



BEFORE THE HOUSE CIVIL JUSTICE COMMITTEE

House Bill 251 Interested Party Testimony

Tuesday, June 17<sup>th</sup>, 2019

Chair Hambley, Vice Chair Patton, Ranking Member Brown, and members of the Civil Justice committee, thank you for the opportunity to provide interested party testimony on House Bill 251. My name is Don Boyd and I am State Government Relations Director and Legislative Counsel for the Ohio Bankers League.

The Ohio Bankers League is the state's leading trade association for the Ohio banking industry—and is Ohio's only organization focused on meeting the needs of all banks and thrifts in the Buckeye State. For more than 125 years, the OBL has been the voice of the Ohio banking industry fostering a cooperation that has made it one of the strongest and most reputable financial trade associations in the country.

By linking banks, bankers, and industry experts—and by pooling their intellectual and capital resources—the OBL serves as a powerful creator of knowledge and collective resources. The non-profit association is comprised of nearly 200 FDIC-insured financial institutions including commercial banks, savings banks, and savings and loan associations ranging in size from just over \$14 million in assets to more than \$2.5 trillion.

We are here today as an interested party on HB 251 because we are still researching the numerous ways this bill potentially affects our members and having discussions regarding this legislation. As you aware, almost everything that a bank does whether it is opening account or loaning money has some type of contract behind it. Like other businesses that you heard from last week, our members understand and appreciate the goal of limiting the tail on liability for businesses as a way of improving Ohio's business climate. We also can appreciate the potential benefit of ensuring that individuals are not venue shopping to Ohio based on more favorable laws. However, unlike many other industries, most of the contracts our banks enter into are assets to the bank, not liabilities. In its simplest form, a loan is simply a promise to repay a debt. Those promises to repay and, more importantly in this discussion, the ability to collect in the future, make up the majority of our business. Currently, we are still gathering feedback on if and how this could affect our ability to collect on those debts in the future, the secondary market for those debts across state lines, and the long-term implications this would have on Ohio's credit market.

Further, under ORC Section 2305.03, it states that, unless a different limitation period is specified elsewhere by statute, the periods detailed in the Sections 2305.04 through 2305.22 will control. This includes the two sections modified here, ORC 2305.06 and 2305.07. However, those two specific statutes only reference ORC 126.301 and 1302.98 as exceptions to what would become a three-year limitation period. First, we would like to be sure that the limitation periods for various types of contracts in other parts of the code would still control. Currently, we are combing through the Ohio Revised Code to see where there are currently different limitation periods specified to know exactly where this change may affect us. For example, as Representative Seitz has pointed out previously, the statute of limitations under Ohio's Uniform Commercial Code (UCC) for sales is four years, ORC 1302.98. However, under the UCC, ORC 1303.16, the limitation period for commercial paper, such as notes, is six years.

Further, banks have a record retention period of six years, ORC 1109.69, with a corresponding six-year statute of limitation for any actions related to those records. These are just a sampling of the places throughout the code where there is a different statute of limitations for the various contracts and agreements banks enter every day. Second, we are looking at the various areas where there is not a different limitation period specified and evaluating how going from eight years to three years would affect Ohio's banks.

While we are still reviewing all of the various impacts and would be happy to provide additional information in the future, looking prospectively, we do believe there may be somewhere between the current eight years and proposed three years that may make sense. As previously mentioned, several of the limitation periods for banks set forth in other parts of the code are six years. Further, the average nationwide is six years for written contracts and just under five years for oral contracts. Lastly, three of our contiguous states, Indiana, Kentucky and West Virginia, are at 10 years. Michigan is at six years and Pennsylvania is at four years. A change to six years would put us ahead of or tied with the majority of our contiguous states and put us in line with the average nationwide. Thus, while I cannot currently commit one way or another as we still gather feedback, that could be a potential landing spot that correctly balances all of the interests involved.

For the reasons previously discussed, at this time, we are simply asking for additional time to review the proposal to determine all of the impacts on the banking industry and provide additional feedback to the committee. Thank you for your time and I would be happy to try to answer any questions.