



HB 2561

Division of Financial Regulation

Presenters:

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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 36-percent cap apply to all businesses making consumer finance loans in Oregon

The problem: Rent-a-bank schemes

Fintech companies partnering with out-of-state 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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