



**Date:** October 2023

**To:** Minnesota Licensed Consumer Lenders & Consumer Lending Industry

**From:** Financial Institutions Division

## **RE: Changes to Minnesota Consumer Small and Short-Term Loan Requirements**

On May 24, 2023, Governor Tim Walz signed Minnesota Session Law 2023, Chapter 57, Senate File 2744 into law, which included changes to the regulation of Consumer Small Loans and Consumer Short-Term Loans issued under Minn. Stat. §§ 47.60 and 47.601. You can access a copy of law [here](#). These changes are effective **January 1, 2024**, and apply to all consumer small loans and consumer short-term loans originated on or after that date.

### **New law changes:**

- The definition of annual percentage rate (APR) as applied to both loan products includes **all** interest, fees, and charges. This is commonly referred to as an “all-in” APR.
- The cap on that annual percentage rate is set at either 36%, or up to 50% if the lender conducts an ability to repay analysis. The ability to repay analysis states that both these loan products are also called payday loans, and the lenders referred to as payday lenders. **Example – \$400 consumer short-term loan:**
  - Under the new law, the new maximum amount of all interest, fees, and charges is around \$6 at 36% APR, or around \$8 at 50% APR for a 14-day repayment period.
  - In order to charge a similar amount allowed under current law – maximum around \$29 – a lender could adjust the loan term to one with four equal monthly payments close to \$107 per month to meet the new 36% APR limit, or three equal monthly payments around \$143 per month to meet the new 50% APR limit.
- Adds “no evasion” language for both loan types that specifies a range of activities related to the lending business that will make a person or entity a lender subject to the requirements of either statute.
- Raises the threshold for consumer short-term loans from \$1,000 to \$1,300.
- Adds to the definition of a consumer short-term lender clarifying language related to what constitutes arranging a consumer short-term loan.

## Sample of Changes to Minnesota Consumer Small and Short-Term Loan Requirements:

Area	Law as of 2023	New Law as of 1/1/2024
<b>Finance charges and fees</b>	<p><b>Consumer small loans:</b> sliding scale of set fees and interest where a \$300 loan with 14-day term would cost \$23 (6% plus \$5 fee)</p> <p><b>Consumer short-term loans:</b> finance charge up to 33% annual percentage rate plus a \$25 loan administrative fee. A \$400 loan with 14-day term single payment would cost around \$29</p>	<p><b>Both consumer small loans and consumer short-term loans:</b> maximum 36% APR that includes all interest, finance charges, and fees. A maximum 50% APR with an ability to repay analysis.</p> <p><b>\$300 loan</b> with a 14-day term with as single payment, the total maximum cost is around \$4 going up to around \$6 with an ability to repay analysis.</p> <p><b>\$400 loan</b> with a 14-day term with a single payment, the total maximum cost is around \$6, going up to around \$8 with an ability to repay analysis.</p>
<b>Loan amounts</b>	<p>Small loans: up to \$350</p> <p>Short-term loans: up to \$1,000</p>	<p>Consumer small loans: no change</p> <p>Consumer short-term loans: up to \$1,300</p>
<b>Ability to Repay Analysis</b>	<p>None required</p>	<p><b>For loans over 36% APR up to 50% APR -</b> Based on borrower’s debt-to-income ratio for the loan period that they can pay for all major financial obligations, all the loan payments, and meet basic living expenses for up to 30 days after repaying</p>
<b>No evasion</b>	<p>No explicit language</p>	<p>No device, subterfuge pretense to evade;</p> <p>Acting as an agent or service provider or other capacity if meet certain requirements such as: predominant economic interest, risk or reward in a loan;</p> <p>Totality of circumstances indicate they are a lender and transaction structured to evade.</p>