

**February 28, 2024**

**The Honorable Matt Klein  
Chair of the Senate Commerce and Consumer Protection Committee  
2105 Minnesota Senate Bldg.  
St. Paul, MN 55155**

**Re: Opposition Testimony to SF3932**

Dear Chair Klein, Vice-Chair Seeberger, and Distinguished Members of the Committee,

On behalf of the Electronic Transactions Association (“ETA”), the leading trade association for the payments industry, we appreciate the opportunity to provide this written testimony in opposition to SF3932 that poses a threat to the stability of the lending market and, more importantly, to the ability of consumers and entrepreneurs in Minnesota to access affordable capital. The legislation would require the state of Minnesota to opt out of the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) that was enacted over 40 years ago to allow for FDIC-insured state-chartered banks to export rates across the country to provide innovative credit products for consumers and businesses.

Opting out of DIDMCA is an untested concept, so the implications and potential unintended consequences of this decision are not yet known. Similarly, new lending restrictions in Minnesota have recently taken effect in January, so the lending market is still adapting to these regulatory changes. Therefore, SF3932 would introduce additional uncertainty into the market and would have far-reaching consequences on consumers and lending in Minnesota. This could put Minnesotans and Minnesotan businesses at risk of losing additional methods of accessing credit compared to residents of other states.

**Impact to Minnesotan Consumers:** If enacted, SF3932 would significantly negatively impact Minnesota’s consumer credit market, leading to a substantial reduction of credit access for Minnesotan consumers. Imposing stricter interest rate caps will limit access to credit for consumers in the state. Additionally, it will discourage financial institutions from creating new products tailored to meet the needs of underserved communities. It is important for Minnesota policymakers to carefully consider the potential consequences of this legislation to ensure there is a balance between consumer protection and maintaining access to credit.

**Impact to Small Businesses:** Limiting credit options not only affects Minnesota consumers but also has significant ramifications for small business owners across the state. Many of these entrepreneurs rely on individual access to credit to fulfill their funding needs, particularly when traditional financing avenues are inaccessible or inadequate. Small business owners frequently encounter challenges in securing necessary capital to sustain and expand their operations. Passing SF3932 would risk further exacerbating these difficulties, hindering entrepreneurs' ability to access vital resources for growth and development.

It is important to recognize that small and short-term loans play a pivotal role in providing small business owners and entrepreneurs with the capital they need to thrive. Whether it is purchasing inventory, covering operational expenses, or funding expansion initiatives, these financing options are essential for the success and sustainability of small businesses. Furthermore, the economic impact of small businesses cannot be overstated. They serve as engines of growth, driving innovation, creating jobs, and fostering economic activity within Minnesota communities. By limiting access to credit, the state of Minnesota would risk stifling the potential of these businesses to contribute positively to the state's economy. Passing SF3932 would only serve to curtail the positive impact that Minnesota entrepreneurs and small business owners could have on the state's economy. Instead of constraining credit options, we should be exploring ways to support and empower small businesses, enabling them to thrive and succeed.

**Conclusion:** ETA and its members support an inclusive financial system that provides high quality, secure, and affordable financial services for the broadest possible set of consumers and small businesses. ETA encourages policymakers to support these efforts through policies that support innovation and the use of technology in financial products and services rather than legislative efforts to restrict this innovation and ability to access credit by opting out of the longstanding DIDMCA legal framework.

ETA stands ready to engage in constructive dialogue and collaboration to address the concerns raised by SF3932. We believe that by working together, we can find solutions that support the growth of small businesses and foster innovation in Minnesota.

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We appreciate you taking the time to consider these important issues. If you would like to discuss any aspect of our comments, please contact me or ETA Executive Vice President Scott Talbott at [Stalbott@electran.org](mailto:Stalbott@electran.org).

Respectfully Submitted,



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