Testimony in Support of Oregon HB 4116
Before the House Commerce and Consumer Protection Committee
of the Oregon House of Representatives

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Chair Sosa, Vice-Chair Chaichi, Vice-Chair Osborne, and Members of the Committee,

Thank you for the opportunity to present this testimony on behalf of the National Consumer Law Center (NCLC), a national non-profit organization that uses its consumer law expertise to work for economic justice for low-income and vulnerable consumers. NCLC publishes a treatise, Consumer Credit Regulation, which discusses state lending laws and attempts to evade them. We also regularly survey all 50 states' interest rate caps on installment loans and issue reports, including Predatory Installment Lending in the States (Dec. 2025) and Larger Loans Need Lower Rates: A 50-State Survey of the APRs Allowed for a $10,000 Loan (Mar. 2024).

We are pleased to support HB 4116, which will prevent evasions of Oregon's interest rate limits by opting the state out of a federal law that allows out-of-state, state-chartered banks to charge high rates not allowed in Oregon. **The bill will prevent predatory "rent-a-bank" lenders that charge annual percentage rates (APRs) of 200% and higher from evading Oregon's interest rate limits, which generally limit installment loans to 36% APR.**

Predatory rent-a-bank lenders evade interest rate limits

In a rent-a-bank scheme, a high-cost, nonbank lender launders its loan through an obscure bank (typically chartered in Utah) and claims that the loan is a "bank loan" exempt from state laws outside the bank's home state. Rent-a-bank schemes started with payday lenders and more recently have been used by online installment lenders.

The following predatory nonbank lenders, among others, currently offer loans in Oregon at rates that vastly exceed the state's 36% interest rate limit for installment loans:

- Opportunity Financial, dba OppFi or OppLoans, offers installment loans at 129%-195% APR.[1]
- Elevate offers Rise installment loans at 99% to 199% APR.[2]
- Enova offers NetCredit-branded installment loans at 34.99% to 99.99% APR.[3]
- Xact, a brand of CNG Holdings (which operates Check 'n Go and other payday lenders), offers installment loans at rates that appear to often exceed 200% APR.[4]

Loans at these rates are debt traps, with payments that go primarily to interest, high refinancing rates that extend the debt even longer, and high default rates. These loans are illegal in nearly every state.

For example, OppFi offers a $4,000, 18-month installment loan at 160% APR in Oregon, where the legal rate is 36% APR—**charging nearly $5,500 more in interest than allowed by Oregon.** But OppFi claims it can ignore Oregon law because the loan is originated by one of its obscure "bank partners"—FinWise Bank, First Electronic Bank or Capital Community Bank, all located in Utah.

Despite the bank's name on the loan, in a rent-a-bank scheme the bank has a minor role. The nonbank lender typically designs and owns the loan program, processes applications, approves loans, collects payments, and reaps the vast majority of the revenues -- up to 96%. The bank rubber stamps the underwriting criteria and "originates" the loan by sending the money to the consumer. The nonbank then quickly reimburses the bank for the bulk of the funds such as by purchasing the loan or the vast majority of the loan revenues.

<u>DIDMCA opt out</u>

Rent-a-bank schemes exploit a federal law, the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA or DIDA), 12 U.S.C. § 1831d. DIDMCA allows out-of-state, state-chartered banks to charge, anywhere in the country, whatever interest rate is allowed in their home state. This is called "rate exportation." Many states do not cap interest rates for banks, and predatory lenders have exploited this fact to enable 100% to 200% APR loans in other states where those rates are illegal for nonbank lenders.

However, states may opt out of DIDMCA and require state-chartered banks to comply with the rate caps of the state where the loans are made. HB 4116 would exercise this right. Notably, Iowa, which has long been opted out of DIDMCA, has none of the predatory rent-a-bank lenders listed above. Predatory lenders have also exited Colorado, which recently adopted

[1] https://www.opploans.com/rates-and-terms/oregon/ (last visited 1/28/2026).
[2] https://www.risecredit.com/what-it-costs?state=OR (last visited 1/28/2026).
[3] https://www.netcredit.com/rates-and-terms/oregon (last visited 1/28/2026).
[4] https://wallethub.com/profile/pl/xact-68901926i (last visited 1/28/2026); https://www.xact.com/ (last visited 1/28/2026). Xact no longer discloses its rates on its website.

legislation to opt out of DIDMCA. The Tenth Circuit Court of Appeals recently upheld the effectiveness of Colorado's opt out law.[5]

<u>HB 4116 stops 200% APR predatory lending evasions</u>

Oregon allows short-term payday loans but the state does not permit high interest rates on larger or longer-term loans. High-cost larger, longer-term loans can be an even more destructive debt trap than payday loans, putting people deeper in high-cost debt that is more difficult to escape, with high interest charges over a long period of time.

By opting Oregon out of DIDMCA, HB 4116 will allow Oregon to enforce its law. The DIDMCA opt-out will put an immediate end to triple-digit interest rates by rent-a-bank schemes that use state-chartered banks.

<u>HB 4116 will preserve access to affordable credit in Oregon</u>

HB 4116 will have no impact on mainstream credit cards, as credit card interest rates are virtually always below the 36% APR permitted in Oregon. Similarly, the state's interest rate limits for installment loans are on the high side and have ample room to allow banks and other lenders to offer affordable forms of credit. Responsible fintech lenders can and do operate within Oregon's interest rate limits. Loans above the 36% rate authorized in Oregon are likely to be predatory, unsustainable burdens, not affordable credit.

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Oregon has adopted interest rate limits to protect its residents from predatory lending. HB 4116 will ensure that those laws cannot be evaded. Predatory credit is not access to credit. It is access to a debt trap. HB 4116 will protect Oregon residents and I urge you to support it.

Thank you for the opportunity to testify. If you have any questions, please reach out to me at lsaunders@nclc.org.

Yours truly,

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[5] National Association of Industrial Bankers v. Weiser, 159 F.4th 694 (10th Cir. 2025).