2007 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2871 STATUS: A-Engrossed

SUBJECT: Interest rate and fees for consumer loans

GOVERNMENT UNIT AFFECTED: Department of Consumer and Business Services

PREPARED BY: Dawn Farr **REVIEWED BY:** Robin LaMonte

DATE: April 26, 2007

EXPENDITURES: See Comments.

REVENUES: See Comments.

EFFECTIVE DATE: On Passage.

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The bill sets a maximum Annual Percentage Rate of 36% for all consumer finance loans of less than \$50,000; sets parameters for lender origination fees charged for consumer loans; limits fees for dishonored checks; sets parameter for lenders renewing title loans; requires brokers to obtain a license before making a consumer loan that is \$50,000 or less; and defines consumer finance loans to mean a loan of line of credit that is unsecured or secured by personal or real property and that has periodic payments and terms longer than 60 days.

The Department of Consumer and Business Services (DCBS) indicates that the bill will require about 80 hours of staff time to revise rules. In addition, DCBS anticipates up to 25 new licenses for brokers or facilitators. The license fee is currently \$520; hence, anticipated Other Fund revenue from licenses is estimated to be \$13,000 annually or \$26,000 per biennium. Additional workload associated with rule-making and licensing is considered minimal and would be absorbed using existing staff.