



Minneapolis Area Synod of the ELCA

February 27, 2023

Honorable Senators Klein, Seeberger, Dahms, and other Commerce Committee Members:

I write to encourage your support of SF1635 and to make sure you and others know the destructive power of the predatory debt trap. When consumers find themselves caught in a snare that can mean 200% and 300% repayment rates, they must turn to other sources for financial emergency support. I frequently hear from pastors – in rural, exurban, suburban, and urban congregations – about the regularity with which they are called upon to support people ensnared by PayDay loans.

These predatory loans are literally designed to prey on the most fiscally insecure members of society, people who work but whose paycheck offers no regular security. And once they are trapped, borrowers live with the distress of continual indebtedness.

Some try to justify that the repayment cost isn't that much: "If people just pay back the loan immediately ..." But that simply is not the reality. Virtually all borrowers take out multiple loans, primarily to pay off the first one. Empathy requires that we understand the precarity of the situation of most borrowers; they don't have easy access to stores of cash for repayment.

Ultimately, most do what would have been best in the first place. They find access to short-term cash from friends, family, faith communities, or community-based lending alternatives, thus ending the stranglehold that predatory lenders hold them in.

The ELCA, and other faith communities, are willing to be sources of financial support for those confronted with economic insecurity. But we are not willing to do so in support of a system designed to prey on the vulnerable. SF1635 is a step in the right direction to ensure that people are not caught in this debt trap, by capping loans at 36%. (I have heard the credit card companies are able to thrive with 19% or 20% lending rates; why do predatory lenders require a 200%+ return for their business model to be successful?)

Other states have taken the lead on regulating PayDay loans. In fact, Minnesota will be in the middle of the pack when we finally commit to regulating unscrupulous lenders. Please vote yes on SF1635.

With hope that the arc of history bends toward justice,

Bishop Ann Svennungsen