Center for Responsible Lending

EXODUS LENDING

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Escape from the Debt Trap:

Relief for Minnesotans After State Ends Payday Lending

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About The Center for Responsible Lending (CRL)

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families of color, women, rural, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

About Exodus Lending

Exodus Lending is a nonprofit organization that works with financially excluded Minnesotans to advance economic justice through consumer lending, community organizing, and advocacy. Exodus Lending provides direct financial relief to Minnesotans experiencing financial stress and trauma. Exodus refinances predatory loans with 36% or higher annual interest rates and pays off the debt to the lender while offering the borrower a reasonable repayment plan with no interest or fees. They also offer a Resiliency Loan in collaboration with an ecosystem of trusted, place-based nonprofits that provide borrowers a direct upstream alternative to high-cost credit. Exodus Lending's loan programs create conditions for greater financial stability in Minnesota communities statewide, with a particular focus on those that the current consumer credit and financial system excludes and exploits, primarily low-income communities, and communities of color. Alongside the direct lending programs, Exodus Lending organizes impacted community members to reclaim and leverage their power to create lasting change through Minnesotans for Consumer Financial Protection.

About the Authors

Lucia Constantine is a senior researcher at the Center for Responsible Lending. Prior to working with CRL, Lucia was a senior policy analyst at the North Carolina Housing Finance Agency, where she performed data analysis and research to understand gaps in affordable housing and inform use of funds. Before her work in affordable housing, she spent her early career in nonprofits and higher education. She graduated with a bachelor's degree in human biology from Stanford University and a master's degree in city and regional planning from the University of North Carolina-Chapel Hill.

Alex Rogers is a researcher at the Center for Responsible Lending. Alex's professional background includes advocating for people experiencing pretrial incarceration. Alex is passionate about using qualitative social science methods to inform change and address inequalities. Their past research projects include building a data set on police-involved shootings and conducting nationwide interviews on differences in racial attitudes among computer science students. They graduated with a bachelor's degree in sociology from Pacific University and earned a master's degree in sociology from Duke University.

Yasmin Farahi is a deputy director of state policy and senior policy counsel at CRL. She advises local organizations and lawmakers that are working to eliminate abusive lending practices in their states, with a particular focus on small dollar lending. Prior to joining CRL, Yasmin was a civil rights attorney at Disability Rights NC and a consumer protection and employment law attorney at Legal Services of Southern Piedmont in Charlotte, NC, focused on helping homeowners facing foreclosure during the financial crisis. Yasmin graduated with honors from NC State University with degrees in political science and philosophy and received her law degree from New York University School of Law.

Meghan Olsen Biebighauser is the policy and partnerships director at Exodus Lending. She is an experienced and enthusiastic problem-solver, connector, and collaborator. Over a decade ago, she co-founded Exodus Lending, a nonprofit dedicated to working with financially excluded Minnesotans to advance economic justice through consumer lending, community organizing, and advocacy. After many years working in and with faith communities in the Twin Cities and leading the Minnesotans for Fair Lending coalition (now Minnesotans for Consumer Financial Protection), Meghan returned to Exodus Lending in 2022.

Acknowledgments

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Executive Summary

Payday lenders have long marketed fast cash as a solution to financial hardship. Instead, these predatory loans deepen distress, trapping borrowers in a cycle of debt. Payday loans, usually under $500, are short-term, high-cost loans that are due on the borrower's next payday. Because of the short repayment periods and high fees, the annual percentage rate (APR) on a typical loan is exorbitant at almost 400%.[1] The payday lending business model depends on borrowers' inability to afford their loan and their subsequent need to reborrow, generating fees as revenue. According to the Consumer Financial Protection Bureau (CFPB), 80% of payday loans are rolled over or reborrowed within 14 days and 20% of new borrowers end up in default within the first year.[2] Borrowers are stuck in this cycle for months, accumulating fees that exceed the original loan amount, and making their financial situations worse than when they first borrowed.[3] Additional research by the CFPB shows that borrowers with more than 10 loans per year generate 75% of fees.[4]

In 2023, Minnesota became one of what is now 21 states along with the District of Columbia to cap annual interest rates on payday loans at 36%.[5] Prior to the law's passage, payday lenders in Minnesota charged an average APR of 220% on loans of $500 or less. In 2022, the average payday loan borrower in Minnesota had six loans, with nearly a third of borrowers taking out 10 or more loans per year.[6] The law, which went into effect January 1, 2024, puts an end to this form of predatory lending in the state and protects consumers from falling into a debt trap of multiple payday loans each year. No longer subject to payday lending, Minnesotans are projected to save more than $4.5 million in fees annually—funds that can be used to support households, build financial stability, and bolster local economies.[7] As Minnesota and other states have implemented stronger consumer protections through interest rate caps, evidence shows that borrowers are better off and increasingly turning to safer, more affordable financial options.

Prior research from the Center for Responsible Lending (CRL) and others has demonstrated that consumers benefit from regulating payday lending with a rate cap of at most 36%, including fees, by itself or in combination with other additional requirements to ensure that payday lenders do not impose interest rates and financing terms that create a long-term debt trap.[8] Former borrowers not only express relief that predatory payday lending is gone, but also report adopting a variety of strategies for managing their finances more safely.[9] In several states, the shift away from high-cost lending has coincided with increased demand for low-cost credit union loans.[10] However, recent research suggests that online lenders—through payday loan apps and Rent-a-Bank arrangements—are evading usury laws and replicating the same harmful practices as storefront payday lenders, underscoring the need for robust enforcement and regulatory oversight.[11,12]

Using Minnesota as a case study, this report outlines how a non-partisan coalition of advocates and community partners achieved a legislative win and describes the impact of the rate cap on a group of former payday borrowers nearly two years after implementation. By providing an overview of legislative history and the decade-long advocacy campaign, this report identifies advocacy strategies that could be applied in other states. Through focus groups with former payday loan borrowers, the report provides insight into borrowers' experiences managing their finances with and without payday lending. By combining policy insights with qualitative research, this report contributes to a growing body of work that explores the impacts of payday lending reform and the pathways to financial stability for low-income communities.

Key Findings Include:

(1) Storefront payday lending exacerbated financial instability and imposed significant emotional burdens on Minnesota borrowers.

(2) Borrowers demonstrate adaptive strategies in the absence of storefront payday lending.

(3) Online lenders continue illegally targeting financially vulnerable Minnesotans.

(4) Borrowers express relief that storefront payday lending is gone and show strong support for continued regulation.

Small Dollar Regulation in Minnesota:

Prior to 1995, predatory payday lending was illegal in Minnesota. Consumers were protected by a 36% rate cap and $300 loan limit that passed in 1939, amid a wave of state legislation nationwide to combat loan sharking.[13] In 1995, the Minnesota legislature legalized payday lending with the passage of the Consumer Small Loan Act, allowing short-term, high-interest loans and marking the beginning of almost two decades of legal predatory lending in the state. By 2003, some payday lenders discovered and began exploiting a loophole that allowed them to circumvent restrictions on loan size and fees in the 1995 law, allowing them to make larger loans at similarly sky-high, triple-digit rates. Within a few years, the use of this loophole had become widespread, with an increasing number of loans being issued outside the legislature's intended framework, undermining regulatory efforts, and enabling a rapid increase in loan volume. Between 1999 and 2014, the industry in Minnesota grew from no payday loans in 1999 to over 385,000 in 2014.[14] At the same time, payday lenders lobbied state legislatures across the country, successfully legalizing this practice in many states and setting up storefronts in low-income communities. According to industry analysts, the number of payday loan stores nationwide doubled from 10,000 in 2000 to 22,000 in 2004.[15]

Since its legalization, payday lending has siphoned millions of dollars annually from borrowers and communities across Minnesota. Each year, tens of thousands of Minnesotans became trapped in a cycle of debt, paying hundreds in fees to borrow less than $500. At the industry's peak in 2014, the average borrower in Minnesota refinanced their payday loan 10 times a year and took five months to pay off the original loan.[16] Beyond immediate financial costs, payday lending deepens economic and social disparities by targeting low-income neighborhoods of color, whose systemic exclusion from mainstream financial services and wealth-building opportunities makes residents vulnerable to exploitative, high-cost credit. A geographic analysis showed Black Minnesotans were twice as likely as Minnesotans of any other racial group to live within 2.5 miles of a payday storefront.[17] Similar research in other states reflect these same patterns of wealth-stripping.[18]

At the industry's peak in 2014, the average borrower in Minnesota refinanced their payday loan 10 times a year and took five months to pay off the original loans.[16]

A Closer Look at a Payday Loan Agreement

Loan terms for a payday loan can be found in the promissory note created at the initiation of a loan. Below are portions of a promissory note issued by Payday America to a Minnesota borrower.

In 2022, the average payday loan borrower in Minnesota had six loans. Assuming this loan is rolled over six times, the borrower will pay $195.37 in fees to borrow $450.

Payment date is seven days after the loan was issued.

PROMISSORY NOTE, LOAN AGREEMENT AND DISCLOSURE

Date: 08/05/2022 Note No. [redacted]

Creditor: **PAYDAY AMERICA INC.**
181 RIVER RIDGE CIRCLE S
BURNSVILLE, MN 55337
1-866-646-1777

Borrower: [redacted]

In this Promissory Note, Loan Agreement and Disclosure (this "Agreement"), the words "you" and "your" refer to the borrower named above. The words "we," "us," and "our" refer to the creditor named above. This Agreement contains your promise to repay your loan, and the terms and conditions of your loan. "Loan" refers to the loan that we are making to you, described below.

Promise to pay: You promise to pay us the Total of Payments (as disclosed in the Federal Truth in Lending Act Disclosures below), which includes interest of $2.91 and a non-refundable $25 loan administrative fee, on the date when payment is due reflected in the payment schedule below (the "Due Date"), as well as other amounts due from you to us set forth in this Agreement.

Federal Truth in Lending Act Disclosures

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	**FINANCE CHARGE** The dollar amount the credit will cost you.	**Amount Financed** The amount of credit provided to you, or on your behalf.	**Total of Payments** The amount you will have paid after making all payments as scheduled.
316.37%	$27.91	$460.00	$487.91

Your payment schedule will be:

Number of Payments	Amount of Payment	When Payment Is Due ("Due Date"):
1	$487.91	08/12/2022

Security: You are not giving us a security interest in connection with this transaction, except any security interest in the Authorization Agreement for Payments that may arise by operation of law.

Late Charge: If you do not pay the loan within ten (10) days after the Due Date, you agree to pay us a late charge equal to the greater of $8.84 or 5% of the payment (unless prohibited by law).

Prepayment: If you pay off the loan early, (1) you will not have to pay a penalty; however, the non-refundable loan administrative fee is fully earned when the loan is made; and (2) you may be entitled to a refund of part of the FINANCE CHARGE.

Additional Information: See the remainder of this Agreement for additional information about nonpayment, default, any required repayment in full before the Due Date, and prepayment refunds and penalties.

See the remainder of this Agreement for additional information about nonpayment, default, any required repayment in full before the Due Date, and prepayment refunds and penalties.

Itemization of Amount Financed: $460.00 Amount given to you directly: $460.00

Disclosure required by Minn. Stat. § 47.601:

The annual percentage rate for this loan is 316.37%

Borrower's Signature: You received and read a filled-in copy of this Agreement before signing it. You agree to all its terms.

PAYDAY AMERICA, INC. **(Creditor)**

[redacted]
(Borrower's Signature)

[redacted]
(Employee Signature)

Customer Name: [redacted]

Employee Name: [redacted]

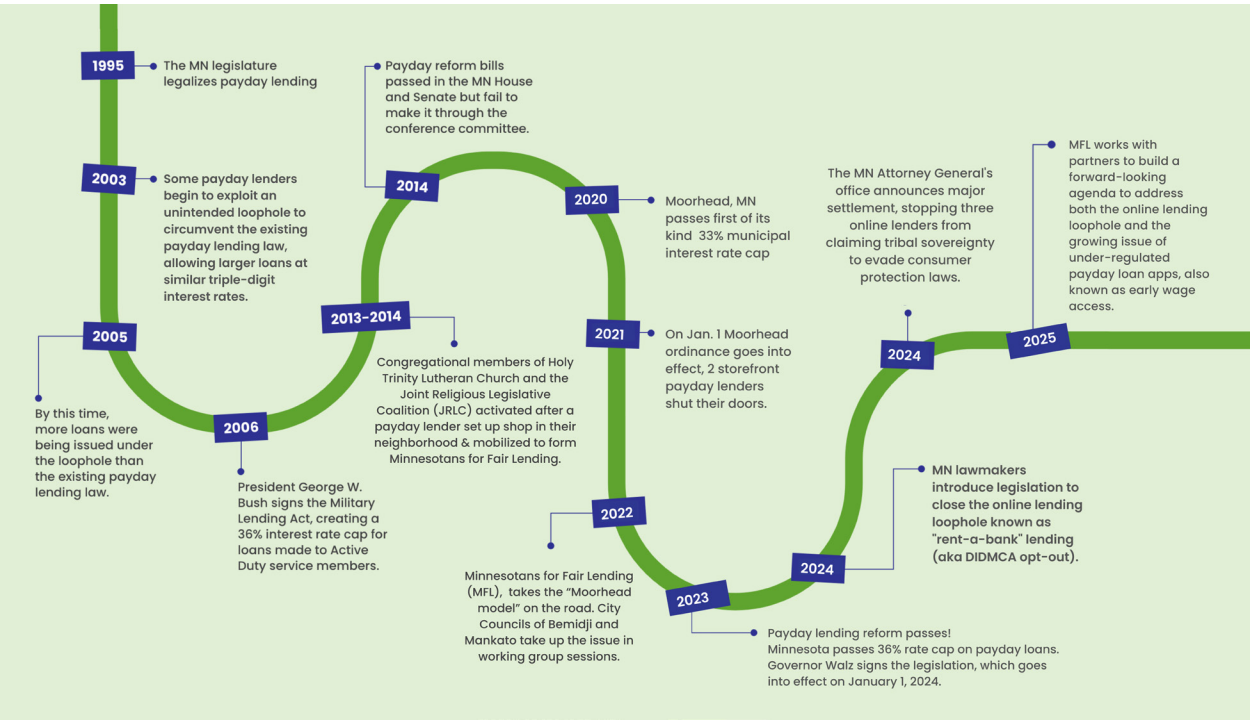
Title: CUSTOMER SERVICE REPRESENTATIVE

[redacted]

The proliferation of storefronts negatively impacted families, neighborhoods, and communities across the country, raising the alarm among academics, consumer advocates, and policymakers. In 2006, in response to the evidence of harms and at the behest of the Department of Defense, Congress passed and George W. Bush signed the Military Lending Act, which established a 36% interest rate cap for loans made to active-duty servicemembers and certain members of their families. While this landmark bipartisan law was an important step in addressing the harms of payday lending, its scope was limited, and the volume of triple-digit payday lending continued to increase throughout Minnesota and nationwide.

In 2006, the Military Lending Act established a 36% interest rate cap for loans made to active-duty service members and certain members of their family.

In 2013, in response to a payday lender opening a storefront in their neighborhood, members of Holy Trinity Lutheran Church and the Joint Religious Legislative Coalition began organizing, leading to the formation of Minnesotans for Fair Lending (MFL). Within a year, these organizing efforts led to the introduction and consideration of legislation to end triple-digit payday lending in the state. Bills were passed in both the Minnesota House and Senate in 2014 to cap rates on payday loans at 36%, but in the face of intense lobbying by the payday lending industry, they failed to get out of conference committee. Despite this setback, through grassroots community organizing, advocates with MFL continued their push to educate policymakers and others about the harms of these loans.



Public Opinion Across Party Lines

During years of inaction by the state legislature, public opinion about the need for reform remained high. A 2021 poll by Emerson College of 1,000 Minnesotans found that the vast majority of Minnesotans—across all political parties—believed that payday loans should be capped at 36%, and of those who disagreed with the 36% cap, most believed that even that number is too high.[19] In these interviews, the words most often associated with payday lending were "predatory," "loan sharking," "usury," and "exploitative."

While legislation was consistently introduced but remained stalled at the state capitol, cities began acting. The city of Moorhead passed the state's first municipal interest rate cap in 2020, capping rates at 33%. Both storefront payday lenders in Moorhead closed when the ordinance went into effect on January 1, 2021. After this success, MFL expanded its advocacy efforts in 2022 by promoting the "Moorhead model" statewide and sparking consideration by city councils throughout the state. By 2022, seven companies continued to operate 31 storefronts across the state and online, with Payday America and Ace Cash Express issuing 80% of total volume.[20]

With local action taking hold, grassroots momentum building, and persistent efforts to educate lawmakers, in 2023 MFL made another push for statewide reform. Through the years of organizing and building deep relationships across the state, the coalition had activated broad enthusiasm across faith communities, social service organizations, and advocacy groups. This groundswell, combined with a cohort of community members willing to share their payday loan stories with lawmakers through powerful committee testimony and in multiple media profiles, built a steady drumbeat of support that became impossible to ignore.

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Powerful Community Testimony Sheds Light on the Payday Loan Debt Trap

Alongside other community members, Desiree Smith, an Exodus Lending participant, offered powerful testimony in support of payday lending reform, sharing her experience getting into the payday loan debt trap with the Minnesota Senate Commerce and Consumer Protection Committee.[21] A mother of a school-aged child, Smith relies on a single income to cover household expenses. She described how a payday loan from Payday America quickly spiraled into a cycle of debt, making her financial situation worse: "And so, every payday, every 2 weeks, I came in and paid what I owed, but it was more than the original amount that they said I would pay. So there was these mounting fees. . . . And from entering into that payday loan relationship, I found myself with food insecurity. I found myself going to the food shelf more than twice a year, which turned into monthly. I found that I incurred an additional bill from my rent, which was an 8% late fee. So that was an additional $80 a month that I didn't include in my budget. So not only did I have $80 extra on rent payment from the payday loan relationship, I also had an additional hundreds of dollars per pay period that I had to pay to them. And then in turn, once I paid them, I still was at a disadvantage and a shortage so I had to borrow it again. I didn't see an out."

In May 2023, the measure capping annual interest rates on payday loans at 36%—with strict limitations on loans bearing annual rates from 37% to 50%—passed, and Governor Tim Walz signed it into law. The new law included key measures to protect against attempts to evade these protections, based on the evolving landscape of online predatory lending and insights from other states. The rate cap was implemented in January 2024. Storefront payday lenders throughout the state chose to shut their doors, rather than comply with the rate cap.

A critical piece of the effort to organize and mobilize impacted community members came through the work of Minnesota nonprofit Exodus Lending. Exodus Lending has been refinancing predatory debt, primarily payday loans, at 0% interest for hundreds of Minnesotans for over a decade. This built a base of Minnesotans who had felt the relief of escaping the debt trap, connected with one another over their shared experience, and were eager to share their powerful stories with lawmakers and the media. This pairing of direct service with organizing for policy change proved to be a crucial part of the success of the rate cap effort.

Later in 2024, Minnesota lawmakers introduced legislation to close the online lending loophole whereby predatory lenders partner with banks to exploit a provision of federal law (DIDMCA) that allows banks to export their interest rates across the country, ignoring state laws like Minnesota's meant to protect borrowers from abusive high-rate lending.[22] This practice—often referred to as Rent-a-Bank lending—entails high-cost lenders partnering with out-of-state banks to offer loans in excess of state rate caps. In 2025, advocates supported a proposed measure to clarify that payday loan apps (also known by the industry term "early wage access" or EWA) are subject to the rate cap established in 2023.[23] Neither of these measures have passed yet, but advocates continue their efforts on both fronts.

Additionally, since the rate cap went into effect, the Minnesota Attorney General has brought two lawsuits and settled cases with predatory lenders trying to evade state law, enforcing the usury law and relying on the strong anti-evasion language in the 2023 small dollar lending reforms. These lawsuits resulted in over $2 million of uncollected debt being canceled on loans charging triple-digit interest rates illegally to Minnesota borrowers.[24]

Policy Implications

Minnesota's success highlights strategies for effective lending reform:

- **Grassroots organizing and having a broad coalition (including faith-based advocates) is powerful.**
- **Local ordinances can serve as models, bring on new allies, and create momentum for statewide campaigns.**
- **State attorneys general play a pivotal role in enforcing protections, especially against online lenders and others trying to evade state lending laws.**

Payday Loan Borrowers' Experiences and Perspectives

To assess the impact of Minnesota's rate cap, CRL held focus groups with former payday loan borrowers across the state. The discussions explored how participants managed their finances before and after the rate cap and sought their perspectives on regulation and alternative solutions to financial shortfalls. Participants explained that financial hardships made them vulnerable to predatory loans. They described the harms of being caught in a cycle of reborrowing and for many, how they eventually repaid their loans by using alternatives that were available from the start.

Although most participants still live paycheck to paycheck, many have developed sustainable ways of dealing with financial challenges, and some have been able to save for financial emergencies. Nearly all described how online lenders, including apps, continue to target them through advertisements and loan offers. Three participants specifically reported harms and difficulties associated with taking out loans through apps and other online platforms, which are in violation of existing credit laws in Minnesota. Despite these challenges, participants supported rate caps and stronger regulation, while also emphasizing the importance of broader solutions to address income insufficiency and alleviate financial hardship. Taken together, these findings build upon existing research showing that borrowers are better off without payday loans and highlight the need for expansion and stricter enforcement of existing credit laws.

Borrower Profiles

Gayle, 46, lives in northern Minnesota with her husband and daughter. She works full-time in manufacturing, earning $15 an hour, but her family still lives paycheck to paycheck. For years, she borrowed from a payday lender an hour away. Eventually, Gayle discovered Exodus Lending through a newspaper article. They refinanced her loan so she could finally pay it off.

> ***"Every Friday I'd drive up, pay it, reborrow it, drive home. I borrowed $350, but it cost me $26. So every two weeks I paid $376 just to borrow $350 again."***

> ***"It really takes a toll—the stress of thinking you can get it paid off, and then it doesn't work that way."***

Chantal, 39, is a mother of two living in St. Paul and working as a bus driver earning $40,000 annually. Her financial challenges began around 2010 when her roommate moved out, leaving her short on bills. She had been stuck in the payday debt trap for years until finding Exodus Lending. They helped her refinance two payday loans in 2023—one for $440 from Ace Cash Express and the other for $425 from Payday America—which has improved Chantal's financial stability.

> ***"You know, you pay back and then they give you something. If you refinance, you can go ahead and take the money out or like that whole refinance thing where you can skip a payment and that got me in a lot of trouble."***

> ***"They [Exodus] helped me dig myself out of that hole I was in. . . . I was doing Instacarting for a while too on a weekend just to make sure I can, you know, pay for things that I needed to pay for. So I am at a comfortable spot now, but before I felt like I was drowning."***

Methodology

CRL conducted five virtual focus groups with a total of 14 participants between August and September 2025. Participants were adults living in Minnesota who had used payday loans, most of them between 2019 and 2023. For the purposes of this research, CRL defined using payday loans as taking out a storefront payday loan. In addition to having borrowed storefront payday loans, borrowers discussed having used an array of loans including payday loan apps, unsecured personal loans, car-title loans, and pawn shops. Most participants had an annual household income of less than $75,000. Additional demographics are available in the Appendix.

Participants were recruited through Exodus Lending and their coalition partners, as well as referrals from focus group participants themselves. Nearly all the participants in this study had their payday loans refinanced by Exodus Lending. Participants were paid for their participation in a 90-minute focus group. Transcripts were generated automatically through Microsoft Teams and edited by CRL researchers for clarity and accuracy. Using a codebook developed semi-inductively and iteratively from the transcripts, researchers coded transcripts to identify thematic findings. Thematic findings are described in greater detail in the following sections and supported by participant quotes and borrower stories. Pseudonyms are used throughout to provide anonymity.

The experiences the participants shared mirror trends in other research literature about payday lending but may not be representative of all borrowers, due to limited size and geographic scope. Nonetheless, borrowers provided valuable insights into the harms and consequences of payday loan use, as well as strategies for managing financial precarity without payday loans.

Findings

Storefront Payday Lending Exacerbated Financial Instability and Imposed Significant Emotional Burdens on Minnesota Borrowers

Payday loans, often marketed as "quick cash," are structured to trap borrowers in long-term debt. For people already living paycheck to paycheck, the short-term balloon repayment model is typically unaffordable, pushing them to reborrow repeatedly. This cycle is key to the payday lending business model; CFPB research shows that borrowers with more than 10 loans per year generate 75% of all payday loan fees.[25]

Participants in our focus groups described being drawn in by promises of fast, easy money, only to become stuck for months—and sometimes years—in rollovers and refinances because they could not afford repayment. Nearly all reported significant, prolonged financial distress because of this repeated borrowing cycle. In many cases, borrowers ended up paying more in fees than they had borrowed in principal.

> ***"They make it sound so easy, but what you realize very quickly is that […] they refinanced the whole thing again, and now you're looking at, by the time you get done doing that a few times, you've paid that loan off many, many times the original amount." –Jennifer (St. Paul, MN)***

> ***"The interest rate was so high. [The payday loan] was like $750, but I ended up paying back like three grand because of the interest rate." –Meg (St. Cloud, MN)***

"It was a really long period. It was a while. There was a whole long period where I was constantly robbing Peter to pay Paul, taking out a different type of online loan to pay back the other loans." –Jessica (St. Paul, MN)

The emotional toll of being trapped in a cycle of debt compounded the financial harm the payday lending caused. Participants described significant mental health impacts including shame, embarrassment, anxiety, and stress. Prior research also links payday loan use to broader negative mental and physical health outcomes.[26] These negative emotions often prevented focus group participants from seeking assistance and support, leaving them increasingly isolated and distressed.

"Shame and anxiety. Those are definitely major emotions going on when you know you're in that cycle, and especially when it comes to the point where you're paying this loan every week, and then you're finding that you are struggling to pay other bills too, and you're just in that constant sense of dread, like trying to pick up more hours. I work three jobs right now, and I probably just will keep doing it for as long as I can, just so I don't ever get in that situation again." –Leah (Minneapolis, MN)

"You feel like a sense of, I know for me a sense of like, embarrassment, cause it's like, dang, I gotta go back, I gotta go back. I keep going back, and it becomes a pattern." –Shontae (Minneapolis, MN)

"I always had a real feeling of shame going into a storefront place. It felt like it was very shameful to me, and it felt […] degrading, like a dirty thing that I was doing." – Louise (St. Paul, MN)

Borrowers in our focus group ultimately paid off their payday loans through various forms of external support, including refinancing through Exodus Lending, receiving financial assistance from their tribe, borrowing from friends and family, and in some cases, taking out additional loans. Beyond these cash infusions, some participants increased their financial stability by revising household budgets, moving into more affordable rental housing, or taking on additional work. A small number, however, took on additional high-costs debts to pay off their loans. Our findings are consistent with previous research by Pew that shows two in five payday borrowers repay their loans with financial assistance, other sources of credit, or tax refunds.[27]

"My parents started helping me out and I sold a bunch of my stuff […] and I moved. I rent a bedroom from a retired lady instead of my own apartment now. So like, I've really downsized a lot." –Jacob (Minneapolis, MN)

"Once I got connected with [Exodus Lending] I just decided I don't care how desperate I get, it's not worth it. I actually have not taken [a payday loan] out since I got the help I needed like five years ago […]. To me, it's not worth it. I can figure something out. Thank God I've got a couple friends who have always said if you need to borrow a couple hundred bucks, we'll set up a payment arrangement, we'll get it done." –Meg (St. Cloud, MN)

"Honestly it did finally get paid off, but luckily my tribe helped me out with a non-payback loan to help with mine […]. But yeah, [payday loans] totally ruined my credit." –Olivia (Minneapolis, MN)

"If it wasn't for [Exodus Lending], I think I probably would have still been trying to claw out of the hole I was in." –Chantal (St. Paul, MN)

Notably, borrowers in our study used options and strategies to pay off their loans which they could have used to avoid payday loans in the first place. However, when payday loans are available as an option, borrowers don't always consider less harmful alternatives. Research from the Department of Defense shows

that people facing financial distress tend to draw from a narrow "consideration set," shaped by aggressive marketing, behavioral biases, and misconceptions about eligibility for other forms of help. As a result, many borrowers believe they have no real options beyond payday loans. Removing payday lending from the marketplace broadens this consideration set by prompting borrowers to explore non-predatory resources such as nonprofit assistance, financial counseling, and coaching.[28]

Focus group participants recognized the harm payday loans caused and expressed a strong desire to avoid predatory debt in the future. They also emphasized the need for broader systemic solutions to protect consumers and address economic inequality.

> ***"I am pretty close to that boat right now [needing to borrow $300], I'd probably be going to my parents and just see if they can help me out. Yeah I'm not, that's the road I'm not going down again [using payday lenders], […] but not everybody has access to that rich relative, you know what I mean? Or has family that can help them out in a pinch when they need a couple hundred bucks." –Greg (Princeton, MN)***

> ***"I definitely think there should be some regulations around [payday lending], but also helping those that need help." –Shontae (Minneapolis, MN)***

Borrowers Demonstrate Adaptive Strategies in the Absence of Storefront Payday Lending

Previous research has consistently shown that consumers adapt positively when payday lending is restricted. A national survey by Pew of payday loan borrowers showed that 81% of borrowers would cut back on expenses if payday loans were unavailable, and in states with rate caps, 95% of would-be borrowers would not use payday loans at all.[29] These patterns were echoed in studies at the state level that examined the impacts of rate caps on consumers. Researchers found that the absence of payday loans in North Carolina did not impact credit availability, and they identified an array of financial options consumers used to overcome shortfalls. In a survey of low- and moderate-income households, 90% said payday lending was a "bad thing." Former payday borrowers expressed relief at no longer having access to payday loans.[30]

Borrowers in Minnesota articulated similar sentiments and strategies. Without access to payday loans, borrowers identified less harmful strategies for coping with financial struggles—from taking on additional paid work and cutting expenses, to borrowing from personal networks and leveraging community resources. Through these strategies, several borrowers have managed to avoid harmful debt, and some have saved modest amounts for future emergencies. While most participants continue to struggle financially, they recognized that predatory debt added to their burden. Although many continue to live paycheck to paycheck, participants demonstrated resourcefulness and resilience in dealing with financial hardships.

> ***"We took a look at our TV bill and we're spending, you know, $150 on DIRECTV. So we got something cheaper that was half the price. You know, didn't go out to eat as much because we were going out to eat quite a bit, so cut that out. Making more food at home. Um, not going to the bar so much. Yeah, just cutting where we can, saving money at home." –Ted (Otter Tail County, MN)***

> ***"I'm the one in the group that is never going to pay full price for anything. If it's not on sale, I don't need it that bad. I can wait for it to go on sale and if I still want it then great, but very rarely do I pay full price for anything and that's helped my budget." –Meg (St. Cloud, MN)***

"I would probably just ask my dad. I mean, just the shame thing in the past is what kind of led me to take out payday loans in the first place. And you know, I kicked myself like, oh, I could have just asked, asked him for help like a couple years ago." –Leah (Minneapolis, MN)

"I became very adept at calling [United Way] 211 and saying tell me everything I need to know because you know, I've said for years they don't put up a billboard and say here are all the nice things you're eligible for." –Jennifer (St. Paul, MN)

"When you have to find a different solution to something, it might be hurtful at first, it might be difficult at first, but I think in the overall long run those loans are more harmful than help, of course, because you can never really get ahead." –Louise (St. Paul, MN)

Online Lenders Continue Illegally Targeting Financially Vulnerable Minnesotans

Despite Minnesota's rate cap, online lenders continue to target borrowers with marketing and offers for loans that are not permitted under the state's 2023 payday lending reform. Like traditional storefront payday lenders, app-based payday lenders promote themselves as providers of "instant cash," but evidence from CRL and others demonstrates their loans are simply a digital version of the same high-cost debt trap.[31] The similarities to traditional storefront payday are striking: borrowers are offered small loan amounts with high fees due on their next payday, resulting in triple-digit APRs. The repayment structure creates a shortfall in consumers' pay, compelling them to reborrow repeatedly. The lenders' business model depends on this cycle of frequent borrowing to generate fee volume. Ultimately, these online loans erode borrowers' financial stability, leaving them worse off.[32]

In addition to payday loan apps, other online lenders target financially vulnerable Minnesotans. Through Rent-a-Bank partnerships, these online companies collaborate with out-of-state banks to evade local usury laws, enabling them to offer high-cost loans that would otherwise be prohibited. A Federal Reserve study found that these partnerships disproportionately target consumers with lower credit scores in states with low-rate ceilings.[33]

Consumers in our focus groups reported receiving a constant stream of solicitations from lenders through online ads, emails, text messages, and even phone calls. In some instances, consumers searched online for information about financial products and services, and their personal information was shared and sold to third-party marketers and lenders. Participants described blocking calls, reporting emails as junk, and throwing mail in the garbage to avoid offers.

"And if you even click on one of their sites, you get like 50,000 texts and emails and like, cause I did this a few weeks ago when I was, I didn't take out a loan again, but I did look at it and my phone's just been blowing up ever since." –Jacob (Minneapolis, MN)

"I was getting like probably, you know, 5–6 emails a day from different ones [lenders] where it was just annoying, they're coming through. So I finally just went through one day and just went and blocked every one of them because I was just getting sick of cleaning my mail every day." –Ted (Otter Tail County, MN)

"I've had my identity stolen three times because of these online companies. . . and I keep getting calls about 'We want to talk to you about the loan you applied for. . . so it's these companies that are still preying on you and I've got a spam blocker on my phone and if I don't recognize the number, they go to my block." –Meg (St. Cloud, MN)

Several participants expressed confusion and frustration about the continued influx of loan offers, even after the implementation of a rate cap intended to curb payday lending.

"Louise" and "Chantal" paid off their payday loans with the help of Exodus but are now being targeted by online lenders.

> ***"I never wanted to do it again, but they keep on sending me a lot of offers all the time because they know it's paid off. So they just offer, offer, offer: this much cash available for you, come get this, and you know, I'm really in financial straits." –Louise (St. Paul, MN)***

> ***"I get stuff in the mail about loans and I get pre-approved like emails and everything I send it straight to my junk. So like how are we still getting contacted when technically we're not supposed to have payday loans here?" –Chantal (St. Paul, MN)***

Several participants had been lured by lenders into taking out these app-based and Rent-a-Bank loans, finding them just as harmful as storefront payday lending. Two participants were currently in a debt cycle from using payday loan apps, and one had taken out online loans through out-of-state lenders.

> ***"I did [payday loan apps] a couple times and that was fine. But then they started upping it [the fees] and then when we get into a bind, I'd use it again and so it's just it's an endless cycle and it's horrible." –Gayle (Otter Tail County, MN)***

> ***"I'm kind of stuck in those apps now, like the ones that give you $50 or $100, and it happened so fast, like it was just like, oh, this seems manageable, but then two weeks ago my paycheck came and then it was gone and I was minus $250 the same hour." –Jacob (Minneapolis, MN)***

> ***"A lot of the loans, it seems like that I had been able to take out, they're companies that operate outside of Minnesota. So I guess there's loopholes that some of these companies are finding to continue lending at like really high rates in this state." –Leah (Minneapolis, MN)***

Borrowers Express Relief that Storefront Payday Lending Is Gone and Show Strong Support for Continued Regulation

Focus group participants were overwhelmingly relieved that payday storefronts were gone. Many recognized they were better off emotionally and financially without payday lending, even if finding alternatives was difficult and uncomfortable. Some noted positive changes in their neighborhoods where new businesses had replaced payday storefronts.

> ***"When the law passed, I felt more relief than anything, knowing that my kids weren't going to have to worry about any of that." –Meg (St. Cloud, MN)***

> ***"There used to be tons of them [storefront payday lenders] and I hated walking by them, and I wasn't like very often tempted to use them, but I was reminded of when I did use them in the past. . . . it kinda cleaned up the neighborhood, you know, like not totally, but there was a little bit of an improvement to the neighborhood when they went away." –Jacob (Minneapolis, MN)***

Previous CRL research has shown strong consumer support for payday rate caps after they are implemented.[34] In line with earlier research, borrowers in this study show strong support of the Minnesota 36% rate cap for payday loans. After struggling in payday loan cycles for years, they look forward to others—particularly their children—avoiding the trap. Borrowers highlighted enforcement inconsistencies, such as online or app-based loans still being heavily advertised and available despite the rate cap. Borrowers in this study support the elimination of payday loans in Minnesota and call for continued enforcement and regulation of storefront and app-based payday loans.

> ***"There should be a lot of regulation in it, and I shouldn't be able to go get $500 I can't afford to pay back." –Jacob (Minneapolis, MN)***

> ***"I would definitely say, any kind of cap that has been set up by the state and all those things, that has helped many, many people." –Rajan (Minneapolis, MN)***

Borrowers showed support for current laws and called for further regulation and enforcement. Participants in this study emphasized that non-predatory resources for weathering financial crises must be made available. Until this happens, they expect to continue seeing other predatory lenders, such as payday loan apps, taking the place of storefront lenders.

> ***"I think that they shouldn't make [predatory loans] so easy to get, especially when people are living in poverty. All that's going to do is make them more in poverty, they're living paycheck to paycheck anyways, it's just putting them in deeper a hole." –Olivia (Minneapolis, MN)***

> ***"Everything that's been done in the state of Minnesota in terms of the payday loans, it's been great. But the thing about it is, that somebody just comes, some other greedy person comes around and takes advantage of you in a different way, and [regulation] needs to be across the board." –Jessica (St. Paul, MN)***

Conclusion

The voices of former payday loan borrowers in Minnesota provide powerful evidence of harm caused by payday lending and the benefits of strong consumer protections. Through focus groups, participants described how payday loans intensified financial instability, trapping them in years-long cycles of debt that only ended by making difficult trade-offs or receiving external support. Borrowers were unequivocal in their support of Minnesota's interest rate cap, viewing it as an important safeguard against predatory lending. Though some continue to struggle with high-cost and predatory loans and many still live paycheck to paycheck, former payday borrowers have developed safer strategies for managing financial challenges in the absence of storefront payday lending.

Participants highlighted the persistence of predatory practices, particularly though payday loan apps and Rent-a-Bank schemes, which point to the need for greater enforcement of existing credit laws and legislative action to address loopholes. In addition to strong protections, consumers called for accessible, non-predatory alternatives such as low-cost, small dollar loans from banks and credit unions (in compliance with the small dollar loan rate cap), community lending programs, and robust social supports to meet short-term financial needs without creating long-term harm.

Policy Recommendations:

- Fully enforce Minnesota's rate cap, including anti-evasion provisions, to ensure state protections remain effective for all loans to Minnesota residents.
- To further address online lending through Rent-a-Bank schemes, pass DIDMCA opt-out legislation that would require out-of-state lenders to comply with Minnesota's usury laws.
- Monitor and regulate emerging financial products such as app-based payday lending (EWA) as credit subject to Minnesota's 36% rate cap for small dollar loans. Resist attempts to make product-specific loopholes, and strengthen and clarify small dollar lending laws if needed.
- Invest in community-based financial alternatives to predatory lending, and call on more mainstream banks and credit unions to offer affordable small dollar consumer loans.

Appendix:

Focus Group Participants' Characteristics

Gender	
Male	4
Female	10
Race/Ethnicity	
Asian or Pacific Islander	1
Black or African American	2
Native American	2
White	7
Two or More	2
Age	
35–44	6
45–54	4
55–64	1
65+	3
Household Income	
Less than $25,000	3
$25,000–$50,000	5
$50,000–$75,000	4
$75,000+	2
Employment Status	
Self-employed	1
Unemployed	3
Work Full Time	9
Work Part Time	1
Recruitment Channel	
Exodus Lending	10
Family or Friend	3
Community Group	1

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