



February 24, 2026

The Honorable Kathleen Taylor  
Chair  
Senate Committee on Labor and Business  
900 Court St. NE, S-209  
Salem, Oregon 97301

### WebBank Letter of Opposition to House Bill 4116

WebBank appreciates the opportunity to raise its concerns and voice its opposition to House Bill 4116.

WebBank is a Utah-chartered industrial bank that provides consumer and small business credit products through the technology platforms of its strategic partners – well-known companies and brands like PayPal, Intuit, and many others. The Bank has been in business for over 25 years and has the longest track record of successfully launching and overseeing compliant third-party lending programs through bank partnerships that are rigorously overseen and regulated by the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation.

Proponents of HB-4116 claim it will put Oregon in charge of lending practices in the state and ensure that Oregonians are protected by Oregon’s laws when they take out consumer loans. **It will not.**

By opting Oregon out of the DIDMCA amendment, HB-4116 will only affect state-chartered banks and will do nothing to prevent national banks, sovereign lenders, out-of-state licensed lenders, and payday lenders from continuing to provide Oregonians with credit exceeding Oregon’s rate cap. Indeed, by reducing or eliminating the consumer choice and competition that would come from non-Oregon state-chartered banks, HB-4116 will enable if not promote these other types of lenders to step into the breach with products at rates exceeding those that would have been provided by state-chartered banks.

This is not a matter of opinion. The outcomes just described have been documented in several empirical research papers by the Federal Reserve<sup>1</sup> and prominent academics (including a member of the Board of Governors of the Federal Reserve System),<sup>2</sup> showing that when states cap consumer loan rates to protect households from high-cost lenders, the availability of credit for riskier borrowers contracts without improving delinquencies, and credit for low-risk borrowers expands. Indeed, in the study regarding the effects of the Illinois rate cap, researchers found that the interest-rate cap decreased the number of loans to subprime borrowers by 38 percent and increased the average loan size to subprime borrowers by 35 percent. Responses to a survey of small-dollar-credit borrowers in Illinois who lost credit access indicated the interest-rate cap

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<sup>1</sup> Chakrabarti, Rajashri, Daniel Garcia, Donald Morgan, and Lee Seltzer. 2025. “Less for You, More for Me: Credit Reallocation and Rationing Under Usury Limits.” Federal Reserve Bank of New York *Staff Reports*, no. 1173, December. <https://doi.org/10.59576/sr.1173>

<sup>2</sup> Bolen, J. Brandon and Elliehausen, Gregory and Miller, Jr., Thomas W., Credit for me but not for thee: The effects of the Illinois rate cap (June 29, 2023). Available at SSRN: <https://ssrn.com/abstract=4315919> or <http://dx.doi.org/10.2139/ssrn.4315919>

worsened the financial well-being of many of these borrowers. On the other hand, the Illinois interest-rate cap increased the number of loans to prime borrowers by 16% and the average loan size to prime borrowers by 7%. In short, state rate caps harmed the higher-risk borrowers who already faced limited credit alternatives while simultaneously benefiting the lower-risk borrowers - a clear reallocation effect also noted in the Federal Reserve study.

Moreover, the blunt instrument of opting out of DIDMCA ultimately may only affect rates that may be offered by Oregon state-chartered banks and have no effect on banks chartered in other states. The notion that opting out of DIDMCA enables the opt-out state to limit rates offered to its residents by out-of-state banks flies in the face of Supreme Court precedent<sup>3</sup> and other federal court decisions of the last fifty years. It is for this reason that Colorado's opt out law has been challenged in the courts for the past two years and remains unresolved. Other states considering opt out laws should expect similar legal challenges because DIDMCA is not a "gap" or a "loophole" in state law but is a fundamental aspect of how federal banking laws and the dual banking system work.<sup>4</sup>

If Oregon were to pass a DIDMCA opt out law, the existence or risk of legal challenges would create legal uncertainty that could harm access to credit for higher-risk Oregonians. More specifically, Oregon's opt out would create legal uncertainty regarding the enforceability of loans made by all state-chartered banks (including Oregon state-chartered banks) to Oregon residents at rates above 36%, including loans and credit cards that are made to low- and moderate-income Oregon residents today. State-chartered banks and the secondary market will not accept such legal uncertainty and, therefore, such banks will not make loans to Oregon residents above 36%. This is not speculation but is an observable fact as seen in the market after the Second Circuit's decision in *Madden v. Midland*,<sup>5</sup> which created similar legal uncertainty regarding whether bank originated loans at APRs above the usury rates in NY, CT, and VT were enforceable by non-bank purchasers. That legal uncertainty led to such loans being downgraded and ceasing to be included in secondary market sales and securitizations. As a result, banks stopped making such loans and the low- and moderate-income residents of NY, CT and VT suffered a dramatic decrease in available credit.<sup>6</sup>

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<sup>3</sup> *Marquette Nat'l Bank of Minneapolis v. First of Omaha Service Corp.*, 439 U.S. 299 (1978).

<sup>4</sup> In this Committee's hearing on February 23, 2026, Senator Drazen asked why states that initially opted out of DIDMCA opted back in. The answer is simple: the states that opted back in to DIDMCA did not want their state-chartered banks to operate at a disadvantage to national banks. Banks chartered in opt out states could only export the rate of their home state and did not have authority under federal law to export the alternative rate allowed by DIDMCA: one percent above the discount rate on 90-day commercial paper in effect at the Federal Reserve bank in the Federal Reserve district where such state bank is located. Depository Institutions Deregulation and Monetary Control Act of 1980, Pub. L. No. 96-221, § 521, 94 Stat. 132, 164 (codified at 12 U.S.C. § 1831d). In short, states opted back in to DIDMCA so their state-chartered banks could operate and compete on a level playing field with national banks. [See DIDMCA-Legislative-History-September-2024.pdf](#) It is also important to note that states that opted back in did not perceive that their previous opt outs gave them the authority to regulate interest rates offered to residents of their states by out-of-state state-chartered banks. The notion that a DIDMCA opt out can serve a "consumer protection" function is a novel theory proffered by consumer advocates that Colorado is apparently attempting to effectuate. No other opt out state has treated DIDMCA as anything other than a mechanism to ensure its state-chartered banks operate on an even playing field with national banks pursuant to the federal banking laws.

<sup>5</sup> *Madden v. Midland Funding, LLC*, 786 F.3d 246 (2d Cir. 2015)

<sup>6</sup> Honigsberg, Colleen and Jackson, Jr., Robert J. and Squire, Richard C., How Does Legal Enforceability Affect Consumer Lending? Evidence from a Natural Experiment (August 2, 2017). *The Journal of Law and Economics*, Forthcoming, Available at SSRN: <https://ssrn.com/abstract=2780215> or <http://dx.doi.org/10.2139/ssrn.2780215> (Using proprietary data from three of the largest marketplace lending platforms, the study found that the *Madden v. Midland* decision reduced the price of notes backed by loans above the rate caps in Connecticut and New York in the secondary market and that lenders responded by extending relatively less credit – smaller loans and fewer loans to the higher-risk borrowers, such as those below a 640 FICO score.)

In short, passage of HB-4116 will result in Oregon limiting access to credit for the exact same Oregonians that the proponents of the bill are professing to protect.

We respectfully recommend that the Senate Committee on Labor and Business not pass HB-4116 but instead commission a study to analyze the potential effects of Oregon opting out of DIDMCA, including the impact on low- and moderate-income Oregonians, in particular. An “act now, research later” approach might not hurt prime borrowers who have easy access to credit when they need it but could have devastating effects for Oregon families living paycheck to paycheck.

Respectfully submitted,

*Parris Sanz*

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Parris Sanz  
EVP, General Counsel and  
Head of Policy & Government Relations  
WebBank