



March 25, 2024

The Honorable Joseph J. Solomon Jr.  
Chair, House Corporations Committee  
Rhode Island State House, Providence, RI 02903

**Re: H-7211 – SUPPORT – Payday Lending Reform**

Dear Chairman Solomon and Members of the Committee:

On behalf of the Housing Network of Rhode Island, our member agencies, and the low-income Rhode Islanders we seek to serve, I write in strong support of **H-7211**, sponsored by Representative Alzate. This proposed legislation would remove the current special carve out permitting deferred deposit providers, also known as "payday lenders" from attaching triple-digit annual interest rates, and apply a uniform standard of 36% rate cap. This is a meaningful step to providing a common sense consumer protection for hard working Rhode Island households desperate to secure their basic needs in the midst of an historic housing crisis, which disproportionately affects low-income residents and communities of color.

The Housing Network of Rhode Island is the State's membership association of 17 nonprofit community development agencies across Rhode Island. Our members have created more than 7,500 affordable homes, are leaders within their communities, and have contributed to economic development, revitalization efforts, and the creation of healthy and vibrant neighborhoods in cities and towns throughout Rhode Island. Our organization and membership are committed to serving low income Rhode Islanders. HNRI also serves as the backbone organization for Homes RI, a collective impact effort focused on increasing the supply of safe, healthy, and affordable homes across Rhode Island.

The proposed changes in H-7211 would not disallow check-cashing services, but instead would simply require that payday lenders play by the same rules as other financial institutions operating in Rhode Island. Successful models for interest rates of 36% already exist in our State, such as those offered by financial institutions such as Capitol Good Fund, Greenwood Credit Union, Navigant Credit Union, and Lending Tree.

Since 2001, payday lenders have enjoyed a special carve out in our state's usury law which allows them to make payday loans as licensed check cashers at interest rates as high as 260% APR on toxic, quick loans proven to trap borrowers in long-term debt. When Rhode Island residents are forced to resort to these predatory loans, they are often unaware of the loan's actual costs and unable to repay the loan in full.

There are no meaningful consumer protections currently in place to prevent for-profit lenders from providing predatory interest rates on loans to low-income residents. With an average annual interest rate of 260%, allowing this unregulated practice to persist exacerbates poverty and undermines the financial security of low-income households, trapping our most vulnerable neighbors in devastating cycles of debt, and disproportionately harms communities of color.

A 36% cap on payday loans would enforce responsible lending practices in Rhode Island, providing hardworking Rhode Islanders and their families a reasonable level of consumer protection from the serious negative impact of long-term cycles of debt. Passing H-7211 provides Rhode Island families the bare minimum level of protection against predatory lenders who prey on their desperation. Families who fall into this cycle of debt are at increased risk of being pushed into homelessness. Payday loans do more harm than good; while these loans are marketed as a simple, quick fix, more often than not they lead to worse economic problems for low-income households. Over 60 percent of payday loan business is generated by borrowers who take hold 12 or more loans annually, due to an inability to pay off the balance and constantly growing fees. Payday borrowers are twice as likely to file for bankruptcy or default on a credit card as comparable non-borrowers. Payday lenders increase wealth disparities by disproportionately targeting residents in neighborhoods in communities of color.

Payday lenders have remained in states where interest rates are regulated well below 260%, disproving claims that imposing reasonable restrictions on interest rates would effectively drive lenders out of business. Regardless, an industry which can only remain viable by relying on practices that prey on desperation, exacerbate poverty and harm our most vulnerable neighbors, is simply unsupportable.

The CEO of Cash America, one of the largest payday lenders in the country, openly admits that “the theory in the [payday lending] business is you’ve got to get that customer in, work to turn him into a repetitive long term customer, because that’s where the profitability is.” State data confirms this theory by demonstrating that 3 out of 4 payday loans are the result of churning repeated borrowers caught in a vicious cycle of debt payday after payday, taking out additional loans to repay the one that’s come due. Only 2 percent of payday loans go to borrowers that take out a payday loan, pay it off, and don’t come back for a year.

Currently 18 other states already provide reasonable this consumer protection against predatory interest rates on payday loans by capping rates at 36% or lower, but not Rhode Island. Collectively, these states save their residents nearly \$2 billion per year that would have otherwise been lost to predatory payday fees. In North Carolina, a state that ended its experiment with triple-digit payday lending, the Commissioner of Banks found that low-and-middle income families in the state were not negatively impacted after the payday lending carve-out had been ended. Rhode Island is also the only state in New England that fails to provide consumer protections by capping interest rates on payday loans.

For much of Rhode Island’s history, the state enforced a rate cap of no greater than 36% annually for lenders. Rhode Islanders want reform that was been proven to end the debt trap – a true rate cap on payday loans that repeals the ability of lenders to charge the astronomical rates with a maximum limit of 36%. Voters overwhelmingly support a rate cap on payday loans: 66% of RI voters support a 36% interest rate cap on payday lenders, with 48% of those strongly supporting; among those who oppose a 36% rate cap, 61% are opposed because they believe the rate should be LOWER than 36%.

We applaud Representatives Alzate, Cruz, Stewart, Batista, Giraldo, Diaz, Sanchez, Kazarian, Potter, and Slater for introducing and signing on to this bill and urge the Committee to approve its passage. I welcome questions and can be reached at 401-721-5680 ext. 104 or [mlodge@housingnetworkri.org](mailto:mlodge@housingnetworkri.org).

Respectfully submitted,



Melina Lodge, Executive Director