

HB 4116 -1 STAFF MEASURE SUMMARY

House Committee On Commerce and Consumer Protection

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Meeting Dates: 2/3, 2/10

WHAT THE MEASURE DOES:

The measure would stop state financial institutions established in states outside of Oregon from being able to rely on their home state laws when determining an allowable interest rate. It declares that the State of Oregon does not want any of the amendments set forth in section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 to apply to consumer finance loans made in Oregon and amends the requirements to apply for a license to make consumer finance loans in Oregon. The measure applies to consumer loans made after the effective date. It takes effect on the 91st day following adjournment sine die.

Fiscal impact: Minimal Impact

Revenue impact: No Revenue Impact

ISSUES DISCUSSED:

- Availability of emergency funds
- Alternative regulatory approaches to address loans exceeding a 36% rate
- Enforcement actions by the Department of Consumer and Business Services

EFFECT OF AMENDMENT:

-1 Replaces the measure. The amendment establishes the Task Force on Equitable Access to Short-Term Financial Products (Task Force) staffed by the Department of Consumer and Business Services; requires the Task Force to submit a report no later than December 15, 2026; and sunsets Task Force and reporting requirements on December 31, 2027.

Detailed summary:

Establishes the Task Force on Equitable Access to Short-Term Financial Products (Task Force), composed of 12 members who are appointed by the President of the Senate (two members), the Speaker of the House of Representatives (two members), and the Governor (eight members). Requires the Task Force to study and report on various topics related to short-term credit. Establishes guidelines and duties for the Task Force. Requires the Task Force to submit a report to the Legislative Assembly related to land use no later than December 15, 2026. Requires the Department of Consumer and Business Services to provide staff support for the administration of the Task Force. Sunsets Task Force and reporting requirements on December 31, 2027. It takes effect on the 91st day following adjournment sine die.

BACKGROUND:

Section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980 is meant to create an even playing field for state-chartered banks and national banks. It does this by allowing for those federally insured state institutions to use the interest caps provided by the state they are from to serve customers in other states through federal preemption of state interest rate cap limits. Section 525 allows for states to opt out of federal preemption by statute (Section 521-525 of the Depository Institutions Deregulation and Monetary Control Act of 1980. 94 STAT. 164-167)

Currently federal law allows state banks to use the rate caps from the states they are registered in when doing business in Oregon. HB 4116 gives authority to Oregon to opt out of the federal law that creates this preemption

allowing Oregon to enforce its own rate cap.

PRELIMINARY