

**Subject** Consumer Small and Short-Term Loans

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## Overview

This bill regulates payday lending. It requires industrial loan and thrift companies and finance companies to make payday loans in compliance with Minnesota Statutes, section 47.60 (dealing with consumer loans of \$350 or less) and section 47.601 (dealing with consumer loans of \$2,000 or less and with a minimum payment date of up to 120 days from loan origination). This bill also prohibits payday loans from having an annual percentage interest rate and fees that exceed 36 percent and prohibits certain behaviors to evade the requirements of these laws.

## Summary

Section	Description
1	<b>Application.</b> Removes cross-reference to section 47.60.
2	<b>Definitions.</b> Adds a definition of annual percentage rate, which includes interest, finance charges, and fees.
3	<b>Authorization, terms, conditions, and prohibitions.</b> Allows a consumer small lender to charge interest, finance charges, and fees on a loan of up to 36 percent APR.
4	<b>No evasion.</b> (a) Prohibits a person from engaging in any device, subterfuge, or pretense to evade the requirements of this section, including, but not limited to certain behaviors.  (b) Clarifies that a person is a consumer small loan lender even if they purport to be an agent or service provider if they have the predominant economic interest in a loan

Section	Description
	<p>or lending business or they market, solicit, broker, or arrange the loans or holds the right or first right of refusal to acquire a loan or direct interest in a loan.</p> <p>(c) Clarifies that a person is a consumer small loan lender if under the totality of the circumstances indicate that a person is a lender and the transaction is structured to evade the requirements of this section. Lists circumstances that weigh in favor of a person being the lender of the transaction.</p>
5	<p><b>Definitions.</b></p> <p>Changes the definition of “consumer short-term loan” to include loans of up to \$2,000 (from \$1,000) and loans that require a minimum payment within 120 days (versus 60 days) of origination.</p> <p>Clarifies that a “consumer short-term lender” includes those with a substantial involvement in facilitating, marketing, lead-generating, underwriting, servicing, or collecting consumer short-term loans.</p>
6	<p><b>Consumer short-term loan contract.</b></p> <p>Removes a cross-reference to section 47.59 and removes a de minimis exception to consumer short-term loan contracts that exceed allowable interest rates.</p>
7	<p><b>No evasion.</b></p> <p>(a) Prohibits a person from engaging in any device, subterfuge, or pretense to evade the requirements of this section, including, but not limited to certain behaviors.</p> <p>(b) Clarifies that a person is a consumer short-term lender even if they purport to be an agent or service provider if they have the predominant economic interest in a loan or lending business or they market, solicit, broker, or arrange a loan or hold the right or first right of refusal to acquire a loan or direct interest in a loan.</p> <p>Clarifies that a person is a consumer short-term lender if the totality of the circumstances indicate that a person is the lender and the transaction is structured to evade the requirements of this section. Lists circumstances that weigh in favor of a person being the lender of the transaction.</p>
8	<p><b>Penalties for violation; private right of action.</b></p> <p>Removes a cross-reference to section 47.59 and updates internal cross-references.</p>
9	<p><b>Loans.</b></p> <p>Requires industrial loan and thrift companies making consumer small loans or consumer short-term loans to comply with the requirements of sections 47.60 and 47.601, as applicable.</p>

<b>Section</b>	<b>Description</b>
10	<b>Interest rates and charges.</b> Requires regulated lenders (finance companies) making consumer small loans or consumer short-term loans to comply with the requirements of sections 47.60 and 47.601, as applicable.
11	<b>Effective date; application.</b> Sections 1 to 9 are effective August 1, 2023, and apply to consumer small loans and consumer short-term loans originated on or after that date.



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