

MINNESOTANS

FOR FAIR LENDING

Closing the Rent-A-Bank Loophole

Legislative Campaign: HF3680/SF3932



In 2023, Minnesotans for Fair Lending led the campaign to cap interest rates on small-dollar consumer loans at 36% APR, **effectively ending predatory payday lending in Minnesota.**

However...

Online, out-of-state lenders are evading Minnesota law. The ability to do so stems from a provision in the federal **Depository Institutions Deregulation and Monetary Control Act (DIDMCA)**.

DIDMCA, passed in 1980, allows any state-chartered, federally-insured bank to charge out-of-state customers the same APR that is allowed in the bank's home state. For example, an online lender makes a loan to a Minnesotan through a bank chartered in Utah, and uses Utah's lending rates instead of Minnesota's.

These arrangements, commonly known as **rent-a-bank** are of growing relevance as the internet has made out-of-state lending easier.

What Can We Do?

Minnesota can **opt out** of the DIDMCA provision, and require that all out-of-state lenders comply with in-state lending laws.

Truth In Lending

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments
159%	\$734.00	\$1,000.00	\$1,734.00

This is a real and typical disclosure from a rent-a-bank loan that Exodus Lending refinanced in 2023.



Lutheran Social Service of Minnesota



Legal Services Advocacy Project



EXODUS LENDING



SAINT PAUL FINANCIAL EMPOWERMENT



NORTH STAR PROSPERITY

We believe Minnesota should exercise its right to opt-out and insist that all those who lend to Minnesotans play by the same rules and comply with Minnesota's strong consumer protection laws.

For more details on this campaign:

Contact meghan@exoduslending.org and follow our [website](http://website.fairlendingmn.org), fairlendingmn.org