

OREGON LAW CENTER

522 SW Fifth Avenue

Suite 812

Portland, Oregon 97204

Written Testimony in Support of SB 278A
House Committee on Consumer Protection and Government Effectiveness
May 5th, 2015
Submitted by: Sybil Hebb

Chair Fagan, Vice-Chairs Buehler and Rayfield, and Members of the Committee:

Please accept my testimony on behalf of the Oregon Law Center in support of Senate Bill 278A, which would make void certain payday loans entered in violation of current law by unlicensed lenders.

As you know, the Oregon Law Center provides free legal assistance to low-income Oregonians in civil matters. Our clients are low-income individuals who fall within 125% of the federal poverty level, and who struggle just to make ends meet. These individuals and families can suffer serious setbacks as a result of unexpected school or medical expenses, repair needs, and the like. In emergency situations, without cash reserves, without family or friends from whom to borrow, and with limited other credit opportunities, these working families and individuals sometimes turn to payday lenders to resolve their short term crises.

The payday lending regulations passed by this legislature in recent years have made a big difference for our clients. We are grateful for your work on this topic.

SB 278A works to fill a small but important loophole in the current law, through which some bad actors issuing loans without a license have continued to operate, often charging and collecting interest rates and fees in violation of the limits that apply to law-abiding lenders. Loans issued by unlicensed lenders in violation of the current requirements are currently voidable, but are not automatically void. Under the current structure, the burden of voiding a loan issued in violation of the law now falls on borrowers, who face barriers in finding and affording the help they need in order to enforce the law. Unless the loan is voided, vulnerable low-income borrowers continue to be liable to unlicensed lenders for illegal fees and costs.

The change proposed by SB 278A will plug the current loophole and lessen the burden on borrowers who have entered loan agreements with unlicensed lenders, by voiding the improper loan. This will help reduce the number of loans issued in violation by the bad actors exploiting this loophole. The bill contains an exception for lenders who have let their licenses lapse inadvertently or by mistake.

SB 278A will help implement the important protection for consumers in payday lending, while continuing to allow the business model for law-abiding lenders whose product is important for those times when a consumer needs the assistance of a payday loan.

For these reasons, I urge your support of this bill, and thank you very much for the opportunity to comment.