

HB 4116 -3 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 2/23, 2/25

WHAT THE MEASURE DOES:

The measure 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 specifies that a person is subject to ORS Chapter 725 (consumer finance) if the person is in the business of making consumer finance loans of \$50,000 or less or if the person acts as an agent, broker, or facilitator for a person in the business of making consumer finance loans of \$50,000 or less to consumers who resides in or maintains a domicile in Oregon and meet specified criteria. It amends the requirements of what must be included in an application for a license to make certain consumer finance loans in Oregon. The measure applies to consumer finance loans made in Oregon on or after the effective date. It takes effect on the 91st day following adjournment sine die.

FISCAL: Has minimal fiscal impact

REVENUE: No revenue impact

HOUSE VOTE: Ayes, 31; Nays, 24; Excused, 5

ISSUES DISCUSSED:

- Current interest rate in Oregon for consumer finance loans under \$50,000 plus allowable fees
- Availability of subprime consumer finance loans in Oregon
- Need for emergency funds
- Meaning and lawfulness of "rent-a-bank schemes"
- Interest rates charged by out of state lenders for consumer finance loans
- Potential impact of measure on lenders and consumers
- Current status of litigation in Colorado based on similar legislation
- Measure does not impact national banks governed by the National Bank Act

EFFECT OF AMENDMENT:

-3 Replaces the measure. The amendment states whereas clauses. The amendment creates the Task Force on Equitable Access to Short-Term Financial Products, consisting of twelve members, and it specifies what the task force will study. The amendment directs the task force to submit a report to an interim committee of the Legislative Assembly related to consumer protection by December 15, 2026. It takes effect on the 91st day following adjournment sine die and sunsets on December 31, 2027.

FISCAL: May have fiscal impact, but no statement yet issued

REVENUE: May have revenue impact, but no statement yet issued

BACKGROUND:

Section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 is intended 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

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1980, 94 STAT. 164-167)

Currently, federal law allows state banks to use the rate caps from the states in which they are registered when doing business in Oregon.

PRELIMINARY