



January 24, 2023

Chair Zack Stephenson
449 State Office Building
St. Paul, MN 55155

Dear Chair Stephenson,

All Minnesotans deserve to be able to fully participate in their local economy and feel confident that the financial services being provided to them are fair. That's why North Star Prosperity is in support of HF290, which seeks to bring the short-term lending industry into alignment with the regulations of 18 other states (and the District of Columbia) who have implemented a 36% or less rate cap on payday loans, which will ultimately end predatory short-term lending practices in Minnesota.

While payday lenders claim to offer emergency small loans for short terms, the reality is that the interest rates and terms of these loans cause consumers to quickly fall into a debt trap that can be impossible to escape. In 2021, payday lenders in Minnesota reported an average loan amount of \$365, with an average annual interest rate of 197%. That same year, Minnesota payday lenders reported an average of nine loans per borrower. Rather than underwriting the loan to ensure the borrower has the ability to pay them back, payday lenders benefit from a system that ensures the borrower *cannot* pay back the loan and borrowers are often forced to take out additional loans in order to make payments on their original loan. These predatory lending practices affect borrowers of every demographic, including communities of color, rural communities, and seniors.

North Star Prosperity's mission is to expand economic opportunities for working people in Minnesota and we are a growing community of Minnesotans concerned about economic security issues. We know that too many Minnesotans are one car accident or one unexpected medical bill away from financial disaster. We know that too many Minnesotans face everyday struggles to meet their basic needs. When hard times strike, there are community lenders and other responsible loan options available to borrowers as an alternative to payday lenders. HF290 will end harmful predatory lending practices in Minnesota so that borrowers are given a fair deal when they need it most, allowing borrowers the ability to get back on their feet and the freedom to provide for themselves and contribute to their communities.

Thank you,

Jacky Brustuen
Executive Director
North Star Prosperity