



**Ohio General Assembly**  
**House of Representatives Columbus**

**Sponsor Testimony of Representative Jonathan Dever**  
**Regarding House Bill 489**  
**Before the Senate Insurance and Financial Institutions Committee**

**Tuesday, May 22nd, 2018**

Chairman Hottinger, Vice Chair Hackett, Ranking Member Brown, and members of the Senate Insurance and Financial Institutions Committee, thank you for the opportunity to offer sponsor testimony on behalf of House Bill 489, the Ohio Financial Institutions Reform Act, which reforms Ohio's financial institutions regulatory framework and adds layers of consumer protection. This legislation has been a "Labor of Love" for more than a year. Representatives from financial institutions, regulatory agencies, and consumer advocates all participated in the creation of this bill with a single purpose – provide opportunities for Ohioans by creating a friendly environment for acquiring capital.

After the Great Recession, the federal government increased regulatory requirements on depositories. The unintended consequence was the destruction of our smaller banks and credit unions, both of which were forced to operate in an environment that made it impossible to compete. Nationally, over 6,000 small lending institutions have shuttered since 2010. In the event of another recession, like the one in 2008, our state will not have enough diversity in our financial services sector to weather the storm.

House Bill 489 is an attempt to do what little we can, as a state, to address this problematic reality. The Ohio Financial Institutions Reform Act will help move the proverbial pendulum towards the center, once again, offering banks and credit unions some relief. A major premise of any discussion regarding regulatory relief is that it should only be considered when it does not jeopardize the safety and soundness of an institution, ensuring Ohioans' hard earned-money is not put at risk.

Under HB 489, financial institutions, meeting certain asset and ratings requirements, will benefit from longer periods between regulatory examinations. Ohio's credit unions will also see the elimination of bureaucracy by removing the requirement for state-chartered credit unions to receive approval from the Department of Financial Institutions prior to acquiring real estate.

We teach our children that when they make a mistake, they must own the mistake, apologize, and make things right. Companies can make mistakes too. That is why this legislation contains a provision known as the “Second Chance Rule,” permitting a financial institution the ability to remedy a “bona fide error” by notifying the consumer and regulator of the error and making reasonable restitution to the harmed consumer. Should a financial institution fail to comply with the rule, the consumer then has a civil cause of action. This commonsense approach allows financial institutions the ability to report mistakes such as unintentional clerical errors, without fear of retribution from state regulators, while providing an avenue for consumers to recover any losses.

Other provisions found within HB 489 include:

- Requires mortgage servicers to register with state regulators, ensuring these companies act legally and ethically
- Puts a prohibition on state regulators from adopting rules with a retroactive effective date or applying a rule to conduct that exclusively took place before the effective date of a rule
- Allows for a consumer to bring a private right of action against a bank for violating certain sections of Chapter 1109 of the Ohio Revised Code
- Allows the General Assembly to conduct data analytics on publicly available information relating to financial transactions, including contracting with third-party vendors
- Requires anyone collecting on a debt secured by residential real estate, for which the debt is a second mortgage or junior lien, to notify the debtor of certain rights they may have under both state and federal law, including the right to an attorney and a right to their records and payment history
- Allows the Board of a state-chartered credit union to establish other means by which an individual can purchase membership in the credit union, eliminating red tape and hassle for the consumer and credit union
- Exempts equity capital above 14% of assets for the purposes of calculating the Financial Institutions Tax owed, eliminating an undue tax burden on smaller institutions with high capital ratios

Thank you, again, for allowing me the opportunity to offer sponsor testimony on House Bill 489. We would be happy to answer any questions at this time.