

Ted Kulongoski
Governor



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Governor Kulongoski signs payday loan regulation into law
Senate Bill 1105 caps interest rates and adjusts terms of loans

Salem, OR— Today Governor Ted Kulongoski signed Oregon’s new payday loan restrictions into law, setting an interest cap of 36 percent and a minimum term of 31 days.

“Predatory lending, which victimizes people who are already skating on thin financial ice, has no place in Oregon,” the Governor told a gathering of legislators, advocates for the working poor, and reporters at St. Mark’s Lutheran Church, where he signed the bill. “I believe that all our citizens deserve access to fair and affordable credit. That means putting a stop to businesses that take advantage of the working poor by charging excessive interest on loans they desperately need to make ends meet until their next paycheck.”

In a special session last week, the Oregon legislature approved the bill (SB 1105) in response to concerns over an industry that routinely charged customers 500-percent interest on short-term loans. The Governor strongly supported the measure in the 2005 session of the legislature, but the measure failed to gain final passage at that time.

“The modest earnings of the working poor are frequently not enough to cover all the bills and expenses of a pay period,” the Governor said. “In other words, the paycheck runs out, but the month is not over. Rent, gas, utilities or food still need to be paid for. At that point, Oregonians who are working—but poor—often go looking for a payday lender.”

Before the new law took effect, a payday lender would approve a loan and issue a check to the customer. The customer would give the lender a post-dated personal check that included the amount of the loan and all the associated fees and interest. The borrower would then promise the check would clear in two weeks. The lender would hold the check for that two-week period. If the borrower couldn’t repay the loan in that time frame, the borrower will extend the loan—or roll it over—up to three more times at the same interest rate.

“The sad reality is that many borrowers cannot repay the loan in two weeks,” the Governor said. “And because of the exorbitant interest rate, they quickly find themselves mired in debt. Because they live and work at the low end of the pay scale, these borrowers must often choose between buying food and paying the loan fees. And that’s wrong.”

Oregon has now joined 43 other states in establishing reasonable limits on the interest that payday lenders may charge, the Governor added.

“No working resident of Oregon should suffer the hopelessness that comes from steep debt that is the result of unregulated payday loans,” the Governor said.