



Testimony in Support of House Bill 2089 House Committee on Business and Labor

February 12, 2019

Chair Barker, Vice Chairs Baretto and Bynum, and Members of the Committee

My name is Peter Hainley and I am Executive Director of CASA of Oregon. Thank you for the opportunity to submit testimony in support of House Bill 2089. This bill is about safety and protection for Oregon consumers, and respect for the intent of the original law.

CASA of Oregon's mission is deeply rooted in service to low-income communities throughout Oregon. We seek to improve the lives of Oregonians by building affordable housing and neighborhood facilities, and implementing programs that increase families' financial well-being. We are a nonprofit community development organization that works to support thriving communities by working with local nonprofits, housing authorities, and local government. In 2018, we acquired Innovative Changes. Since 2009, Innovative Changes has been providing responsible alternatives to predatory lending, as well as credit building and asset building opportunities, financial capabilities classes, and financial coaching to low income Oregonians.

Oregon has a history of strong consumer protection. Our state was one of the first to tackle issues of triple-digit APRs in 2007, placing a 36% interest rate cap on short-term loans and a \$30 maximum loan fee. The 2017 Debt Buyer bill is another example. Our legislature understands that payday and car title loans are more often a trap than a solution, and that regulation is key to ensuring Oregonians are protected from predatory practices. As a licensed consumer lender, Innovative Changes is regulated by the Department of Consumer and Business Services, which regularly reviews lenders to ensure that consumer rights are protected.

While much progress has been made on consumer protections in our state, unscrupulous lenders continue to take advantage of our citizens. A recent report published last month by the Stop the Debt Trap Alliance of Oregon found that 1/3 of the low-income surveyed families had a payday loan they couldn't pay without having to re-borrow. One-quarter of those with payday loans had more than one payday loan at a time, suggesting lenders are evading the 2007 Oregon law that states lenders must set a 7-day cooling off period between loans. Issuing more than one loan at one time is a practice known as "debt stacking". It allows lenders to maximize their profits by charging multiple fees, evading the fee limit set by law. HB 2089 clarifies the law, and closes the loophole allowing debt stacking.

We know, as legislators did when passing the 2007 bills, that payday and title lending are not solutions to low income peoples' problems. In fact, a 2013 report by the Consumer Financial Protection Bureau shows that most payday lending and deposit advance revenue, about 75%,

comes from borrowers trapped in a cycle of debt which is very difficult to escape. The typical payday loan borrower is trapped in 10 loans per year. HB 2089 helps to stop the debt trap by requiring lenders to wait 7 days before issuing a new loan.

In Oregon, where payday loans can carry an annual percentage rate (APR) of 154%, payday lenders—mostly headquartered out of state—drain between \$9 and \$13 million annually from low-income Oregonians. The effects of unchecked payday and title lending are clear: they drain the pocketbooks of our most underserved communities, harm our local economies, and trap people in a cycle of debt that is difficult or impossible to escape.

A 7-day “cooling off” period is the first step toward stopping the debt trap that too often ensnares our most underserved communities. HB2089 fulfills the original intent of our strong anti-predatory lending laws, and closes a loophole that catches far too many Oregonians. This bill is an opportunity for Oregon to continue to be a leader in consumer protections.

Thank you for the opportunity to testify in favor of HB 2089.