# HB 4116

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**DFR** | Division of
Financial
Regulation

Department of Consumer
and Business Services

# Interest rate background

- Since 2007, small dollar consumer finance loans in Oregon have been limited to a 36 percent interest rate (ORS 725.340)

- This limit is intended to protect Oregonians from predatory lending practices

- The 2007 Oregon Legislature intended that this cap apply to all businesses making consumer finance loans in Oregon

# The problem: Rent-a-bank schemes

- Some Oregon licensed brokers and facilitators advertise, offer, provide, and service loans in partnership with out-of-state, state-chartered banks to avoid compliance with the 36 percent cap.

- The borrower applies for a consumer finance loan through the Oregon licensed entity, and the out-of-state, state-chartered bank puts it name on the loan documents.

- Under the terms of an agreement with the licensee, the out-of-state, state-chartered bank either sells the loans back to the licensee or assigns them to the licensee for "servicing and collection."

# Interest rate harm to consumers

- Total amount of interest due under a three-year contract for $3,000:
    - For a compliant loan: $1,946.81
    - With an APR of 100.73 percent: $6,486.61
    - Difference: $4,539.80
- DFR has 190 licensed consumer finance companies and is aware of five licensees that charge more than the 36 percent cap.
- Since 2020, the division has evidence of over 31,000 loans totaling at least $61 million with interest rates that exceed the cap.
- In a recent enforcement action, DFR required a licensee to pay restitution of $900,000 for charging interest that exceeded the cap.

# HB 4116: The DIDMCA opt-out solution

- DIDMCA is the Depository Institutions Deregulation and Monetary Control Act of 1980

- HB 4116 exercises Oregon's right to opt out of DIDMCA, which ensures that Oregon's 36 percent interest rate cap applies to out-of-state, state-chartered banks partnering with fintech licensees

- Ensures that the cap is applied uniformly to all licensees and prevents the consumer harms associated with this form of predatory lending

- Prevents licensees from avoiding obligations imposed by statute

- Eliminates the veneer of legitimacy that the loans are made by an out-of-state, state-chartered bank when, in fact, the loan is being made by a fintech licensee

# HB 4116: Criminal background checks

- Currently, criminal background checks for consumer finance lenders only identify "bad actors" located in Oregon

- HB 4116 authorizes the use of NMLS criminal background checks, which will expand the ability of the division to identify "bad actors"

# The Colorado litigation

- On Nov. 10, 2025, a three-judge panel for the Tenth Circuit reversed a district court's decision that prevented the enforcement of Colorado's opt-out statute

- Colorado is entitled to apply its interest rate laws to loans originated by out-of-state, state-chartered banks, regardless of whether the bank has a physical presence in the state

- Under the Tenth Circuit's ruling, the phrase "loans made in such state" in DIDMCA's opt-out provision encompasses loans in which either the lender or the borrower is in the state

- Enforcement of the Colorado law remains stayed for now pending potential *en banc* review or further appeal

# Access to credit

- This legislation will affect only a small portion of the overall consumer finance lending market, which represents over $1 billion in loan volume annually

- Consumer finance lending may often be a last resort for borrowers with few other options. However, we are not aware of any evidence that consumers are turning to rent-a-bank lenders due to being denied credit by lenders complying with the cap.

- We have been able to confirm that multiple licensed lenders complying with the cap have no minimum credit score for borrowers

# Questions?

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