



House Committee on Commerce & Consumer Protection

Testimony in Support of HB 4116

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AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50+ to choose how they live as they age. AARP Oregon advocates on issues important to our more than 500,000 Oregon members with a focus on health security, financial resilience and livable communities.

Financial security for older Oregonians is a priority issue for us. We want to add our voice here in support of strong protections against predatory lending loans that harm individuals and families.

A key provision of this bill would opt Oregon out of Section 521 of federal banking law, the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA). Currently, DIDMCA allows state-chartered banks to export their interest limits to other states, often through online lenders. This loophole means that Oregonians are entering into loans with interest rates as high as 200% - much higher than Oregon's 36% cap, the consumer loan rate that *this body* decided was appropriate for *Oregonians*. And it merits mentioning that a 36% interest rate is *already* a high interest rate. For example, the consumer loan interest rate in Washington is capped at 25%.

In Oregon we made the choice to avoid unconscionable high interest rates by providing a clear cap that all Oregon lenders must comply with. And it was intended to protect all Oregonian consumers, including the most vulnerable who for one reason or another need to secure a short-term consumer loan. Higher interest rates only prey on the most vulnerable in our society.

In considering this legislation, it's worth recognizing the sweeping demographic shift here in Oregon and the implications for older Oregonians. 25 years ago, for every 100 children under the age of 19, there were just 50 older Oregonians age 60+. But in the last 25 years, there has been a profound change. Now older Oregonians *outnumber* children and 27% of our population is over the age of 60.¹

As we age, financial stability becomes increasingly critical because our earning years are over. Many older adults live on fixed incomes, relying on Social Security, pensions, and savings that

¹ <https://www.oregon.gov/das/oea/Documents/OEA-Forecast-1225.pdf>

must last throughout their retirement years. Because of that older adults are particularly vulnerable to the *detrimental* effects of high-interest loans.

All Oregonians, but especially those who are less savvy with technology, can be subject to more pressure tactics from online lenders, taking advantage of the loophole in Oregon to provide an authorized loan that does an end-run around Oregon's cap. For some aging can bring about cognitive challenges that make it harder to manage complex financial products. High-interest loans with confusing terms can be particularly harmful to those experiencing cognitive decline but as long as they are legal, they will be an option made available.

Unlike younger individuals, older adults have less time to recover from financial setbacks. High-interest debt can deplete their savings, leaving them with few options for financial recovery. And that can have a profound ripple effect. In the worst-case scenarios, older Oregonians who cannot pay back those loans have no means to financially recover, require assistance from permanent assistance the state.

When out-of-state online lenders bypass the protections that the Oregon legislature put in place, our carefully constructed framework becomes meaningless. It is not only detrimental to consumers but to Oregon lenders who are complying with the requirements in Oregon law. By passing HB 4116 we close the DIDMCA loophole not only to protect Oregon consumers but to ensure consistency and enforceability across the entire lending market.