



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

March 21, 2023

The Honorable Joseph Solomon
Chairman, House Committee on Corporations

The Honorable Members of the House Committee on Corporations

RE: *Testimony in Support of 2023-H 5160, An Act Relating to Financial Institutions – Licensed Activities – Lenders and Loan Brokers – Check Cashing*

Chairman Solomon:

I write in strong support of 2023 H-5160, which aims to curb payday lending practices in Rhode Island.

A payday loan – known under Rhode Island law as a “deferred deposit transaction” – is a short-term, high-interest loan that typically matures on the borrower’s next “payday.” While such loans present as a quick and simple way to offset short-term expenses, borrowers often become trapped in a cycle of indebtedness driven by fees and exorbitant interest rates. Faced with unaffordable payments, most borrowers then take out yet *another* payday loan to service existing debts. Once caught in this self-perpetuating cycle of dependency, it is difficult to break.

Over two decades ago, the General Assembly amended state law to allow payday lending practices. Though prevailing law somewhat restrains these lending practices, payday lenders are permitted to charge an astonishing 260 percent annual percentage rate (“APR”) before fees. By comparison, *every* other New England state either caps payday lending at 36% APR or prohibits the practice entirely.

As Mayor, I saw the impact firsthand in Central Falls, where neighbors frequently turned to payday lenders. Saddled with unconscionable interest payments and fees, families living on economic margins are left with few options, and either default on their loan, return to their borrowers for a second, or third loan, or are left without the financial means to cover basic living expenses.

As Treasurer, I remain committed to doing all I can to financially educate and empower Rhode Islanders from Woonsocket to Westerly. Payday lending is an unfair practice that has been permitted in our state for far too long. I therefore urge this Committee to help protect our financially vulnerable populations and support this bill.

Respectfully,

A handwritten signature in black ink, appearing to be 'JD' or similar initials, enclosed within a circular flourish.

James A. Diossa
General Treasurer

CC: The Honorable K. Joseph Shekarchi
The Honorable Karen Alzate