

HB 3184 Financial Literacy in Lending

Thank you chair, members of the committee, for the record, my name is Teresa Alonso Leon and I represent House District 22 which covers Woodburn through the north part of Salem.

House Bill 3184, with the dash 1 amendment, makes two small changes to how our state is able to track and regulate the predatory practice of payday and title lending. Before I go into specifics, I want to acknowledge the work that members of this committee have done to ensure that Oregon consumers are protected from some of the worst practices of these predatory lenders over the last 10 years, making sure that low income people who are pressed for money don't find themselves trapped in bad deals.

Capping interest rates and limiting roll overs on these loans has helped ensure that consumers can't take out loans with interest rates in the hundreds that roll over for months and months, ballooning into considerably large amounts of debt. These regulations are essential to helping protect our consumers.

What I now see as the next step, is increasing the financial literacy of Oregon consumers so that they are able to make informed financial decisions. I strongly believe that education is a necessary component to a thriving economy where consumers make the best decisions for themselves. My vision for the next step in combatting these predatory lending practices, is establishing a loan counseling program for borrowers to take before taking out payday or title loans, to ensure that there is a base level of understanding of the terms of the loan.

Even with Oregon's substantial regulations surrounding the payday and title lending market, many of our constituents are still paying an extraordinary amount in fees. The Center for Responsible Lending estimates that over \$16 million in fees are paid out by Oregonians every single year on payday and title loans. These loans are designed to attract people who are in significant financial trouble, and are disguised as simple, inexpensive, and easy to pay back. Educating these consumers about the fees and costs of payday loans, as well as teaching them basic financial literacy, empowers them to make the best choice for their financial situation. These predatory loans are continuing to trap people into worsening debt – it is estimated by the Center for Responsible Lending that an average

person with a pay day loan in Oregon has taken out 4 different payday loans, and tens of thousands of consumers have 6 or more loans.

House Bill 3184 lays the groundwork for that vision while also helping our state enforce the regulations that we have already passed. In existing statute, DCBS has the authority to contract with a vendor to develop and implement a system to track these loans, and verify whether the loan meets state regulations around payday and title lending. We have been in communication with a vendor that operates a payday and title lending database in 14 other states, including Washington, to learn about how their system helps them regulate the lending market.

One vendor that we have been in communication with, integrates their database into the software used at the point of sale by lenders. This means that there can be instant verification that the loan issued meets state regulations. This particular vendor does not charge the state any fees for use of their database, and instead charges the lender a small fee for every loan issued. The existing fees in states that operate such a database range from 30 cents to \$1.50 per loan. The change that House Bill 3184 makes to our statute is to clarify that any fee charged by a vendor to the lenders can **not** be passed through to the consumer.

HB 3184 also requires that any vendor that DCBS contracts with to implement a loan tracking system, must also be capable of hosting, and tracking the completion of, a financial literacy or loan counseling program. Through the rule making process, we can then have the longer conversation of how to structure a loan counseling program, how to provide access to it, and when or whether it should be required. If this bill is passed, I would look forward to working together during the interim with stakeholders in the financial literacy and lending communities to build a system that helps boost Oregon's financial literacy rates among the population's that need it most: those who are targets of predatory loans.

With these changes DCBS can move forward with rulemaking followed by a competitive bid process to contract with a vendor, so that we can create a more robust enforcement system for payday and title loans. This not only helps us enforce the laws and regulations that we already have, but it allows us to have considerably more data regarding payday and title loans in our state. Instead of

relying on self-reported data from lenders, we will have access to real-time information, as well as a way of enforcing our roll over limit at point of sale.

I ask for your support on this bill with the dash 1 amendment so that we can continue the work that has been done in this state to protect our consumers from predatory loans, and begin a conversation about financial literacy in lending. Rick Blackwell from DCBS is here to answer any questions you may have in regards to details surrounding the loan database, and you can also see written testimony submitted by both the credit union and commercial banking community regarding the importance of financial literacy in regards to lending.

Thank you for your time and consideration.