



January 27, 2025

Rep. Nathan Sosa, Chair  
Representative Farrah Chaichi, Vice-Chair  
Representative Virgle Osborne, Vice-Chair  
House Committee on Commerce and Consumer Protection  
Oregon State Legislature  
900 Court Street, NE  
Salem, OR 97301

**Re: Comments on House Bill 2561, *Relating to consumer finance loans; prescribing an effective date.***

Dear Chair Sosa, Vice-Chair Chaichi, and Vice-Chair Osborne:

The Online Lenders Alliance (OLA) would like to provide the following comments to the Oregon House Committee on Commerce and Consumer Protection in opposition to *House Bill 2561, Relating to consumer finance loans; prescribing an effective date.*

OLA represents the growing industry of innovative companies focused on credit inclusion and financial solutions for all Americans through a common goal: to serve hardworking Americans who deserve access to trustworthy credit. Consumer protection is OLA's top priority, and our members abide by a rigorous set of Best Practices to ensure consumers are fully informed and fairly treated.<sup>1</sup>

The cornerstone of financial inclusion is the opportunity and ability to access credit, which results in greater independence while affording borrowers more control over their own financial health. The reality, however, is that not everyone has equal access to credit, despite the fact that so many Americans need credit, oftentimes unexpectedly. According to federal data, more than 15 percent of households in Oregon are unbanked or underbanked.<sup>2</sup> Looking more closely at these numbers, the rate among Black and Hispanic residents was nearly 50 percent and 44 percent for Native residents.<sup>3</sup> Furthermore, 32 percent of Oregon consumers are credit constrained, meaning that they are borrowers with limited credit history or poor/fair credit

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<sup>1</sup> OLA Best Practices <https://oninelendersalliance.org/best-practices/>

<sup>2</sup> <https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-appendix-tables>

<sup>3</sup> <https://scorecard.prosperitynow.org/reports#report-state-profile>

scores.<sup>4</sup> Oregon also has released a Financial Wellness Scorecard that contains other relevant data and it should be reviewed carefully.<sup>5</sup>

OLA advocates for policy outcomes that create more credit options for consumers, and we support more banks providing these options in the marketplace. Banks have historically struggled to provide small dollar credit to consumers. In fact, the FDIC implemented the “Small-Dollar Loan Pilot Program” in 2008 and 2009, trying to encourage banks to offer small dollar credit. At the conclusion of the program, the FDIC stated that the interest and fees of these small dollar credit products were not sufficient in achieving “robust profitability.”<sup>6</sup>

In 2022, the Government Accountability Office (GAO) issued a report on the affordability and availability of basic banking products.<sup>7</sup> The market participants they spoke to “on regulatory uncertainty around small-dollar loans told us banks are hesitant to offer such loans in part because of changes to related rules or guidance in recent years.” Other commentators stated that “banks do not want to offer small-dollar products because they are expensive to develop, and the regulations or supervisory expectations may change.”

Today, financial technology companies increasingly offer services to banks that enable them to expand the populations they serve and fill the gaps left in the market, and OLA is proud to represent several of these service providers. These technology-based service providers can help banks, especially community banks, to successfully lend to customers not previously reached. Banks that work with fintech companies can often offer underbanked consumers their first bank issued loan and put them on a path to mainstream credit.

In 1980, Congress passed Public Law 96-221, called the Depository Institutions Deregulation and Monetary Control Act (“DIDMCA”), which, in part, allowed federally insured state banks, state credit unions, and state savings institutions the ability to export the “interest” permitted under their home state laws to customers/borrowers in other states without regard to any “interest” limitations in the customer’s/borrower’s home or domiciled state. **DIDMCA put state-chartered banks on equal footing with national banks and federal credit unions, which already could lend across the nation at any interest rate allowed in their respective home states. This increased competition among banks and gave American consumers more options in the financial marketplace.**

DIDMCA, under Section 525, also permitted states to opt-out of allowing this kind of interest rate exportation. If Oregon opts-out of Section 525 of DIDMCA, residents will be left with fewer options and less competition - a dynamic that would disproportionately impact those with lower credit scores. In the beginning, **Massachusetts, Maine, Nebraska North Carolina, Wisconsin, Colorado, Iowa, and Puerto Rico all opted out of DIDMCA. However, all but Iowa and Puerto Rico rescinded their opt-outs.**

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<sup>4</sup> <https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/credit-constrained-consumers>

<sup>5</sup> <https://www.oregon.gov/treasury/financial-empowerment/Documents/FEAT-Meeting%20Materials/2024/240205-FINAL-2024-Financial-Empowerment-scorecard.pdf>

<sup>6</sup> <https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2010-vol4-2/fdic-quarterly-vol4no2-smalldollar.pdf>

<sup>7</sup> <https://www.gao.gov/assets/gao-22-104468.pdf>

**In recent times, only Colorado has passed legislation to once again, remove the state from Section 525 of DIDMCA. However, the Colorado law is the subject of litigation, and the United States District Court for Colorado granted a preliminary injunction to the plaintiffs challenging Colorado’s opt-out.<sup>8</sup> The American Bankers Association (ABA) filed amicus brief urging the Colorado district court to grant this injunction.<sup>9</sup> This ABA amicus brief was signed by numerous state banking trade associations, including the Oregon Bankers Association.**

Clearly, opting out has serious consequences for a state and its residents. Academic researchers from the National Economic Research Associates (NERA) submitted a report on the likely impact of the opt-out on Colorado, and Oregon lawmakers should review its findings and conclusions before making any final decision.<sup>10</sup> **This opt-out legislation will serve to reduce credit options to Oregon residents while placing their few state-chartered banks at a competitive disadvantage to larger, federally chartered banks that are exempt from these limitations, as the opt-out may affect the ability of state-chartered banks to sell or transfer loans.** Federally chartered banks are typically larger banks whose credit card offerings come with higher costs to consumers, according to a recent report by the Consumer Financial Protection Bureau.<sup>11</sup>

The aim of a vibrant market system is to allow for competition which gives the consumer more offerings and the best deal regardless of where they are located. More competition in financial services breeds more innovation and provides more consumers with competitively priced products and services. **By opting out of DIDMCA, lawmakers would be limiting industry’s competition and consumers’ options in the marketplace.** OLA urges lawmakers to reject this blunt policy that creates an unlevel playing field, stymies competition, and creates barriers for those consumers who are already credit-challenged.

We welcome the opportunity to work with members of the Oregon legislature to pursue meaningful alternatives.

Sincerely,



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<sup>8</sup> [https://www.americanbar.org/groups/business\\_law/resources/business-law-today/2024-july/colorado-didmca-opt-out-legislation/](https://www.americanbar.org/groups/business_law/resources/business-law-today/2024-july/colorado-didmca-opt-out-legislation/)

<sup>9</sup> <https://www.aba.com/advocacy/policy-analysis/district-of-colorado-amicus-brief>

<sup>10</sup> [The Impact of Colorado Ending Equal Competition between State and National Banks by Howard Beales, Andrew Stivers :: SSRN](#)

<sup>11</sup> <https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-large-banks-charge-higher-credit-card-interest-rates-than-small-banks-and-credit-unions/>

Andrew Duke,  
CEO  
Online Lenders Alliance

CC:

The Honorable Jami Cate  
The Honorable Willy Chotzen  
The Honorable David Gomberg  
The Honorable Courtney Neron  
The Honorable E. Werner Reschke  
The Honorable Kim Wallan  
The Honorable Jules Walters