



**DEPARTMENT OF JUSTICE**  
OFFICE OF THE ATTORNEY GENERAL

DATE: February 13, 2019  
TO: Honorable Jeff Barker, Chair of the House Committee on Business and Labor  
FROM: Kate Denison, Policy Analyst  
SUBJECT: HB 2089: Payday Loan Stacking

This testimony is presented in support of HB 2089.

**Background**

A payday loan is a type of unsecured loan that is smaller than most traditional loans and relies heavily on a consumer's payroll or employment records for approval. Usually the risk associated with this type of lending is offset by very high interest rates. As a result, consumers who use these types of loans often wind up paying much more than they initially borrowed. The consumers who need to take out payday loans are often vulnerable, do not have a lot of bargaining power, and may not understand how to differentiate between licensed and illegal payday lenders.

Although the Department of Justice does not directly regulate the payday lending industry, our Financial Fraud Consumer Protection Section often receives complaints from consumers who were charged very high amounts (some as much as 700 percent) for small payday loans, sent to collections for a loan they paid back, or misled regarding the terms of their loan agreement. The Department fully supports stronger protections that will prevent payday lenders from exploiting Oregon consumers.

**Concept**

HB 2089 would prevent "loan stacking" by payday lenders. This is the practice of allowing a consumer who has not fully repaid an outstanding payday or title loan to take out an additional in short succession. Right now the law is unclear as to whether this is prohibited, and some lenders have been taking advantage of that ambiguity.

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