



American Fintech Council Written Testimony

TO: The Minnesota Senate Committee on Commerce and Consumer Protection
FROM: Hon. Phil Goldfeder, CEO, American Fintech Council (AFC)
DATE: February 29, 2024
SUBJECT: Senate File 3932

Re: American Fintech Council's Opposition to Minnesota Senate File 3932

Thank you Chair Klein, Vice-Chair Seeberger, and members of the Senate Committee on Commerce and Consumer Protection for providing me the opportunity to submit my written testimony to you in opposition to Senate File 3932 (SF 3932). My name is Phil Goldfeder, I served as a senior advisor to Senate Majority Leader Chuck Schumer, and I am a former state legislator from the state of New York. I now continue in my public service as the CEO of the American Fintech Council (AFC).

As CEO of a standards-based trade association representing responsible fintech companies of all sizes and their innovative partner banks, I recognize that not all bank-fintech partnerships are created equal. While AFC members do not offer loans above 36 percent interest, other bank-fintech partnerships do not hold themselves to such a standard. In recognition of that, AFC agrees with the bill's intent of creating proper guardrails to ensure Minnesota consumers are protected from high-interest lenders operating outside the state's regulatory perimeter. However, this bill is a blunt legislative solution for an issue that requires nuance.

SF 3932 diminishes access for Minnesotans. Under the current law, state-chartered community banks are able to partner with fintech companies to offer much needed, safe and affordable, credit to consumers. This bill opts Minnesota out of the federal law that enables community banks to compete with national banks.¹ As a result, this will significantly decrease the supply of affordable credit in Minnesota at a time when, according to the Consumer Financial Protection Bureau (CFPB), credit card interest rates are at an all-time high and being driven by a lack of competition.² Consumers deserve options in financial services to choose the most appropriate

¹ SF 3932's provisions would opt Minnesota out of Section 521 of the Depository Institutions and Monetary Control Act of 1980, which allows state-chartered financial institutions to export the interest rates allowable by the state with which the institution is chartered. National banks are also afforded the ability to export their interest rates under Section 85 of the National Bank Act of 1863. However, the provisions of SF 3932 would not remove a national bank's rate exportation abilities because the National Bank Act does not have an opt-out provision. Thus, SF 3932 would create an anti-competitive disparity in the banking system that would ultimately limit the optionality and access to credit for consumers.

² See, CFPB Office of Markets, "Credit card data: Small issuers offer lower rates" (Feb. 16, 2024) *available at* <https://www.consumerfinance.gov/data-research/research-reports/credit-card-data-small-issuers-offer-lower-rates/>; and Dan

financial product that best serves their needs in the moment. Further, high-cost lenders will seek loopholes, like partnering with nationally chartered banks who are not impacted by the bill's provisions, to continue offering their predatory products to the consumers previously served by the responsible lenders that make up AFC's membership.

To believe that demand for financial access will simply subside, or that in-state banks will be able to somehow serve consumers previously served by out-of-state banks is simply incorrect. What will happen is, consumers once responsibly served through bank-fintech partnerships will now either have no option for credit or be forced to engage with high-interest payday or predatory lenders or nationally chartered banks that are not beholden to Minnesota's interest rate cap.

If passed, SF 3932 will decrease access to responsible credit, put community banks at a disadvantage and leave many Minnesota consumers — particularly those in minority and rural communities — with no option but to rely on far too many predatory and high-interest alternatives. Unfortunately, while the desire to pass this bill may fill the hearts and minds of consumer advocates, the unfortunate impacts to Minnesotans will be felt immediately and the full negative impact will last for years. It will be this committee, not the advocates, that will need to work doubly hard to remedy the issue they thought they solved through the passage of SF 3932.

Therefore, we respectfully request that this committee table this bill to consider the nuance needed to properly solve the issues discussed, and not harm the hundreds of thousands of Minnesotans being responsibly served by AFC members. I thank you again for the opportunity to raise my concerns regarding SF 3932. Please feel free to contact me with any questions regarding the bill at phil@fintechcouncil.org. I welcome your inquiries.

Sincerely,



Phil Goldfeder, CEO
American Fintech Council