Testimony of the American Financial Services Association in opposition to HB 4116

Oregon House Committee on Commerce and Consumer Protection
State of Oregon General Assembly

Short Written Testimony of Danielle Fagre Arlowe, Senior Vice President
American Financial Services Association

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Mr. Chairman and members of the Committee, I am Danielle Fagre Arlowe, Senior Vice President of the American Financial Services Association (AFSA). Thank you for the opportunity to speak today in opposition to HB 4116.

Our association is more than 100 years old. We represent the consumer credit industry, including vehicle finance, mortgages, traditional installment lending, and credit cards. Our members include everyone from small creditors operating in one or two states to some of the world's largest banks. We do not represent payday lenders or title lenders. We do not represent credit unions.

I cannot overstate how concerned we are about HB 4116 and I think our concerns are DIFFERENT than the other concerns we've heard today.

Opting out of the Depository Institutions and Monetary Control Act of 1980 (DIDMCA) has consequences for our members that have nothing to do with the bank partnership model which many call "rent-a-bank."

We have a number of members who don't partner with anyone, but own and operate state-chartered federally insured banks as their business model. They don't rent their charter to anybody.

For example, a VERY large credit card company that from the outside looks JUST like its peers is in fact a state chartered bank. Another member of ours that looks just like a captive vehicle finance company from the outside is in fact a state-chartered bank. Another member is a captive vehicle finance company that uses its state-chartered bank as a liquidity option and as a financing option for vehicle floorplanning (*aka* extending credit to automobile dealers to finance the cars in their showrooms and on their lots), or funding consumer vehicle purchases for different brands of vehicles that aren't their own. A state charter offers a bank **certainty, predictability, consistency**—DIDMCA was intended to put state-chartered banks on an even playing field with national banks, and that's what it did.

State opt-outs of DIDMCA present an existential threat to the state bank business models.

After DIDMCA passed in 1980 seven states opted out RIGHT AWAY between 1980 and 1983. But then, starting in 1986 and 1998 EVERYONE except Iowa REVERSED COURSE and opted back in.

Why? Were they protecting their states' consumers **TOO MUCH?** OR did it turn out that DIDMCA hurt their own states' banks and consumers more than it helped?

Iowa is a great state. But so are Massachusetts and Maine and Wisconsin and Nebraska. Please review our comprehensive state history about why states opted out and opted back into DIDMCA decades ago before Oregon goes down the same path.

And you don't have to believe me. Ask any law firm who deals in these matters if they are currently recommending would-be non-ILC banks to seek a state charter. The answer is no. Just *one* state opting out 40 years after the last state opted out—a law that isn't even in effect yet—plus other states merely *considering* opting out has destabilized the future of state-chartered banks so much that it is too risky to responsibly recommend.

For these reasons, and the expanded outline of our reasoning outlined in the letter we submitted yesterday, we respectfully urge Oregon to hold back on opting out of DIDMCA.