance, all come to mind as a few small examples. If we had been required to wait on these loans to go past due, wait on post-judgment hearings, and allow for disputes and mediations, our collateral would be long gone. I am 100% sure of this.

Here's the real world unintended consequence of HB 67:

Our bank's lending policy would change. There would be a clear drop in lending on business assets at our bank and banks across Ohio. We just can't make these types as loans as safe as they are today. Many of these loans will effectively be underwritten as "Unsecured." For loans we CAN do, lines of credit will be for lesser amounts, down payment requirements from consumers and businesses will be higher, and interest rates will be higher. It also limits our lending long-term for these types of "riskier" loans.

Community Banks are thoughtful stewards in their communities, and their communities would look differently without the support of these banks. We are not abusing the cognovit procedure in any way shape of form. Please don't eliminate this safety net.

HB 67 is anti-business, anti-consumer, and anti-common sense in many ways. There's a reason this Cognovit Provision has been standard for so long. We want to continue help people and businesses achieve their dreams. That's our reward, and that's the reason we do what we do.

Sincerely,



Scott C. Finnell  
Executive Vice President

CC: Mr. Dustin Holfinger