



Dear Honorable Chair Klein, Honorable Ranking Member Dahms, and Honorable Senators:

The City of Saint Paul supports SF1635: Interest rates regulation for consumer short-term and small loans.

Caps interest rates at 36% for payday lenders

In Saint Paul, over 7,300 loans are taken out annually with the average loan being \$403.54 with an average interest rate of 206%. A 36% interest rate cap would have kept hundreds of thousands of dollars in Saint Paul residents pockets.

Research from the Consumer Financial Protection Bureau (CFPB) indicates that payday lenders rely heavily on this repeat cycle: 75% of fees come from borrowers with ten or more loans per year. In Saint Paul, 21% of all borrowers took out 10+ loans (MN Department of Commerce, 2021). What may seem like “affordable interest” on a single loan, the data for repeat borrowing indicates a hefty amount of interest paid for money loaned for repeat borrowers, extracting 100s of dollars for each repeat borrower.

Some may say bank overdraft fees or credit card late fees are a greater “interest rate equivalent” than the average payday loan interest rate. They would be right, and we believe each is financially exploitative and why there is federal attempts to regulate these other fees. Minnesotans deserve more financial products in the marketplace with no overdraft fees (see [Affinity Plus credit union reduces or eliminates some overdraft fees](#), Star Tribune, July 5, 2022) AND to root out exploitative financial products from the local financial marketplace. This is not an either/or proposition; it is a both/and approach: state regulation on interest rates plus residents demanding private market offerings for fairer financial products. A 36% cap on interest rates is a strong start in achieving this goal.

Levels the playing field by regulating payday lenders in the same way once and for all

It is not well known that all the payday lenders in Saint Paul are operating under the Industrial Loan and Thrift loophole, which currently allows three of the 38+ licensed lenders to charge an even higher interest rate than lenders operating under the 1995 MN's payday lending law. This bill levels the playing field by requiring all payday lenders to be regulated in a uniform way once and for all, a huge step forward for Saint Paul residents and Minnesotans.

In closing, the legislature has a duty to protect Minnesotans from financial exploitation. This bill works towards enforcing a fairer interest rate for Minnesota consumers in route to creating a fairer financial marketplace. We know Saint Paul residents and all Minnesotans will benefit from the passage of this bill. The City of Saint Paul supports the passage of SF1635.

Thank you,

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City of Saint Paul

Cc: Mayor Melvin Carter