Oregon Closes Potential Gaps in Payday Lending Legislation

by Bend Weekly News Sources

New rules to further protect consumers from high-cost loans

Governor Ted Kulongoski and the Oregon Department of Consumer & Business Services (DCBS) recently announced new rules that will close potential loopholes in the payday lending legislation the governor signed in April.

â€œLast April, the Legislature and I worked to enact important legislation to protect hard working Oregonians from predatory lending practices,â€• said Governor Ted Kulongoski. â€œThese new rules will help us ensure that we carry out these protections and put an end to the loopholes that allow payday lenders to skirt the law.â€•

The rules, effective today, more accurately define the type of lending business that can be carried out under a â€œconventionalâ€• consumer finance license. Evidence indicates that some payday lenders have been applying for conventional consumer finance licenses to avoid the new restrictions on payday lending.

In addition to the new rules, Governor Kulongoski and DCBS have offered two new proposals for the 2007 Legislative session to further protect consumers for exploitive lending practices.

They are:

â€¢ Close Loopholes in Payday Lending Regulations. HB 2203 would extend the 2006 payday loan restrictions to lenders located out of state, including internet-based lenders, and establish a database to better track compliance.

â€¢ Limit Fees and Interest Rates on Short-Term Car Title Loans. HB 2204 would cap rates and fees charged on short-term loans secured through Oregonians based on the title to their car.

â€œThe new rules and our proposed legislation are additional steps to safeguard financially strapped consumers from high cost loans,â€• said Cory Streisinger, DCBS director. â€œWe appreciate the input from the lending community in developing these new protections.â€•

Conventional consumer finance lenders generally make longer-term installment loans based on a consumerâ€™s credit-worthiness, such as the consumerâ€™s credit history or the consumerâ€™s ratio of debt to income. They differ from payday lenders that provide high-cost single repayment loans without credit checks. The new rules require conventional lenders to have experienced employees on staff and use a business model that reflects the type of lending activity traditionally associated with the conventional lender license.

To read the rules in their entirety, go to http://dfcs.oregon.gov/rulestat.html#recent.

DCBSâ€™ Division of Finance and Corporate Securities, which regulates payday and other lenders, developed the rules with an advisory committee of conventional consumer finance lenders, payday lenders, and consumer advocates.

In Oregon, the number of payday loan stores nearly doubled in the past five years, growing from 184 in 2001 to 360 by the end of 2005. With interest rates often exceeding 500 percent, payday loans create acute financial burdens and credit problems for consumers. The legislation passed in April establishes limits on payday lending charges to protect consumers. The law takes effect July 1, 2007.