



State of Rhode Island

Department of State | Office of the Secretary of State

Gregg M. Amore, Secretary of State

March 26, 2024

The Honorable Joseph J. Solomon, Jr., Chair
House Committee on Corporations

RE: H7211 An Act Relating to Financial Institutions - Licensed Activities - Lenders and Loan Brokers - Check Cashing

Dear Chair Solomon,

I write this letter in support of House Bill 7211, which would eliminate the practice of payday lending.

The Department of State's Business Services Division maintains Rhode Island's business registry, which records new business formations and the ongoing business registration activity of the more than 102,911 active entities registered in our state. The Division also provides thoughtful guidance and comprehensive services to those looking to start and maintain a business or non-profit in Rhode Island.

Often, the Division encounters individuals who wish to start a business but have been victims of predatory lending practices, which have a long-lasting effect on their personal credit history. Payday loans trap borrowers in a cycle of debt, creating challenges not only in repaying the loan but also in paying other critical expenses. The cycle continues if the loan is not paid in full by the end of the term, and borrowers need to either renew or extend the loan or take out another loan to cover the primary loan – all while fees are charged for each transaction.

Although payday lending specifically affects individuals' finances, it can impact their ability to keep their businesses in good standing. The Department of State believes potential and current business owners must be aware of the consequences of payday lending and its potentially permanent effects on their credit line, making it difficult for them to start or maintain a business.

According to the U.S. Small Business Administration, in their 2022 Small Business Profile, Rhode Island has 108,360 small businesses owned by 40.7% women, 11.5% Hispanics, 8.9% racial minorities, and 6.3% by veterans. This signifies that more than half of all small businesses in the state are owned by marginalized communities. Typically, payday lending affects communities of color and low-income neighborhoods, rendering them the most susceptible to becoming stuck in a cycle of debt.

The General Assembly should develop laws and policies that encourage responsible lending. Therefore, I urge the Members of the Committee to support House Bill 7211, as it will eliminate a lending practice that affects some of the most vulnerable populations in our state, many of whom are potential entrepreneurs or current business owners contributing to our state's economy.

Thank you for your consideration. If you have any questions, please feel free to contact Michelle Arias, Director of Intergovernmental Affairs, at marias@sos.ri.gov.

Sincerely,

Gregg M. Amore
Secretary of State

cc: The Honorable Members of the House Committee on Corporations
The Honorable Karen Alzate

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