



TESTIMONY SUBMITTED BY PATRICE ONWUKA

Oregon Senate Committee on Labor and Business
900 Court St. NE
Salem, Oregon 97301

February 23, 2026

Dear Committee Members:

Independent Women's Voice, which advances policies that enhance opportunity and economic well-being, urges you to reject [HB 4116](#), which would harm access to Oregon's financial services market. While we share the sponsors' concern for Oregonians' financial well-being, we believe this bill would produce the opposite of its intended effect — cutting off access to credit for the very low-income and vulnerable Oregonians it seeks to protect.

HB 4116 opts Oregon out of the interest rate preemption established under Section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA). Under current federal law, lenders chartered in other states may offer loans to Oregon consumers under their home state's interest rate rules. HB 4116 would require those lenders to comply instead with Oregon's interest rate caps, effectively pushing many of them out of the Oregon market.

Real-World Harm to Vulnerable Oregonians

We are deeply concerned about what happens when those lenders leave. Many low- and moderate-income Oregonians — many women and people with thin or damaged credit histories, recent immigrants, gig workers, and others on the economic margins — rely on non-traditional consumer finance lenders precisely because they cannot qualify for loans from conventional banks or credit unions. These are not luxury products. They are emergency lifelines used to cover a car repair that makes it possible to get to work, a medical bill that cannot wait, or a utility payment that prevents a family from going without heat.

When out-of-state lenders exit a state market because compliance becomes economically unworkable, the customers they serve do not suddenly gain access to better, cheaper credit. They turn to unregulated alternatives — illegal loan sharks, high-cost pawn arrangements, or predatory products that operate entirely outside

Oregon consumer protection law. The removal of licensed, regulated lenders from the market does not make credit safer. It makes it scarcer and more dangerous.

Research on similar opt-out measures in other states has consistently shown that the primary victims of credit market contraction are those at the bottom of the income ladder. The well-off have options. Those living paycheck to paycheck do not.

Warning From Illinois

In state after state, we've observed that high interest rate caps on lending products effectively reduce available credit. In March 2021, Illinois created an all-in interest-rate cap of 36% annually for loans under \$40,000 from non-bank and non-credit-union lenders. As a result, by 2024, lender licenses decreased by 64%, meaning fewer financial choices for fewer borrowers.

Researchers in 2023 with the Federal Reserve System's Board of Governors and two universities in Mississippi hypothesized that Illinois' move would sharply reduce the credit availability for high-risk borrowers. It was a correct hypothesis, and the effects left these borrowers, often minority, low-income people, struggling.

These economic researchers [compared the resulting data](#) for Illinois with a control group from its neighboring state, Missouri, which does not have this type of interest-rate cap. They found "the interest-rate cap decreased the number of loans to subprime borrowers by 38 percent."

The researchers examined the negative life effects of this loss of credit access using an online survey of short-term, small-dollar-credit borrowers in Illinois. Many borrowers reported they were unable to borrow money when they needed it following the imposition of the interest-rate cap.

The report stated: "*When asked how their financial well-being had been impacted since their previous lender stopped offering loans in Illinois, 39 percent of the respondents replied that their financial well-being had declined ... Only 11 percent of respondents replied that their financial well-being had improved. Further, 79 percent of the respondents indicated that they would like the option to return to their previous lender if they had a funding need.*"

A Better Path Forward

We do not oppose meaningful consumer protection reform. Oregon has legitimate tools at its disposal — through the Department of Consumer and Business Services, through existing licensing and examination authority, and through targeted rate cap legislation — that can protect borrowers without triggering a wholesale exit of licensed credit providers from the state. We urge the Legislature to pursue those targeted approaches rather than a broad opt-out that closes the market to Oregon's most financially-vulnerable residents.

Conclusion

HB 4116 may be well-intentioned, but its practical consequence will be to strand low-income Oregonians without access to regulated credit at exactly the moments they need it most. We respectfully ask the committee to oppose this bill and instead work with consumer advocates, industry stakeholders, and regulators to develop reforms that expand protections without restricting access.

Thank you for your consideration. We welcome the opportunity to discuss our concerns further.

Respectfully,



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Independent Women's Voice