



MINNESOTA COUNCIL OF CHURCHES
MINNESOTA CATHOLIC CONFERENCE
JEWISH COMMUNITY RELATIONS COUNCIL
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January 26, 2021

Re: House File 102

Members of the House Commerce Finance and Policy Committee:

We submit this letter in support of House File 102, regulating interest rates on consumer short-term and small amount loans. As people of faith, we oppose usurious practices that exploit people's financial problems for profit and leave the consumer worse off at the end of the loan period.

Usury laws work to echo the sacred texts and the wisdom of the Abrahamic faith traditions. The Bible declares "If you lend money to one of my people among you who is needy, do not treat it like a business deal; charge no interest" (Exodus 22:25). The Qur'an takes a principled stance against predatory lending — charging any interest at all is sinful according to Allah, as it is the responsibility of financial professionals to help people get out of debt as soon as possible, rather than deepening and profiting from their debt (Surah 2:275-281). In the Compendium of the Social Doctrine of the Church, the Catholic Church teaches that "usury is a scourge that is also a reality in our time and that has a stranglehold on many people's lives. Although the quest for equitable profit is acceptable in economic and financial activity, recourse to usury is to be morally condemned."

The practices of most payday lenders are very similar to those condemned in the sacred texts and teachings of Judaism, Islam, and Christianity in that they encourage the borrower to stay in debt for increasing periods of time. Sadly, some of these very practices are perfectly legal under current usury laws. Our lending laws must be reevaluated.

By design, payday loans trap consumers in a downward spiral of debt. Frequently, borrowers find themselves unable to pay their loans back in time because of the high rates and the fact that payday lenders do very little to check credit worthiness. Borrowers who are unable to repay the loan in full have few choices. As a result, the borrower repays the old loan plus the interest using the proceeds from a new loan; the borrower walks out of the payday lender still obligated for the loan amount plus the new interest amount.

Most Minnesotans taking out payday loans are repeat borrowers and carry their debt over several loan periods. If they ask about the interest rate charged for a loan, the lender will typically claim that they don't charge interest but rather a flat fee. However, when translated into a standardized APR, these fees for repeated loans can easily reach 200-300% or more.

Current economic conditions make this issue more urgent than ever. The prevalence and adverse impacts of payday lending are not only legal questions but also moral issues. As people of conscience - who value equitable treatment of those with the least means and who abhor exploitation of those experiencing financial hardship - we can agree that the current regulatory structure regarding payday lending is unacceptable. Financially stressed Minnesotans clearly need access to short-term, small-amount credit, but allowing its provision at dangerously high rates that encourage borrowers to dig themselves deeper into debt is simply wrong.

We urge you to support House File 102.

Please feel free to contact me with any questions at akrisnik@jrlc.org or (651) 276-8148.

Sincerely,

Anne Krisnik, Executive Director
Joint Religious Legislative Coalition
Interfaith Advocacy for Social Justice