

OHIO HOUSE 2020 ECONOMIC RECOVERY TASK FORCE RECOMMENDATIONS

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OHIO CREDIT UNION OVERVIEW

- There are 257 federally and state-chartered credit unions domiciled in Ohio, serving more than 3 million members.
- The average credit union has:
 - 31 employees
 - \$128 million in assets
 - \$88 million in total loans
 - Capitalized at 11.5%
- Ohio credit unions employ nearly 8,000 Ohioans and support small businesses with more \$1.5 billion in outstanding member business loans.
- Due to our deep roots in Ohio's communities, credit unions offer good perspective on the current state of the economy after the COVID-19 shutdown.

WHAT WE'RE SEEING ON THE GROUND

Good: High small business demand for for the Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans, which are 100% guaranteed for the lender.

Bad: Larger institutions secured much of the early guaranteed funding.

Community-based lenders initially experienced trouble obtaining SBA access and approval, with the platform malfunctioning and unclear process guidance.

Good: There is a steady demand for residential real estate loans due to lower interest rates. Technology is being leveraged to facilitate transactions amid social distancing priorities.

Bad: Some larger institutions may manage risk by tightening lending standards, meaning first-time home buyers or individuals with lower credit could experience challenges receiving pre-approved financing.

RECOMMENDATIONS

Simplify and market existing state economic development programs specifically targeting community-based institutions, like credit unions.

Embrace technology to help government operate at “the speed of business.”

Focus on targeted regulatory relief so resources can be directed towards providing a better service to Ohio consumers.

SIMPLIFY & MARKET EXISTING STATE ECONOMIC DEVELOPMENT PROGRAMS

- The State of Ohio has a plethora of economic development programs administered by various state agencies.
- For example, the Ohio Development Services Agency (ODSA) offers the Collateral Enhancement Program (CEP) which provides lending institutions with cash collateral deposits to use as additional collateral for loans made to eligible for-profit, small businesses.
- The agency also offers the Ohio Capital Access Program, which encourages business lending by pooling funds into a reserve account deposited by the state, lender, and business. The reserve account is available to the lender for loss recovery associated with any loan enrolled in the program.
- Robustly promoting these programs would further empower community-based lenders to utilize additional lending resources to better serve small businesses.

CONTINUED...

The Ohio Treasurer of State has the ability to invest 12% of the state's investment portfolio in special projects that support job growth and promote financial stability through linked-deposit programs.

To fund such programs, the Treasurer places a deposit with an eligible lending institution at a below market rate to pass along additional savings to a borrower through either lower rates or new terms.

The Treasurer can expand the state's investment portfolio by providing more support to stimulate small business lending.

We encourage the legislature to fully support the Treasurer in further empowering community-based lenders to expeditiously, broadly, and equally distribute linked-deposit relief to small businesses.

EMBRACE TECHNOLOGY

In the 132nd General Assembly, Senate Bill 263 was signed into law which permitted documents to be notarized through a secure, remote web-cam.

While other states have seen lenders and title agencies struggle to finalize real estate transactions amidst the state of emergency, lenders in Ohio can close certain loans remotely.

We encourage the legislature to fully empower local governments to leverage technology to meet future consumer needs and expectations.

We also encourage the state to fully embrace new technologies, like block chain, so title searches and recordings can be done quickly and efficiently.

REGULATORY RELIEF

Community lenders may use capital reserve funds to facilitate immediate loan payment forbearances and fee waivers for those individuals financially impacted by the coronavirus pandemic.

Capital requirements, liquidity ratios, and “high-risk” loans are heavily regulated by both the federal and state government. To provide lenders greater flexibility to meet consumer needs, we encourage the legislature to work with regulators to offer lenders temporary regulatory relief amid recovery efforts.

We encourage the legislature to empower Ohio credit unions to do more for Ohioans and local communities through full and equal inclusion in the state’s recovery efforts.

THANK YOU