MINNESOTANS FOR FAIR LENDING

Pass the Cap!

36% APR Cap Stops the Payday Lending Debt Trap

Not only do average payday loans in Minnesota carry an outrageous 203% annual interest rate, the terms of these loans intentionally create a cycle of debt from which borrowers have great difficulty escaping. The result for many struggling families is a spiral of financial challenges including unpaid bills, bank fees that create involuntarily closed bank accounts, and even bankruptcy.

Our lawmakers should stop this predation now, with a 36% cap on APR for these loans. Similar caps have chased out predatory lenders in 18 states and D.C.

FAST FACTS ON PAYDAY LENDING IN MINNESOTA

- Average loan size $417
- Average loans per year 7
- Average weeks in debt 20
- Average annual interest 203%

Eighteen states and DC stop predatory payday lending with caps of 36% annual interest, inclusive of fees.

79% of Minnesotans support a rate cap of 36% or lower, with high levels of support among all party affiliations.

What's the Problem with Payday Loans

Payday loans average $417 in Minnesota. Payday lenders market these loans, typically due back on the borrower's next payday, as short-term relief for a cash shortfall, but the simple truth is that they are designed to create a long-term cycle. With full payment typically due on the borrower's next payday, and with the lender able to extract payment directly from the borrower's bank account, repeat borrowing is common and costly.

In Minnesota, borrowers take an average 7 loans per year and are caught in debt for 20 weeks or more. At these rates, they often end up paying much more in interest than they originally borrowed.

And research from the Consumer Financial Protection Bureau indicates that payday lenders rely heavily on this repeat cycle: 75% of fees come from borrowers with ten or more loans per year. That is why the 36% APR cap stops this type of predatory lending. Payday lenders can't make their business model of extracting repeat fees work at that rate.

Fortunately, former borrowers in states that once had payday lending express relief to be out of the debt trap and have found a variety of ways to cover cash shortfalls that don't cause them the harm that payday loans once did.

THE HARMS OF PAYDAY LOANS

Payday lending takes a toll on families by turning a cash shortfall into a long-term, expensive debt burden. The following harms have been associated with payday lending:

- Inability to keep up with regular expenses like food, rent, and medications.
- Increased overdraft and insufficient funds fees, because payday lenders extract the loan balance and fees directly from the customer's bank account, even if their funds are short.
- In turn, repeated bank fees can lead to involuntary bank account closure. Losing access to their bank account can be burdensome and costly for struggling families for years to come.
- Payday borrowers are more likely to have to file bankruptcy than similarly situated families.

In addition, payday lending drains millions per year from local economies with fees going to predatory lenders rather than safe, responsible products and services that would help to sustain families' security instead of draining their wealth.

STRONG SUPPORT FOR RATE CAP

Polling found that 79% of Minnesotans support a rate cap of 36% or lower, with high levels of support among all party affiliations.

These organizations support the rate cap:

Minnesota Catholic Conference
First Presbyterian Church of Mankato — rooted in community • growing in faith
Saint Mary of the Lake
Minnesota Council of Churches
Evangelical Lutheran Church in America
United Way — Greater Mankato Area United Way
Prepare + Prosper — Working toward a brighter financial future
ISAIAH — Faith in Democracy
Minneapolis Area Synod of the ELCA
First Congregational United Church of Christ, Mankato, MN
Greater Mankato Diversity Council
Mid-Minnesota Legal Aid
Joint Religious Legislative Coalition — Interfaith advocacy for social justice
Minnesota River Area Agency on Aging®
Minnesota Coalition for the Homeless
Mary's Pence — Funding Women. Changing Lives.

Pass the Cap!

36% APR Cap Stops the Payday Lending Debt Trap

Not only do average payday loans in Minnesota carry an outrageous 203% annual interest rate, the terms of these loans intentionally create a cycle of debt from which borrowers have great difficulty escaping. The result for many struggling families is a spiral of financial challenges including unpaid bills, bank fees that create involuntarily closed bank accounts, and even bankruptcy.

Our lawmakers should stop this predation now, with a 36% cap on APR for these loans. Similar caps have chased out predatory lenders in 18 states and D.C.

FAST FACTS ON PAYDAY LENDING IN MINNESOTA

- Average loan size $417
- Average loans per year 7
- Average weeks in debt 20
- Average annual interest 203%

Eighteen states and DC stop predatory payday lending with caps of 36% annual interest, inclusive of fees.

79% of Minnesotans support a rate cap of 36% or lower, with high levels of support among all party affiliations.

What's the Problem with Payday Loans

Payday loans average $417 in Minnesota. Payday lenders market these loans, typically due back on the borrower's next payday, as short-term relief for a cash shortfall, but the simple truth is that they are designed to create a long-term cycle. With full payment typically due on the borrower's next payday, and with the lender able to extract payment directly from the borrower's bank account, repeat borrowing is common and costly.

In Minnesota, borrowers take an average 7 loans per year and are caught in debt for 20 weeks or more. At these rates, they often end up paying much more in interest than they originally borrowed.

And research from the Consumer Financial Protection Bureau indicates that payday lenders rely heavily on this repeat cycle: 75% of fees come from borrowers with ten or more loans per year. That is why the 36% APR cap stops this type of predatory lending. Payday lenders can't make their business model of extracting repeat fees work at that rate.

Fortunately, former borrowers in states that once had payday lending express relief to be out of the debt trap and have found a variety of ways to cover cash shortfalls that don't cause them the harm that payday loans once did.

THE HARMS OF PAYDAY LOANS

Payday lending takes a toll on families by turning a cash shortfall into a long-term, expensive debt burden. The following harms have been associated with payday lending:

- Inability to keep up with regular expenses like food, rent, and medications.
- Increased overdraft and insufficient funds fees, because payday lenders extract the loan balance and fees directly from the customer's bank account, even if their funds are short.
- In turn, repeated bank fees can lead to involuntary bank account closure. Losing access to their bank account can be burdensome and costly for struggling families for years to come.
- Payday borrowers are more likely to have to file bankruptcy than similarly situated families.

In addition, payday lending drains millions per year from local economies with fees going to predatory lenders rather than safe, responsible products and services that would help to sustain families' security instead of draining their wealth.

STRONG SUPPORT FOR RATE CAP

Polling found that 79% of Minnesotans support a rate cap of 36% or lower, with high levels of support among all party affiliations.

These organizations support the rate cap:

Minnesota Catholic Conference

First Presbyterian Church of Mankato
rooted in community • growing in faith

Saint Mary of the Lake

Minnesota Council of Churches

Evangelical Lutheran Church in America

United Way
Greater Mankato Area United Way

Prepare + Prosper
Working toward a brighter financial future

ISAIAH
Faith in Democracy

Minneapolis Area Synod of the ELCA

First Congregational United Church of Christ
Mankato, MN

Greater Mankato Diversity Council

Mid-Minnesota Legal Aid

Joint Religious Legislative Coalition
Interfaith advocacy for social justice

Minnesota River Area Agency on Aging®

Minnesota Coalition for the Homeless

Mary's Pence
Funding Women. Changing Lives.