

SENATE COMMITTEE ON COMMERCE

March 15, 2005
3:10 P.M.

Hearing Room C
Tapes 35 - 38

MEMBERS PRESENT: Sen. Floyd Prozanski, Chair
Sen. Roger Beyer, Vice-Chair
Sen. Ginny Burdick
Sen. Charlie Ringo
Sen. Doug Whitsett

STAFF PRESENT: Anna Braun, Committee Administrator
Karen Scoffield, Committee Assistant

MEASURES/ISSUES HEARD:
SB 545 – Public Hearing
SB 634 – Public Hearing
SB 968 – Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 35, A		
005	Chair Prozanski	Calls the meeting to order at 3:12 p.m. Opens public hearing on SB 545 and SB 634. Announces that SB 738 and SB 931 will not be heard today. Discusses procedures for the hearings.
<u>SB 545, 634 – PUBLIC HEARING</u>		
045	Sen. Ryan Deckert	Senate District 14. Discusses and submits written testimony in support of SB 545 (EXHIBIT A). Introduces Rick Freed.
065	Rick Freed	Citizen, Portland, Oregon. Discusses and submits written testimony in support of SB 545 (EXHIBIT B).
095	Rep. Jackie Dingfelder	House District 45. Discusses and submits written testimony in support of SB 545 (EXHIBIT C).
135	Sen. Whitsett	Discusses the need to differentiate between fees and interest rates.
145	Rep. Dingfelder	Responds.
150	Rep. Chuck Riley	House District 29. Discusses and submits written testimony in support of SB 545 (EXHIBIT D).
180	Rep. Jeff Merkley	House District 47. Testifies in support of SB 545. Comments on the many payday loan companies located in his district. Discusses a study on the interest rate of payday loans.
235	Patti Whitney-Wise	Oregon Hunger Relief Task Force. Discusses and submits written testimony in support of SB 545 (EXHIBIT E).
270	Angela Martin	Public Policy Advocate, Oregon Food Bank Regional. Testifies in support of SB 545. Discusses the need to assist people who use payday loans.
320	Martin	Continues testimony. Discusses current law regarding payday loans.
355	Ellen Lowe	Legislative Advocate, Oregon Food Bank and Oregon Law Center. Public Policy Counsel for United Way of the Columbia Willamette. Testifies in support of SB 545. Discusses the need

of SB 545.

TAPE 36, A

015	Chair Prozanski	Asks Martin to provide information to the committee regarding payday loan practices of other states. Asks the importance of changing the term in SB 545 to no less than thirty-one days. Asks for information regarding the different rates available at payday loan locations possibly due to demographics or location.
035	Martin	Responds to Chair Prozanski's questions. Discusses the need of changing the term in SB 545 to thirty-one days.
085	Reverend Daniel E. H. Bryant	President, Ecumenical Ministries of Oregon. Discusses and submits written testimony in support of SB 545 (EXHIBIT F).
140	Pastor Thomas Dodd	Pastor, United Lutheran Church, Eugene, Oregon. Discusses and submits written testimony in support of SB 545 (EXHIBIT G). Discusses experience of a member of his congregation who took out two payday loans.
190	Dodd	Remarks that he called payday loan companies in the Eugene area to obtain data and reports the interest rates provided to him. Concludes testimony.
225	Cory Streisinger	Director, Department of Consumer and Business Services (DCBS). Discusses and submits written testimony in support of SB 545 (EXHIBIT H).
300	Streisinger	States that they have worked with Credit Unions to offer alternatives to payday loans. Discusses support of SB 634.
355	Sen. Whitsett	Comments that he has several questions and asks if there will be another hearing on the bills.
365	Chair Prozanski	Comments on the need of a work group and that there might not be another public hearing.
375	Sen. Whitsett	Asks in regard to SB 634 if DCBS requires credit card companies to consider if the consumer is able to repay the loan.
385	Streisinger	Responds that credit card companies are nationally regulated.
390	Sen. Whitsett	Remarks that the provision of good faith to be able to repay that is suggested in SB 634 is not on any credit card contract that he is aware of.
395	Streisinger	Responds.
405	Sen. Whitsett	Comments on section 3 of SB 545. Asks for clarification.
415	Streisinger	Responds.
420	Sen. Whitsett	Asks about loan practices regarding the regulation of interest rates.
425	Streisinger	Comments that they do not regulate interest rates for most types of financial industries in Oregon.
430	Floyd Lanter	Administrator, Division of Finance and Corporate Securities, DCBS. Responds to Sen. Whitsett's questions. Discusses practices of payday loan companies regarding default rates.

TAPE 35, B

010	Sen. Whitsett	Asks what information is required by payday lenders to provide to customers before acquiring a payday loan.
020	Streisinger	Answers that payday loan companies are required to make available the brochure submitted in EXHIBIT H entitled "Payday Loans in Oregon." Comments that they are also required to make the same disclosures of any other lender due to the Federal Truth in Lending Act.
025	Sen. Whitsett	Asks what information is in the brochure in EXHIBIT H.
027	Streisinger	Comments that the brochure was drafted by DCBS and it is general consumer information.

030	Sen. Whitsett	Asks if the brochure contains Annual Percentage Rate (APR) information.
032	Streisinger	Responds that APR information is required under federal law to be disclosed.
034	Sen. Whitsett	Asks if there are any other disclosure requirements for payday loan lenders.
035	Lanter	Answers that they are required to post the APR for a typical loan.
040	Sen. Whitsett	Asks if the same disclosures would be on the paperwork also.
041	Lanter	Discusses requirements in loan documents.
044	Sen. Whitsett	Inquires how many payday loans are issued annually in Oregon.
047	Lanter	Responds. States that 677,000 payday loans were issued in Oregon in 2003.
050	Sen. Whitsett	Inquires how many verifiable complaints DCBS received regarding payday loans.
052	Lanter	Remarks that they receive very few complaints as many people do not like to complain to their department.
055	Sen. Whitsett	Asks for the number of complaints.
057	Lanter	States that they received 16 complaints in 2004, no complaints in 2003 and less than 10 in the previous four years.
062	Chair Prozanski	Asks for status on a letter regarding challenging the authority of the rule making.
064	Streisinger	Responds that they have not made a challenge, but met with DCBS and gave them the legal opinion.
065	Chair Prozanski	Asks when it occurred.
067	Streisinger	States that it was September 2004.
068	Chair Prozanski	Comments on understanding of situation of the letter.
070	Streisinger	Responds.
072	Chair Prozanski	Inquires when the "Payday Loans in Oregon" brochure came about.
074	Streisinger	Responds that it was around January of 2005.
076	Lanter	Remarks that it is not a requirement for payday lenders to hand out the brochure, but just to make it available where payday loans are offered.
080	Chair Prozanski	Inquires if there is any requirement making payday lenders post information on where to go if customers have a complaint.
083	Lanter	Responds that the license issued to the payday lenders has a toll free number on it for DCBS and it is to be posted at the place of lending.
086	Streisinger	Comments that the brochure also advises individuals to contact DCBS.
088	Chair Prozanski	Asks if DCBS has seen a variance in interest rates within Oregon between different locations of payday loan companies.
090	Streisinger	Responds that they have not seen evidence of this.
095	Sen. Ringo	Asks the highest APR they have seen on payday loans.
100	Lanter	Responds.
105	Sen. Ringo	Asks if they have seen them as high as 700% or 800% APR.
107	Lanter	Responds that they typically range from 390% to 500% APR. Remarks that most consumers look at the fee.
111	Sen. Ringo	Asks how the APR correlates with the risk of the loan.
115	Lanter	Remarks that, based on the information he has seen, loss ratios typically run 20% of gross revenue.
125	Sen. Ringo	Clarifies that the loss rate is less than a credit card company, yet the interest that payday lenders are charging is 10-30 times what a credit card company would charge.

129	Lanter	Agrees.
130	Sen. Ringo	Asks if Lanter sees justification why they need to charge an interest rate that high given the relatively low risk of the loan.
132	Lanter	Remarks that there is a considerable risk because the people obtaining loans are essentially writing a non-sufficient funds (NSF) check.
135	Streisinger	Comments that each loan is a transaction and there is a transaction cost associated with setting it up.
140	Sen. Ringo	Comments on the need to understand the correlation between the rate and the risk of a loan.
143	Streisinger	Responds that it is a value judgment. Comments that they do support the caps in SB 545.
150	Sen. Beyer	Inquires what the typical bank fee would be for a NSF check.
157	Lanter	Responds that banks charge from \$20 to \$30 per check. Comments that more costs could potentially be incurred from an NSF check than a payday loan.
167	Sen. Beyer	Asks if traditional financial institutions offer payday loans.
170	Lanter	Comments that a number of credit unions now offer these type of loans.
180	Chair Prozanski	Inquires if there was discussion with the industry about having a fixed dollar amount instead of an APR to make things more basic for consumers.
190	Lanter	Comments that this was discussed.
195	Sen. Whitsett	Comments on the confusion of the loss calculated by payday lenders.
205	Lanter	Responds. Comments that the lenders calculate their loss or risk based on the revenue that they are generating.
245	Annette Price	Community Financial Services Association of Oregon. Testifies in opposition to SB 545 and SB 634. Submits 2,171 postcards on behalf of 2,171 citizens in Oregon in opposition to SB 545 and SB 634 (EXHIBIT I). (Note: The same postcard was sent by all citizens. See EXHIBIT I for a sample copy of the postcard). Submits written testimony on behalf of Thom Shauklas, President, Community Financial Services Association of Oregon, regarding SB 545 (EXHIBIT J).
270	Luanne Stoltz	Owner, Anyday's Payday. Government Relations Chair, Community Financial Services Association of Oregon (CFSAO). Discusses and submits written testimony in opposition to SB 545 (EXHIBIT K).
315	Mike Dewey	Consumer Lending Alliance. Testifies in opposition to SB 545. Discusses interest rates and fees in commercial lending. Submits an excerpt of conditions applicable to short-term personal loans (EXHIBIT L).
410	Dewey	Provides statistics of people who use payday loans. Comments on locations of payday lending companies. Summarizes and concludes.
TAPE 36, B		
015	John Powell	Cottonwood Financial dba The Cash Store. Testifies in opposition to SB 545. Discusses the need of payday loans. Comments that the thirty-one day loan period in SB 545 would increase defaults.
040	Sen. Ringo	Inquires if other states have caps on payday loans.
045	Dewey	Responds that there are states that have caps.
047	Sen. Ringo	Remarks that his understanding is almost all states have caps and

		that Oregon is one of the few states that does not have a cap. Asks why payday loan companies would not flourish if they had a cap like other states.
050	Dewey	Responds.
053	Sen. Ringo	Asks Stoltz if her sister who has three payday loan stores in Vancouver, Washington is still able to profit.
055	Stoltz	Responds.
057	Sen. Ringo	Remarks that if Washington is able to work under caps that Oregon should be able to also.
058	Dewey	Remarks that it would be problematic to lenders with lower volumes of loans.
060	Sen. Ringo	Discusses past usury laws in Oregon. Remarks that there should be some type of protection for the consumer.
065	Dewey	Agrees that we want to look for ways to protect consumers. Comments on the need of disclosure.
082	Sen. Ringo	Agrees that you have to pick a line that is arbitrary.
085	Powell	Comments on the disclosure of payday loans to other types of loans.
090	Sen. Ringo	Asks Powell why Oregon wouldn't be able to operate under caps if other states are able to.
095	Powell	Answers that high volume lenders would operate under certain cap levels in Oregon, but the industry as a whole would not operate.
100	Sen. Beyer	Asks Dewey what the rate would be if you calculated fees charged at automated teller machines (ATM).
105	Dewey	Offers to calculate the rate. Comments on the need of payday lenders to be competitive in the market place.
115	Sen. Beyer	Asks Stoltz to describe a typical payday loan transaction at her store.
125	Stoltz	Discusses procedures.
145	Sen. Beyer	Asks if there is anything to prevent customers from going from store to store and taking out more loans.
155	Stoltz	Responds that currently there are no restrictions on using other stores, but it is not to her advantage to loan to a customer who has loans at other stores.
162	Sen. Beyer	Responds that it may be to a lender's advantage to offer a lower interest rate to avoid a customer going to another lender.
165	Stoltz	Responds.
167	Chair Prozanski	Asks how much business goes across the border from Oregon into Washington of customers looking for a lower fee.
177	Stoltz	Responds.
183	Sen. Whitsett	Asks Price for information on payday loan stores in Oregon.
188	Price	Answers that there are approximately 365 payday loan stores in Oregon.
192	Stoltz	Estimates there are 3-4 employees per store in response to Sen. Whitsett's question.
195	Sen. Whitsett	Asks for a rough pay scale for payday loan employees.
200	Stoltz	Responds.
210	Pamela Leavitt	Credit Union Association. Discusses and submits written testimony with a neutral position to SB 545 (EXHIBIT M).
220	Chair Prozanski	Clarifies what Leavitt is referring to when she says "members."
225	Leavitt	Answers, members of the credit unions. Continues testimony.
280	Sen. Burdick	Comments that the fees seem to be comparable to what payday loan companies charge.

285	Leavitt	Responds.
295	Sen. Burdick	Comments that although the interest rate seems reasonable the fee is high.
300	Leavitt	Remarks that her information is only for a portion of the loans and not a summary.
307	Sen. Whitsett	Asks if the rate is an annualized rate.
309	Leavitt	Answers, yes.
312	Lori McNew	Citizen, Oregon. Discusses experience of son who obtained a payday loan. Discusses and submits written testimony in support of SB 545 (EXHIBIT N) .
345	Marilyn Read	St. Luke Lutheran Church. Submits written testimony on behalf of Reverend David A. Knapp (EXHIBIT O) . Testifies in support of SB 545.
415	James Hunt	Member, Social Justice Commission, Catholic Parish of St. Paul, Silverton, Oregon. Testifies in support of SB 545.
TAPE 37, A		
035	Hunt	Concludes testimony.
060	Norene Goplen	Director, Lutheran Advocacy Ministry of Oregon. Discusses and submits written testimony in support of SB 545 (EXHIBIT P) .
125	Gloria Colvin	Executive Director, Fish Emergency Service, Inc. Discusses and submits written testimony in support of SB 545 (EXHIBIT Q) . Discusses confusion between fees and interest rates.
185	Chair Prozanski	Recesses public hearing on SB 545 and SB 634. Opens public hearing on SB 968.
<u>SB 968 – PUBLIC HEARING</u>		
205	Rep. Jackie Dingfelder	House District 45. Discusses and submits written testimony (EXHIBIT R) and a fact sheet on refund anticipation loans (EXHIBIT S) in support of SB 968. Comments that amendments are being drafted and notes appreciation of the cooperation of H&R Block.
300	Chair Prozanski	Asks if Art Chartrand would like to testify on SB 935 as he has traveled more than 100 miles.
305	Art Chartrand	Remarks that he would like to come back to testify when other individuals testify.
310	Chair Prozanski	States that SB 935 will be rescheduled.
320	Rep. Dingfelder	Adds that there is a bill in congress currently regarding refund anticipation loans (RAL).
335	Phillip Kennedy – Wong	Ecumenical Ministries of Oregon (EMO). Testifies in support of SB 968. Submits written testimony on behalf of Rina Kotek, Policy Director, Children First for Oregon (EXHIBIT T) .
420	Rep. Dingfelder	Mentions pg. 3-6 of EXHIBIT T showing data on Federal Tax Returns claiming the Earned Income Tax Credit in Oregon.
TAPE 38, A		
020	Chair Prozanski	Announces that SB 573 will be rescheduled.
030	Sybil Hebb	Legislative Advocate, Oregon Law Center. Discusses and submits written testimony in support of SB 968 (EXHIBIT U) .
082	Floyd Lanter	Administrator, Division of Finance and Corporate Securities, Department of Consumer and Business Services (DCBS). Discusses and submits written testimony in neutrality to SB 968 (EXHIBIT V) .
115	Sen. Beyer	Inquires regarding figures provided in Lanter's testimony.
123	Lanter	Remarks that he provided Rep. Dingfelder the information she provided the committee. Discusses statistics.
130	Sen. Beyer	Discusses discrepancy between Rep. Dingfelder's statistics and

		Lanter's statistics.
132	Lanter	Offers to look into the discrepancy and return the information.
160	Matt Markee	H&R Block. Introduces and defers to Jim Hintz and Bob Weinberger.
165	Bob Weinberger	Vice President, Government Relations, H&R Block. Discusses and submits an informational packet in opposition to SB 968 (EXHIBIT W) .
230	Weinberger	Discusses procedures of the tax preparation process. Discusses procedures in a tax refund anticipation loan.
280	Weinberger	Discusses disclosure procedures. Summarizes and concludes testimony.
330	Jim Hintz	H&R Block, Oregon. Offers to answer questions from the committee.
335	Tom Echols	Regional Director, Government Relations, HSBC Taxpayer Financial Services. States that HSBC is H&R Block's national partner on refund anticipation loans. Testifies in opposition to SB 968. Remarks that refund anticipation loans are driven by customer demand.
375	Sen. Beyer	Asks for number of customers who do not have bank accounts.
380	Weinberger	Responds that approximately 48% of refund anticipation loan clients do not have a checking account.
382	Sen. Beyer	Asks where these people go to cash their refund checks.
384	Weinberger	Responds.
TAPE 37, B		
005	Sen. Beyer	Inquires regarding fees associated with cashing United States treasury checks without a checking account.
013	Weinberger	Discusses fees.
015	Sen. Beyer	Remarks that it can be cheaper to obtain a refund anticipation loan than to pay a 3-6% fee to cash a refund check.
020	Weinberger	Responds that the costs saved may make refund anticipation loans more desirable.
025	Chair Prozanski	Inquires if there is a way for H&R Block to cash refund anticipation loans.
030	Weinberger	Answers that H&R Block is not allowed to cash Internal Revenue Service (IRS) checks.
031	Echols	Comments that they cannot have checks mailed to them either and that they have to be mailed to the taxpayer.
032	Chair Prozanski	Discusses understanding.
033	Weinberger	Responds.
035	Chair Prozanski	Inquires how much business H&R Block does in Oregon as far as market share.
040	Hintz	Responds that he does not know for sure.
041	Chair Prozanski	Inquires regarding regulations in Oregon.
046	Weinberger	Responds that there is extensive federal regulation. Remarks that some of the items in the SB 968 are already covered by federal law.
063	Chair Prozanski	Asks Weinberger to point out in SB 968 what is covered under federal law. Asks if Weinberger has a problem with the language of SB 968 regarding notification.
090	Weinberger	Responds that their preference is a uniform national standard, but they want to assist the committee in their needs.

The following is submitted for the record without public testimony:

Rick Bennett	Associate State Director for Advocacy, AARP Oregon. Submits written testimony in support of SB 968 (EXHIBIT X) .
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	Justin M. Baxter	Attorney, Baxter & Baxter, LLP. Submits written testimony in support of SB 968 (EXHIBIT Y) .
	Patti Whitney-Wise	Oregon Hunger Relief Task Force. Submits written testimony in support of SB 968 (EXHIBIT Z) .
100	Chair Prozanski	Closes public hearing on SB 968. Reopens public hearing on SB 545 and 634.

SB 545, 634 – PUBLIC HEARING

110	Jim Gardner	Cottonwood Financial dba The Cash Store. Turns time over to Annette Price to testify first.
113	Annette Price	Community Financial Services of Oregon. Discusses and submits written testimony in opposition to SB 634 (EXHIBIT AA) .
130	Jim Gardner	Discusses and submits informational packet of a recap of the history of SB 159 (2003) in opposition to SB 634 (EXHIBIT BB) .
172	John Powell	Cottonwood Financial dba The Cash Store. Discusses the difference between secured and unsecured loans.
220	Jim Markee	Community Loans of America. Comments on the excellent work of the Department of Consumer and Business Services (DCBS). Testifies in opposition to SB 634.
290	Sen. Beyer	Remarks that they have been asked several times this session to put into statute what is currently being done by rule by many departments.
300	Markee	Comments that DCBS is not normally in this type of situation.
310	Chair Prozanski	Remarks that DCBS is trying to incorporate unsecured loans into the same statutes that are already in place for secured loans. Discusses the difference of the standard between secured and unsecured loans. Comments on the need to inform the public.
355	Markee	Responds. Comments that the lending process is between the lenders and the borrowers and that proposed legislation is an attempt to replace the judgment of the lender or the borrower with someone else's judgment.
405	Gardner	Responds to Chair Prozanski's comments.
TAPE 38, B		
010	Chair Prozanski	Discusses the legislature's duty to set public policy. Remarks that Oregon does not have usury laws.
040	Anna Braun	Committee Administrator. Submits an article on behalf of Troy May regarding SB 545 (EXHIBIT CC) .

The following is submitted for the record without public testimony:

	Paul Rainey	NW Public Affairs, LLC. Submits written testimony on behalf of the Community Action Directors of Oregon (CADO) in support of SB 545 (EXHIBIT DD) .
	Justin M. Baxter	Attorney, Baxter & Baxter, LLP. Submits written testimony in support of SB 545 and SB 634 (EXHIBIT Y) .
	Robert J. Castagna	Oregon Catholic Conference. Submits written testimony in support of SB 545 (EXHIBIT EE) .
	Rick Bennett	AARP Oregon. Submits written testimony in support of SB 545 (EXHIBIT FF) .
	Rep. Carolyn Tomei	House District 41. Submits written testimony in support of SB 545 (EXHIBIT GG) .
035	Chair Prozanski	Closes public hearing on SB 545 and SB 634 and adjourns the meeting at 6:28 p.m.

EXHIBIT SUMMARY

- A. SB 545, written testimony, Sen. Ryan Deckert, 1 p
- B. SB 545, written testimony, Rick Freed, 1 p
- C. SB 545, written testimony, Rep. Jackie Dingfelder, 1 p
- D. SB 545, written testimony, Rep. Chuck Riley, 1 p
- E. SB 545, written testimony, Patti Whitney-Wise, 1 p
- F. SB 545, written testimony, Daniel E.H. Bryant, 2 p
- G. SB 545, written testimony, Thomas Dodd, 2 pp
- H. SB 545, SB 634, written testimony, Cory Streisinger, 24 pp
- I. SB 545, SB 634, postcards, Annette Price, 1 p
- J. SB 545, written testimony of Thom Skauklas, Annette Price, 1 p
- K. SB 545, written testimony, Luanne Stoltz, 2 pp
- L. SB 545, excerpt, Mike Dewey, 4 pp
- M. SB 545, written testimony, Pamela Leavitt, 7 pp
- N. SB 545, written testimony, Lori McNew, 1 p
- O. SB 545, written testimony of Rev. David A. Knapp, Marilyn Read, 5 pp
- P. SB 545, written testimony, Norene Goplen, 2 pp
- Q. SB 545, written testimony, Gloria Colvin, 2 pp
- R. SB 968, written testimony, Rep. Jackie Dingfelder, 2 pp
- S. SB 968, fact sheet, Rep. Jackie Dingfelder, 1 p
- T. SB 968, written testimony of Tina Koteck, Phillip Kennedy – Wong, 6 pp
- U. SB 968, written testimony, Sybil Hebb, 2 pp
- V. SB 968, written testimony, Floyd Lanter, 4 pp
- W. SB 968, informational packet, Bob Weinberger, 23 pp
- X. SB 968, written testimony, Rick Bennett, 1 p
- Y. SB 968, SB 545, SB 634, written testimony, Justin M. Baxter, 2 pp
- Z. SB 968, written testimony, Patti Whitney-Wise, 1 p
 - AA. SB 634, written testimony, Annette Price, 2 pp
 - BB. SB 634, informational packet, Jim Gardner, 3 pp
 - CC. SB 545, article by Troy May, staff, 1 p
 - DD. SB 545, written testimony, Paul Rainey, 1 p
 - EE. SB 545, written testimony, Robert J. Castagna, 2 pp
 - FF. SB 545, written testimony, Rick Bennett, 1 p
 - GG. SB 545, written testimony, Rep. Carolyn Tomei, 1 p