



**Testimony in Support of House Bill 2089
Senate Committee on Judiciary**

Apr 23, 2019

Chair Prozanski, Vice-Chair Thatcher and Members of the Senate Committee on Judiciary:

My name is Rachel Stein, and I am the Innovative Products Manager at Innovative Changes, a program of CASA of Oregon (Community and Shelter Assistance). I also serve on the steering committee of the Stop the Debt Trap Oregon Alliance, which is a group of nonprofit agencies interested in supporting consumer protection and in poverty alleviation in Oregon. Thank you for the opportunity to submit testimony in support of House Bill 2089, a bill about protection and safety for consumers in Oregon.

Since 2009, Innovative Changes has been providing responsible alternatives to predatory lending to low income Oregonians, in addition to other financial capability services. Day in and day out, we see that daily struggles of low-income families simply trying to make ends meet, a feat that's even more difficult under the burden of debt. Debt due to high-cost loans such as payday loans is even more crippling as it is nearly impossible to escape.

In 2018, we joined forces with CASA of Oregon to expand our mission statewide. In late 2017, the Stop the Debt Trap Oregon Alliance was formed by a group of agencies united by our dedication to wealth building, poverty alleviation, and consumer protections in Oregon. The steering committee includes representatives from Neighborhood Partnerships and Hacienda CDC, in addition to myself. We are fortunate to also have the support of the Center for Responsible Lending.

We are proud to work in a state with strong consumer protections. Oregon was one of the first states to lower the interest rate cap on short-term loans in 2007, and enact other reforms aimed at stopping the cycle of debt caused by payday and car title loans. The 2017 Debt Buyer bill is another example of the work our state has done to protect consumers. 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.

Unfortunately, such progress is undermined by unscrupulous lenders violating the law and exploiting what they see as a loophole in that law. A report published in January by the Stop the Debt Trap Alliance of Oregon found that one quarter of those surveyed individuals with payday loans had more than one loan at a time. The 2007 law passed in Oregon capped short-term interest rates at 36%, and capped fees at 10%, not to exceed \$30 per loan. Together, these fees combine to result in a still very high annual percentage rate of 154% APR. Payday lenders, in exploiting a loophole in this current law, are deepening the burden of this debt.

Despite a provision in the Oregon law to provide a seven-day cooling off between loans – essentially aimed at giving borrowers a fighting chance to get off the payday loan cycle – payday lenders are issuing more than one loan at one time in a practice known as “debt stacking”. This essentially means that borrowers are not able to ever actually experience the seven-day break. The intent of the 2007 law was to only allow one loan at a time. HB 2089 clarifies the law, and closes the loophole to stop this debt stacking.

Oregon is a state with a great tradition of independence and innovative thinking. Some who are against this bill will argue that consumers can make their own choices and decisions and that lenders are simply trying to provide needed access to capital. As someone who works directly with those harmed by predatory lending, I can tell you that Oregonians are being intentionally misled by lenders who want to maximize their profits on the backs of our friends, neighbors, and families. Oregon consumers can only be expected to make informed decisions when they are provided with complete and truthful information, and when lenders follow the law. We see many cases where borrowers are told there is a state limit to the size of payday loans, and that they have to take out multiple loans, and pay multiple fees, in order to borrow what they need. That is simply not the case.

We know, as legislators did in 2007 bill, 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.

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 fact that payday and car title lenders continue to issue multiple loans in violation of the intent of state law shows they have more concern with lining their pockets than helping our residents. HB 2089 is a common sense bill to ensure the intent of provisions of the 2007 law change can actually be enforced.

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