



February 27, 2023

Re: SF 1635 – Consumer short-term and small loan interest rates regulated.

Dear Chair Klein and members of the Senate Commerce and Consumer Protection Committee,

The League of Minnesota Cities, a statewide association representing 837 Minnesota cities, supports SF 1635 because it would help protect consumer small loan borrowers against predatory lending practices. SF 1635 caps finance charges and interest rates on consumer short-term and small loans.

City governments in Minnesota are responsible for protecting the health, safety, and welfare of communities and the health of local economies. Consumer short-term lending in the form of “payday loans” are frequently predatory in nature and disproportionately impact communities of color and low to moderate income areas of cities, creating individual and local economic spirals in communities. Borrowers seeking small cash advances sometimes incur fees and interest rates averaging over 200 percent, and they are unable to repay the full amount of the loan plus interest when payment is due. Because borrowers are often unable to afford living expenses until their next paycheck after repaying their initial payday loan, they take out another loan, which begins a detrimental financial spiral.

Implementing rate caps to protect borrowers from excessive fees and triple-digit interest rates will not only avoid individual financial spirals but will ensure more capital stays within city local economies rather than being lost to outside interests. Please support measures to protect consumer small loan and short-term borrowers against predatory lending practices.

Sincerely,

A handwritten signature in black ink that reads "Anne Finn". The signature is fluid and cursive, with a small dot above the "i" in "Finn".

Anne Finn
Intergovernmental Relations Director
League of Minnesota Cities