



Senate Insurance and
Financial Institutions Committee
HB 489 Proponent Testimony,
Dustin Holfinger

Chairman Hottinger, Vice Chair Hackett, Ranking Member Brown, and members of the Senate Insurance and Financial Institutions Committee, thank you for the opportunity to address HB 489 and outline the banking industry's support of this legislation.

The process for this bill before you has been a transparent one since its inception. All parties involved were interested in a consensus bill and I believe that is what we have today.

As Representative Dever noted last week in his sponsor testimony, HB 489 would provide state-chartered institutions a degree of state-level regulatory relief through multiple avenues.

One such form relief takes in this bill is the extension of state-level examinations. Per the bill, if a state chartered bank or credit union holds assets of less than \$10B and is awarded a CAMELS rating of 1 then it would be able to extend its DFI examination schedule from an 18-month cycle to a 24-month cycle. That is unless the Superintendent deems that is potentially harmful to the institution for a variety of reasons. This would assist the bank by allowing it to focus more on what it does best – serve customers without the additional presence of multiple examiners. For those unaware, CAMELS is a supervisory rating system to classify a bank's overall condition. It is applied to every bank and credit union in the U.S. The acronym stands for Capital adequacy, Assets, Management Capability, Earnings, Liquidity, and Sensitivity to market risk.

Errors can occur, but per 489, “self-reporting” will make it easier to rectify errors without fear of retribution. The legislation defines a “bona fide error” as an unintentional clerical, calculation, computer malfunction or programming, or printer error. If a bona fide error occurs and the bank has a preponderance of evidence that it was, in fact, unintentional and within 60 days the institution notifies the DFI and consumer of the error with efforts of reasonable restitution, then the institution will be held harmless by the regulator. If the bank does not meet those conditions then the consumer has a cause of action to recover damages – but it cannot be maintained as a class action. Banks and consumers will benefit from this provision so long as full transparency exists between the parties.

Currently, the Ohio Financial Institutions Tax (FIT) is applied to the total equity capital in proportion to the bank's gross receipts in Ohio. This bill would remove what is essentially a penalty on highly-capitalized banks by limiting the amount of capital that can be used to compute an institution's tax at the first 14% held - starting in tax year 2019. This means that banks holding less than 14% capital will see no changes and a there will be a reduction for those holding more than 14% capital. This was a part of the initial conversation when the FIT was created in 2012.

The OBL has been encouraged by this process and believes that even though the majority of relief the industry seeks would come from the federal level, every little bit counts.

I appreciate your time and consideration of this bill and will address any questions the committee members have.