

HB 2561

Division of Financial Regulation

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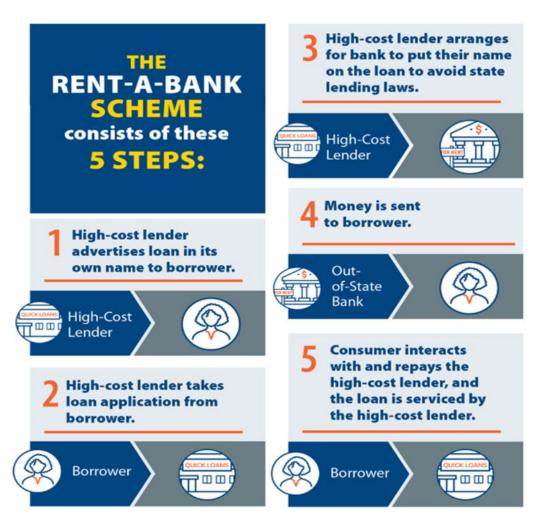


Interest Rate Background

- Since 2007, small dollar consumer finance loans in Oregon have been limited to a 36% interest rate (ORS 725.340)
- This limit is intended to protect Oregonians from predatory lending practices
- The 2007 Legislature intended that the 36percent cap apply to all businesses making consumer finance loans in Oregon

The problem: Rent-a-bank schemes

Fintech companies partnering with out-ofstate state-chartered banks exploit a legal ambiguity to make loans with interest rates far exceeding Oregon's cap.



The problem: Consumer harm

- DFR examinations revealed that in 2022 and 2023:
 - At least two known arrangements operating in Oregon in excess of the cap
 - These arrangements resulted in over **19,000** referrals and over **\$37 million** in loans
- Three other arrangements complying with the cap made over 221,000 loans totaling over \$107 million
- Generally, consumers are unaware of the 36-percent cap

The solution: HB 2561

• Ensures the consumer finance interest rate cap applies to all consumer finance loans made in Oregon under state jurisdiction

 Clarifies that internet loans are "made in Oregon" if the borrower is a resident of this state

HB 2561: Criminal Background Checks

 Currently, criminal background checks for consumer finance lenders only identify "bad actors" located in Oregon

• HB 2561 authorizes the use of NMLS criminal background checks, which will expand the ability of the division to identify "bad actors"



Questions?

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