



## **Ohio House Financial Institutions, Housing and Urban Development Committee**

**17 February 2015**

Chairman Terhar, Ranking Member Kuhns, and members of the committee, my name is Michael Adelman. I am president and CEO of the Ohio Bankers League. Thank you for your invitation to provide an overview of Ohio's banking industry.

OBL was founded approximately 125 years ago. We are comprised of Ohio's commercial banks, savings & loan institutions and savings banks. Our mission is to carry out those activities best done cooperatively. The OBL is proud to represent at the Statehouse as well as nationally the state's smallest savings and loan, which is a mere \$13 million in assets located in the coal country of eastern Ohio to one of the largest banks in the nation. OBL member banks collectively represent about 98% of the assets of the Ohio banking industry. In terms of our diverse education offering, staff size and budget the OBL is among the most robust banking trade associations in the country.

Ohio is a leading banking state in terms of size. We rank second in the nation in assets of banks chartered here. While our number of individual charters continues to decline like every other state across the country the Ohio banking industry continues to grow in size and stability. In 2003 we counted 307 and today we have 215 banks and thrifts headquartered or chartered in Ohio. Another couple of dozen have branches in our state. – Ohio's banking industry is significant to our state's economy. Collectively we directly employ more than 140,000 people. There are thousands more Ohioans with careers as examiners, accountants, attorneys, etc. who indirectly rely on our industry for employment. Ohio deposits have increased by 19% since the financial crisis in 2009. That deposit growth reflects many factors, but a major cause is Ohio consumers seeking the assured safety of FDIC insured institutions.

Deposit insurance, backed by the full faith and credit of the federal government, but fully funded by traditional banks is an important source of strength. Another is the fact that government requires banks to carry significantly higher capital ratios than competitors. In fact, relevant to the way Ohio taxes its banks, we have seen total equity capital grow by 13.6% since 2009. As the new Basel III international capital standard is finalized, minimum capital ratios will continue to march upward.

Other, important sources of strength include a robust regulatory regime addressing everything from safety and soundness to consumer protection and a rigorous system of enforcement where large teams of bank examiners, financed by exam fees paid by banks, visit every bank regularly and examine everything from financial stability to fair treatment of consumers. No other financial service advisor has close to the same level of rigor of government oversight.

Banks are sensitive barometers of the economy. As you know from the communities you represent, Ohio's economic recovery was painfully slow. The health of banks around the state reflect villages and cities in which they serve. Bankers tend to be the first to know when a local business is scaling back their operation as well as expanding and hiring more employees. In fact, bankers are active in their communities' economic development efforts. There are numerous examples around the state of where the local bank invests in their downtown to serve as a magnet for new economic activity. While our state unemployment rate is lower than many other states, too many of our neighbors who want to work, still cannot find productive employment. I am happy to report however, that Ohio banks are willing and able to provide loans for individuals as well as small businesses.

Ohio's economy can only function efficiently if the public has confidence in the stability of the banking system and that consumers will be treated fairly. We want consumers to have easy access to a wide array of competitive, safe choices for the products and services they need. We need efficient, effective rules of the road that protect the consumer and the marketplace.

Both federal and state government need to make certain that their rules apply to functionally equivalent products and services equally regardless of who provides them. Rules and regulations must be drawn with attention to both effectiveness and efficiency. They must not harm the consumer by unnecessarily restricting choice or positive marketplace development.

The Ohio Bankers League is a very active trade association on legislative and regulatory issues. You have likely already met Dustin Holfinger, our vice president of state government relations. Like myself, we credit this chamber for our first employment out of college. We respect the service you are committed to delivering your constituents and the citizens of our state more broadly. Dustin will be your primary point of contact on complex banking issues. I anticipate you will see more of him as legislation is introduced that touches on Ohio's banking industry.

There are two specific bills we were very involved with this past session we are hopeful will be reintroduced in the 131<sup>st</sup> General Assembly. One relates to foreclosure reform. The OBL played an integral role with the goal of identifying meaningful ways to update Ohio's foreclosure law. Most notably we are interested in expediting the process so that vacant homes can be turned over more swiftly to willing and able homeowners for the benefit of our neighborhoods and communities. Though time ran out before legislation could be enacted last session, the OBL looks forward to continuing our work with other stakeholders and the General Assembly on this important issue. In addition, the OBL has been at the forefront of protecting Ohio businesses from predatory companies who have created a fraudulent cottage industry of falsely accusing businesses of patent infringement. These so-called "patent trolls" send demand letters intimidating businesses, including banks, in an effort to extort huge financial sums despite the fact our members played no role in the development of the product and have no plans of reselling the product for profit.

The priority piece of legislation for the OBL this session will seek to modernize Ohio's banking laws. Much has changed in the industry since the commercial bank statute was last updated 20 years ago. The savings & loan and savings bank portions are over 35 years old. To give you an example of obsolescence, neither covers electronic banking.

Our impetus for updating the statute is to ensure Ohio a better place to do business. We believe that a healthy financial service sector is crucial to economic growth and job

development. In addition, this is consistent with our overall goal of strengthening the state charter and ensuring there is a viable dual banking system. All of the recent changes in federal law and regulatory structure have encouraged banks to rethink their strategic plans and how their charter fits their goals. We are extremely hopeful this legislation will draw large, bipartisan support as it did 20 years ago. It will also make Ohio's efforts to keep its banking industry safe and sound more effective, which will benefit your constituents.

Mr. Chair, members of the committee, thank you for your invitation to appear here today; I welcome any questions you may have.