74th OREGON LEGISLATIVE ASSEMBLY - 2007 Regular Session **MEASURE:** **HB 2871 B**
STAFF MEASURE SUMMARY **CARRIER:** **Sen. Prozanski**
Senate Committee on Commerce

REVENUE: No revenue impact
FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	4 - 1 - 0
Yeas:	Avakian, Gordly, Monroe, Prozanski
Nays:	Beyer
Exc.:	0
Prepared By:	Anna Braun, Administrator
Meeting Dates:	5/21, 5/30

WHAT THE MEASURE DOES: Limits the annual percentage rate on a consumer finance loan to 30 percent over the federal discount rate established yearly by the Department of Consumer and Business Services (DCBS). Allows pass through fees subject to DCBS regulation. Limits interest rate on title loans to 36 percent per annum with allowance of a one time origination fee of $10 per $100 but capped at $30. Caps payday loan origination fees at $30. Declares emergency, effective July 1, 2007.

ISSUES DISCUSSED:
- Effect on industry
- Constitutionality of measure
- Loopholes regulating payday loan industry

EFFECT OF COMMITTEE AMENDMENT: Deletes the 36 percent cap on consumer finance loans and instead ties the cap to 30 percent over the federal reserve discount rate established yearly by the Department of Consumer and Business Services. Resolves conflicts among HB 2205, HB 2204 and HB 2203.

BACKGROUND: The Department of Consumer and Business Services currently licenses consumer finance, title and payday lenders under ORS chapter 725.

SB 1105 (Ch 3 Oregon Laws 2006) prohibited payday lenders from charging more than 36 percent per annum, excluding a one time origination fee of $10 for each $100 loaned. It prohibited making or renewing a payday loan for a term less than 31 days and prohibited more than two rollovers. In addition, it prohibited making a new payday loan within seven days of a previously expired loan.

Since the enactment of SB 1105 there has been concern that the payday lending industry is moving into the less regulated areas of title loans and consumer finance loans. HB 2871-B caps the interest rate for all those types of loans to bring them in line with payday loans.