## HB 2089 -4 STAFF MEASURE SUMMARY

### House Committee On Business and Labor

**Prepared By:** Jan Nordlund, LPRO Analyst
**Meeting Dates:** 2/13, 3/13, 3/20

**WHAT THE MEASURE DOES:**

Prohibits title load lender and payday loan lender from making loan until seven days after consumer has fully repaid outstanding loan. Becomes operative January 1, 2020, and applies to contracts executed or or after the operative date.

No revenue impact.

No fiscal impact.

**ISSUES DISCUSSED:**

- Intent of legislation in 2007 establishing seven-day cooling off period
- Complaints regarding payday lenders received by Oregon Department of Justice
- Announced plans of federal government to ease regulations on payday lenders
- Alternative sources for short-term lending
- Choice of lender to cap loan at $300 to maximize fees collected
- Role payday lenders serve to consumers with emergency needs and no relationship with bank or credit union
- Practice of loan "stacking" where consumer agrees to multiple $300 loans opened concurrently

**EFFECT OF AMENDMENT:**

-4 Raises cap on origination fees to lesser amount of $10 per $100 loaned or amount set by Director of Department of Consumer and Business Services except Director cannot set cap below $37.

REVENUE: May have revenue impact, but statement not yet issued.
FISCAL: May have fiscal impact, but statement not yet issued.

**BACKGROUND:**

Payday and title loan lenders that are not regulated financial institutions must be licensed by the Department of Consumer and Business Services. A payday loan offered by a non-bank payday lender is a cash loan of up to $50,000 with a short term (31-60 days) made to a borrower with regular income, evidenced by a paycheck stub. The interest may not exceed 36 percent per annum. The lender may charge a one-time loan origination fee of $10 per $100 of the loan amount, not to exceed $30. No additional fees or interest charges are allowed. A payday loan can be renewed only twice, and a new payday loan must not be made until seven days after the previous loan expires.

A title loan, which is secured by the title to a motor vehicle, recreational vehicle, boat, or mobile home, has the same limits on the loan amount, length of loan, interest, fees, and renewals as payday loans. A title loan lender cannot make more than one outstanding loan secured by one title. A title loan lender must also have a good faith belief that the consumer has the ability to repay the title loan.

House Bill 2089 prohibits title loan and payday loan lenders from making a new loan until seven days after the previous loan has been fully repaid, as opposed to seven days from the previous loan's expiration.