



January 27, 2021

**Re: HF 102 – Consumer short-term and small loan interest rates regulated.**

Dear Chair Stephenson and members of the House Commerce Finance and Policy Committee:

The League of Minnesota Cities supports HF 102 and respectfully requests that members support efforts to protect consumer small loan borrowers against predatory lending practices. HF 102 protects city residents by establishing measures that will cap finance charges and interest rates on consumer small loans.

Cities across Minnesota have a right and a responsibility to protect the health, safety, and welfare of their communities and the health of local economies. Consumer short-term lending in the form of “payday loans” can often be predatory in nature and disproportionately impacts communities of color and low to moderate income areas of cities creating individual and local economic spirals in our communities. In many cases, borrowers seeking small cash advances that include fees and interest rates averaging over 200% in Minnesota are unable to pay the full amount of the loan plus interest when payment is due. Because borrowers are often unable to afford to live until their next payday after repaying their initial payday loan, they often take out another loan, which begins a detrimental financial spiral.

Implementing rate caps to protect borrowers from excessive fees and triple-digit interest rates will not only avoid individual financial spirals but will ensure that more capital stays within city local economies rather than being lost to outside interests. Please join us in supporting measures to protect consumer small loan borrowers against predatory lending practices.

Thank you for your consideration and your support.

Sincerely,

A handwritten signature in black ink that reads "Daniel Lightfoot". The signature is written in a cursive, flowing style.

Daniel Lightfoot  
Intergovernmental Relations Representative  
League of Minnesota Cities