

## **HB 4116 STAFF MEASURE SUMMARY**

### **House Committee On Commerce and Consumer Protection**

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**Prepared By:** Andrew Hendrie, LPRO Analyst

**Meeting Dates:** 2/3, 2/5

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#### **WHAT THE MEASURE DOES:**

The measure would stop state financial institutions established in states outside of Oregon from being able to rely on their home state laws when determining an allowable interest rate. It declares that the State of Oregon does not want any of the amendments set forth in section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 to apply to consumer finance loans made in Oregon and amends the requirements to apply for a license to make consumer finance loans in Oregon. The measure applies to consumer loans made after the effective date. It takes effect on the 91st day following adjournment sine die.

Fiscal impact: Minimal Impact

Revenue impact: No Revenue Impact

#### **ISSUES DISCUSSED:**

- Availability of emergency funds
- Alternative regulatory approaches to address loans exceeding a 36% rate
- Enforcement actions by the Department of Consumer and Business Services

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

Section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 is meant to create an even playing field for state-chartered banks and national banks. It does this by allowing for those federally insured state institutions to use the interest caps provided by the state they are from to serve customers in other states through federal preemption of state interest rate cap limits. Section 525 allows for states to opt out of federal preemption by statute (Section 521-525 of the Depository Institutions Deregulation and Monetary Control Act of 1980. 94 STAT. 164-167)

Currently federal law allows state banks to use the rate caps from the states they are registered in when doing business in Oregon. HB 4116 gives authority to Oregon to opt out of the federal law that creates this preemption allowing Oregon to enforce its own rate cap.