MINNESOTA
CREDIT UNION NETWORK

February 27, 2024

Chair Klein and members of the Senate Commerce committee,

I am writing today to submit comments on behalf of the Minnesota Credit Union Network regarding SF 3932, legislation that prevents financial institutions located outside of MN from partnering with nonbank lenders in state to make loans at interest rates above what Minnesota state law permits. The Minnesota Credit Union Network is the trade association for credit unions and works to ensure a thriving credit union system in Minnesota through powerful advocacy, expertise, resources, opportunity, and influence on behalf of our member credit unions and their more than 2 million members.

Last year, in recognition of the continuing challenging financial situations that many Americans find themselves in, the Minnesota legislature passed HF 290/SF 1635, a bill that capped interest rates for short term payday loans at 50% if the lender does an ability to repay assessment and 36% if they do not. Credit unions in Minnesota have long undertaken efforts to help their members in times of financial duress through loan products that don't function in a predatory manner. The National Credit Union Administration, under guidance from the Consumer Financial Protection Bureau, have developed a framework for federally chartered credit unions to offer payday alternative loans (PALs) that, among other things:

- Allows a federal credit union to offer a PALs loan for any amount up to $2,000.
- Requires loans to have a minimum term of one month with a maximum of 12 months.
- Caps PAL rates at 28%.
- Allows a federal credit union to make a PALs loan immediately upon the borrower's establishing membership.
- Restricts a federal credit union to offering only one type of PALs loan to a member at any given time.
- Enacts a prohibition against loan rollovers.
- Imposes a limitation on the number of loans a single borrower can take in a given period.

Many Minnesota based state-chartered credit unions also offer these types of products to help their members meet their financial needs. These offerings include unsecured personal loans, a cap on the number of loans a member can take out, credit cards or lines of credit with low, fixed rates or other, more creative ways to help with short term cash crunch emergencies. One credit union recently shared a story about a member that;," …came in asking for a loan for a small amount. When we ran her information, we noticed some high interest payday loans she had recently taken out. When discussing this with the loan officer in the branch we came up with an offer to help her consolidate her debt into a smaller monthly payment that included the original amount she was asking for. Her monthly payments dropped by about $350 and we saved her thousands of dollars of interest payments and she will pay it off in a much shorter time frame as

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well. She walked out smiling and said she was blessed to come in that day and talk with us."

Stories like this abound with credit unions across Minnesota that are able to offer products and services that help their members escape debt traps in a manner that fits their situation and are proof that credit unions have been, and will continue to be, trusted financial partners with families and communities across our state.

Though the passage of the payday lending rate cap was a huge step in helping Minnesotans in need find a non-predatory financial product, a loophole that allows non-Minnesota institutions to import rates much higher than allowed by Minnesota-based financial institutions remains. Minnesota's credit unions would encourage the committee to vote in favor of SF 3932, closing this loophole, and ensuring that Minnesota-based lending institutions don't face unfair competition from out of state actors.

Thank you for the chance to offer comments on SF 3932.

Regards,

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