

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action: Do Pass as Amended and Be Printed Engrossed

Vote: 3 - 1 - 1

Yeas: Burdick, Ringo, Prozanski

Nays: Whitsett

Exc.: Beyer

Prepared By: Anna Braun, Administrator

Meeting Dates: 3/15, 4/14, 4/28

WHAT THE MEASURE DOES: Caps the rate of interest payday lenders can charge at 15 percent for original loans or 15 percent for renewals. Establishes a maximum loan limit of \$1000 or 25 percent of the consumer's monthly gross income. Prohibits renewals of payday loan unless consumer has paid down 25 percent of the original loan, plus interest on the remaining balance. Requires a lender to allow consumers to enter into a payment plan. Allows for a consumer to cancel the loan and return the money if done on the same day. Makes violations an unlawful trade practice and requires payday lenders to be licensed to be eligible for legal and administrative remedies. Prohibits lender from seeking statutory and attorney fees from consumer for dishonored checks and limits fees on returned checks.

ISSUES DISCUSSED:

- Need for short term loan
- Harm to low income customers
- Consistency with other states

EFFECT OF COMMITTEE AMENDMENT: Changes the interest cap on renewals from 10 percent to 15 percent. Deletes the 31 day minimum term for loans. Establishes the maximum loan limit. Requires a payment plan option. Allows consumer to return money on the same day with no penalty. Creates penalties. Requires license for lenders to use legal and administrative remedies. Limits lender remedies for returned checks.

BACKGROUND: Payday lending is an unsecured short term loan that is generally based on a post-dated check that will be cashed on the payday of the consumer. It is a financial service with high fees that can place borrowers with no savings or available credit at risk of greater indebtedness and more long-term credit problems. However, it also meets a need for those who have few or no other credit options.

In Oregon, there is currently no cap on interest or maximum loan limit. There is a limit of three rollovers. The Department of Consumer and Business Services currently regulates payday lenders.

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This summary has not been adopted or officially endorsed by action of the committee.