

February 26, 2023

Chairman Matt Klein  
Minnesota Senate Committee on Commerce and Consumer Protection

Re: SF 1635, Interest rates regulation for consumer short-term and small loans

Dear Chairman Klein,

I am Joe Rubin, head of Policy and External Communications for Opportunity Financial. This mission-driven fintech platform assists FDIC-regulated banks in making safe and secure loans to consumers who have difficulty accessing mainstream credit providers.

We support the author's efforts to increase consumer protection and reduce use of single pay "payday" products, regulated under Minnesota's *Small Loan* law.

However, the changes made to Minnesota's *Short Term* Loan law in the House engrossed version of this bill would have severe unintended consequences on the consumers it is attempting to help.

Studies undertaken by the Federal Reserve and others in Illinois, which the House approach follows, found that the Illinois law left "Most borrowers... unable to borrow money when they needed it" and that "the Illinois interest-rate cap of 36% significantly decreased the availability of small-dollar credit, particularly to subprime borrowers, and worsened the financial well-being of many consumers."

The Study concluded, "Borrowers who have lost access to their lender have paid bills late, cut back on everyday expenses, coped with debt collectors, and had utilities turned off."

The Urban Institute found similar federal policy had negative effects on military service personnel with subprime credit by limiting their access to credit, and therefore recommended against expanding the 36% APR cap to the non-military population as ineffective at improving credit health.

Before the legislature commits to making a change that could have significant unintended consequences for Minnesotans, we urge you to consider alternatives that protect consumers while preserving safe access to credit.

I look forward to talking with you early next week about policy alternatives that thoughtfully strike that balance.

Thank you very much for your time and consideration. Feel free to contact me any time at (202) 557-4180 or [JRubin@oppfi.com](mailto:JRubin@oppfi.com).

Sincerely,  
Joe Rubin