



February 23, 2026

The Honorable Kathleen Taylor, Chair
The Honorable Cedric Hayden, Vice Chair
Senate Labor and Business Committee
Oregon State Legislature
900 Court Street, NE
Salem, OR 97301

Re: Comments on House Bill 4116, *Relating to consumer finance loans; prescribing an effective date; creating new provisions; amending ORS 725.015, 725.120 and 725.370; and prescribing an effective date.*

Dear Chair Taylor and Vice-Chair Hayden:

The Online Lenders Alliance (OLA) would like to provide the following comments to the Oregon's House Committee on Commerce and Consumer Protection in opposition to **House Bill 4116, *Relating to consumer finance loans; prescribing an effective date; creating new provisions; amending ORS 725.015, 725.120 and 725.370; and prescribing an effective date.***

OLA represents the growing industry of innovative companies focused on credit inclusion and financial solutions for all Americans through a common goal: to serve hardworking Americans who deserve access to trustworthy credit. Consumer protection is OLA's top priority and members abide by a rigorous set of Best Practices to ensure consumers are fully informed and fairly treated.¹

Oregonians Need Access To Credit

The cornerstone of financial inclusion is the opportunity and ability to access credit, which results in greater independence by affording borrowers more control over their own financial health. The reality, however, is that not everyone has equal access to credit, despite the fact that so many Americans need credit, oftentimes unexpectedly. **According to federal data, more than 15 percent of households in Oregon are unbanked or underbanked.**² Looking more closely at these numbers, the rate among Black, Hispanic, and Native populations runs nearly three times that of whites.³ In addition, **less than half of Oregonians say that they can cover an unexpected \$1,000 expense from their savings, and more than half struggle paying their**

¹ OLA Best Practices <https://onlinelendersalliance.org/best-practices/>

² <https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-appendix-tables>

³ <https://www.fdic.gov/household-survey>

bills, according to Oregon’s Financial Wellness Scorecard. Oregon’s State Treasurer stated, “financial confidence, acumen, and the ability to make ends meet are slipping...”⁴

The Traditional Bank and Credit Union Model Does Not Meet Credit Demand

OLA advocates for policy outcomes that create more credit options for consumers, including having more banks in the marketplace. Banks have historically struggled to provide small dollar credit to consumers. In fact, the FDIC implemented the “Small-Dollar Loan Pilot Program” in 2008 and 2009, trying to encourage banks to offer small dollar credit. At the conclusion of the program, the FDIC stated that the interest and fees of these small dollar credit products were not sufficient in achieving “robust profitability.”⁵

In 2022, the Government Accountability Office (GAO) issued a report on the affordability and availability of basic banking products.⁶ The market participants they spoke to “on regulatory uncertainty around small-dollar loans told us banks are hesitant to offer such loans in part because of changes to related rules or guidance in recent years.” Other commentators stated that “banks do not want to offer small-dollar products because they are expensive to develop, and the regulations or supervisory expectations may change.”

The Online Lenders Alliance has conducted its own survey data on the use of alternative lenders by consumers who hold deposit accounts at banks and credit unions with small dollar loan offerings.⁷ After analyzing data covering nearly 2.5 million customers, OLA found that 77.4 percent had accounts at a bank and 22.6 percent had accounts at a credit union. Notably, 29 percent of these customers had an account at one of the six banks often cited as providing small dollar credit options—Bank of America, Huntington Bank, Regions Bank, Truist, U.S. Bank, and Wells Fargo. While it is not possible to break down the offerings at every credit union, federal credit unions are able to offer a small dollar loan product as do many state-chartered credit unions. That means a number of the customers who had an account with a credit union that may provide small dollar loan products opted to secure their loan with an online lender instead of their credit union. **This data shows that a significant percentage of consumers who use banks and credit unions—especially those with small dollar credit offerings—are finding fintech lenders to be a better fit for the financial situation they are dealing with at the time they need credit, and the fact that they continue to bypass the offerings at their financial institution highlights the importance of these products as an option when the need for credit arises.**

⁴ <https://www.oregon.gov/treasury/financial-empowerment/Documents/FEAT-Meeting%20Materials/2024/240205-FINAL-2024-Financial-Empowerment-scorecard.pdf>

⁵ <https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2010-vol4-2/fdic-quarterly-vol4no2-smalldollar.pdf>

⁶ <https://www.gao.gov/assets/gao-22-104468.pdf>

⁷ <https://onlendlendersalliance.org/new-online-lenders-alliance-research-finds-that-consumers-continue-to-rely-on-alternative-providers-for-small-dollar-credit-even-when-they-may-have-options-at-their-bank-or-credit-union/>

Banks Working With Financial Technology Companies Reach More Consumers

Today, financial technology companies increasingly offer services to banks that enable them to expand the populations they serve and fill the gaps left in the market, and OLA is proud to represent several of these service providers.

While large banks have the ability to invest sizable capital into technology, smaller banks do not. Fintechs act as service providers to banks, especially community banks, and can help them successfully offer credit to customers not previously reached. In these relationships, fintech companies can help banks offer loans of differing amounts, durations, and pricing to individuals who need credit. Because of the wide use and availability of online access (through computers and smartphones), almost any consumer can search for credit through an array of competing products. Banks that work with fintech companies can often offer underbanked consumers their first bank issued loan and put them on a path to mainstream credit.

DIDMCA Was Designed to Level The Playing Field For State Chartered Banks

In 1980, Congress passed Public Law 96-221, called the Depository Institutions Deregulation and Monetary Control Act (“DIDMCA”), which, in part, allowed federally insured state banks, state credit unions, and state savings institutions the ability to export the “interest” permitted under their home state laws to customers/borrowers in other states without regard to any “interest” limitations in the customer’s/borrower’s home or domiciled state. **DIDMCA put state-chartered banks on equal footing with national banks and federal credit unions,** which already could lend across the nation at any interest rate allowed in their respective home states. **This increased competition among banks gave American consumers more options in the financial marketplace, and the growing relationship between banks and technology-driven service providers has allowed this positive growth to accelerate.**

DIDMCA, under Section 525, also permitted states to opt-out of allowing this kind of interest rate exportation. If Oregon opts-out of Section 525 of DIDMCA, residents will be left with fewer options and less competition – a dynamic that would disproportionately impact those with lower credit scores. **In the beginning, Massachusetts, Maine, Nebraska North Carolina, Wisconsin, Colorado, Iowa, and Puerto Rico all opted out of DIDMCA. However, all but Iowa and Puerto Rico rescinded their opt-outs.**

In recent times, **only Colorado has passed legislation to, again, remove the state from Section 525 of DIDMCA. However, this continues to be the subject of litigation, and an injunction granted by the United States District Court for Colorado continues to be in effect.**⁸ **The American Bankers Association (ABA) filed an amicus brief urging the Colorado district court to grant this injunction,**⁹ **which was signed by numerous state banking trade associations, including the Oregon Bankers Association.**

Federal Regulators Have Specific Policies for Banks Working With Third Parties, Including The Loan Making Process.

Banks are highly regulated by state and federal officials who oversee their activities with a myriad of laws and regulations, including consumer protection laws and safety and soundness standards. Fintechs that act as service providers to the banks are subject to a high level of scrutiny from the bank and their regulator. Specifically, the Office of the Controller of Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (the “Agencies”) published specific third party (service provider) guidance for banks, saying, “the use of third parties can offer banking organizations significant benefits, such as quicker and more efficient access to technologies, human capital, delivery channels, products, services and markets.”¹⁰ While acknowledging the benefits of using third parties, the Agencies also hold banks to strict standards, including consumer protection: “Importantly, the use of third parties does not diminish or remove banking organizations’ responsibilities to ensure that activities are performed in a safe and sound manner and in compliance with applicable laws and regulations, including but not limited to those designed to protect consumers (such as fair lending laws and prohibitions against unfair, deceptive or abusive acts or practices) and those addressing financial crimes.”¹¹ **As more banks use technology companies to enhance their offerings, federal regulators have acknowledged the benefits of this trend, while holding banks and their service providers accountable to high standards.**

Opting Out Of DIDMCA Has Negative Consequences for Oregon Consumers and Banks

Clearly, opting out has serious consequences for a state and its residents. Academic researchers from the National Economic Research Associates (NERA) submitted a report on the likely impact of the opt-out on Colorado, and Oregon lawmakers should review its findings and conclusions.¹² **This opt-out legislation will serve to reduce credit options to Oregon residents while placing their few state-chartered banks at a competitive disadvantage to all credit**

⁸ Under the applicable Federal Rules of Appellate Procedure, the trial court injunction remains in place until the Tenth Circuit issues its mandate, and the earliest, the mandate does not issue at least until after rehearing is denied. Even under that scenario, plaintiffs would work to persuade either the Tenth Circuit or Supreme Court to stay issuance of mandate until cert is denied by Supreme Court.

⁹ <https://www.aba.com/advocacy/policy-analysis/district-of-colorado-amicus-brief>

¹⁰ See attachment of “Interagency Guidance on Third-Party Relationships: Risk Management”

¹¹ *ibid*

¹² [The Impact of Colorado Ending Equal Competition between State and National Banks by Howard Beales, Andrew Stivers :: SSRN](#)

unions as well as larger, federally chartered banks – all of which are exempt from these limitations. The opt-out would likely affect the ability of Oregon-chartered banks to sell or transfer loans (which is essential to their managing their balance sheet and to maintain safety and soundness), while forcing them to comply with the laws of each state where their borrowers are located – a legal and compliance burden not shared by their national bank, federal and state thrift and credit union competitors, or by state-chartered banks located in other states.

DIDMCA Opt-Out Does Not Address Oregon Consumers’ True Concerns

Since its inception, the Consumer Financial Protection Bureau (CFPB) has offered American consumers a central portal for them to lodge complaints and discrepancies related to the financial services and products they use. Looking more closely at the complaint data for Oregon over the past three years, the total number of complaints submitted in the category of “Personal Loans” makes up less than 1% of overall complaints.¹³

<i>Complaints by Category</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
<i>Total complaints</i>	4,742	7,173	13,602
<i>Credit reporting, credit repair</i>	2,369	4,714	9,673
<i>Debt collection</i>	434	602	1,268
<i>Credit card or prepaid card</i>	585	522	709
<i>Checking or savings account</i>	518	473	653
<i>Money transfer, virtual currency, or money service</i>	208	166	479
<i>Student loan</i>	206	232	283
<i>Mortgage</i>	263	239	224
<i>Vehicle loan or lease</i>	66	67	119
<i>Personal loans</i>	58	57	104
<i>Prepaid card</i>	34	84	68
<i>Debt or credit management</i>	1	17	22

¹³ <https://www.consumerfinance.gov/data-research/consumer-complaints/>

Conclusion

The aim of a vibrant market system is to allow for competition which gives the consumer more offerings and the best deal regardless of where they are located. More competition in financial services breeds more innovation and provides consumers with more competitively priced products and services. **By opting out of DIDMCA, the lawmakers would be limiting industry's competition and consumers' options in the marketplace.** OLA urges lawmakers to reject this blunt policy that creates an unlevel playing field, stymies competition, and creates barriers for those consumers who are already credit-challenged.

We welcome the opportunity to work with members of the Oregon legislature to pursue meaningful alternatives.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Duke". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Andrew Duke,
CEO
Online Lenders Alliance

CC:
The Honorable Winsvey Campos
The Honorable Christine Drazan
The Honorable Deb Patterson