74th OREGON LEGISLATIVE ASSEMBLY - 2007 Regular Session **MEASURE: HB 2871 A**
STAFF MEASURE SUMMARY **CARRIER: Rep. Merkley**
House Committee on Consumer Protection

REVENUE: No revenue impact
FISCAL: Fiscal statement issued

Action:		Do Pass as Amended and Be Printed Engrossed
Vote:		5 - 2 - 0
	Yeas:	Bonamici, Galizio, Nelson, Riley, Holvey
	Nays:	Gilliam, Girod
	Exc.:	0
Prepared By:		Steve Dixon, Administrator
Meeting Dates:		3/28, 4/2, 4/18

WHAT THE MEASURE DOES: Adds definitions for “broker or facilitator” and “consumer loan” to ORS chapter 725. Prohibits making, or acting as an agent, broker or facilitator for a person making, a consumer loan of $50,000 or less without first obtaining a license, and specifies those persons that do not collect fees or considerations and are not required to be licensed. Sets maximum interest rate at 36% per annum for conventional (non-short term) and open-end conventional consumer loans of less than $50,000 made by licensees subject to ORS chapter 725. Allows conventional lenders to also receive other reasonable and bona fide fees, expenses, or damages (e.g. prepayment and late fees) in addition to the finance charge (interest rate).

Limits payday and title lenders to a 36% per annum interest rate, but allows them to charge only one origination fee – the lesser of $10 per $100 up to $30. Imposes restrictions on title lenders similar to the restrictions in SB 1105 of the 2006 Special Session, including minimum 31-day term, maximum of two renewals, and no more than a $20 fee for all dishonored checks. Permits consumer finance licensees to recover costs associated with collection of defaulted loans (consistent with HB 2203A). Revises and combines the director’s rulemaking authority in ORS chapter 183 to specify purposes of consumer protection and licensee clarity, extending authority to establish loan “forms, terms, charges and fees” for consumer loans. Contains an emergency clause, making the Act and all amendments applicable to loans made or renewed on or after July 1, 2007.

ISSUES DISCUSSED:
- Effect of 36% rate cap on lending industry and consumers in Oregon and other states.
- Efforts and effects of Oregon to close payday and title loan loopholes.
- Efforts of payday and title lenders to evade regulations in states attempting to regulate these industries.
- Effect of payday and title loans on consumers.
- History behind Oregon’s move to deregulate interest rates in 1981.
- Difficulties that may be encountered by consumer finance lenders under this measure.

EFFECT OF COMMITTEE AMENDMENT: Defines the terms “broker” and requires brokers to obtain a license before making a title or payday loan, or a loan that is $50,000 or less, is secured or unsecured by personal or real property, and that has periodic payments and terms of longer than 60 days.

BACKGROUND: This measure does not affect federally chartered banks and credit unions because of federal preemption of state authority of federally chartered banks.