



February 26, 2024

To: Members of the House Commerce Finance and Policy Committee  
Re: HF3680 (Kotzya-Witthuhn) Consumer loans; federal amendments relating to applicable interest rates rejected

Dear Chair Stephenson and Committee Members,

Thank you for the opportunity to share **Lutheran Social Service of Minnesota's support of HF3680** which directs the state to opt out of the parts of the federal Depository Institutions Deregulation and Monetary Control Act (DIDMCA) that allow for rate cap exportation. This will effectively close the "rent-a-bank" loophole granting out-of-state banks to charge higher rates than what Minnesota allows.

LSS is a statewide provider of essential services across all 87 counties with more than 2,300 employees who serve one in 63 Minnesotans every year. This includes LSS Financial Counseling which has over 30 years of experience supporting thousands of people in Minnesota and nationwide. We have offices in Brainerd, Duluth, Virginia, Willmar, St. Cloud, Mankato, Minneapolis, and St. Paul. We also partner with LSS Youth Services in Rochester.

As a certified financial counselor, I have seen the firsthand impacts of out-of-state lenders evading Minnesota law through this loophole. I worked with a client that took out a \$3,000 loan online issued by a bank in Utah. The monthly payment of \$183 seemed high but manageable; however, they realized that after 39 months of payment the total amount paid would be \$7,168. The interest rate was 141% and the total cost of the loan (\$4,168) was significantly more than the original loan amount (\$3,000). This client also did not realize that this loan was from an out-of-state bank which could follow different rules, because the client found the bank on a website that showed they could do business in Minnesota. In comparison, this loan would have been capped at 21.75-33% under Minnesota law.

My fellow colleagues also hear stories from clients who were misled when looking at debt consolidation options online. Clients reach out to us after making payments and noticing their balance not going down. They were lured in with an offer of an affordable way to deal with their debt, only to fall into a trap of a predatory loan with a high interest rate. A common online lender has average annual percentage rates of 160%-179%. This type of loan keeps Minnesotans in a revolving debt trap, which can lead to undue hardship and destabilization of their financial situation.



**Please support HF3680 to ensure all those who lend to Minnesotans are required to comply with our strong consumer protection laws.** This builds on previous, successful work that has significantly reduced predatory lending practices in Minnesota. Thank you, again, for this opportunity. Please contact Erin Sutton, LSS Senior Director of Advocacy, at [erin.sutton@lssmn.org](mailto:erin.sutton@lssmn.org) if we may provide further information.

Sincerely,

Kim Miller  
Certified Financial Counselor  
Lutheran Social Service of Minnesota