

February 27, 2023

Joint Religious Legislative Coalition
P.O. Box 4233
Saint Paul, MN 55104

Re: SF1635- Interest rates regulation for consumer short-term and small loans.

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

The Joint Religious Legislative Coalition (JRLC) is a state-wide coalition formed through the partnership of our four sponsoring faith organizations: the Islamic Center of Minnesota, the Jewish Community Relations Council, the Minnesota Catholic Conference, and the Minnesota Council of Churches. As people of faith, we advocate alongside our neighbors of differing religious backgrounds to address poverty, uphold the dignity of overlooked communities, and mitigate societal harm. JRLC enthusiastically supports the passage of SF1635 which would cap interest rates and finance charges on small-dollar, short-term loans, known as “payday loans,” at 36%. We feel this change is necessary and long overdue.

Payday lending targets people dealing with significant financial strain and the absurdly high-interest rates that accompany these types of loans can create debt spirals, making this hardship exponentially worse. This predatory practice banks on individuals in desperate situations needing immediate funds, and often these loans are approved regardless of if borrowers have any ability to pay them back. These predatory lenders will say that only a very small percentage of these loans “go” to collections, when they very seldom *send* loans to collections if the borrower is continuing to make any payments at all because this provides the lender with an ongoing source of income with no payoff date in sight. This issue disproportionately impacts people of color and families living in poverty and inhibits the building of generational wealth in struggling communities.

We believe that the practice of payday lending is extremely unethical, and against the moral compass of a civil society. Placing a 36% interest rate cap on these loans will go a long way towards mitigating the harm this practice inflicts on people in vulnerable situations, and it is simply the right thing to do.

Thank you for your time and for moving this bill forward.

Sincerely,



Leah Patton
Executive Director, Joint Religious Legislative Coalition