



American Fintech Council Testimony

TO: The Rhode Island House Committee on Corporations  
FROM: Hon. Phil Goldfeder, CEO, American Fintech Council (AFC)  
DATE: March 26, 2024  
SUBJECT: House Bill 7941

***Position: Oppose.***

***Testimony:***

Thank you Chair Solomon, Vice-Chairs O'Brien and Caldwell, and members of the House Committee on Corporations for providing me the opportunity to testify before you in opposition to House Bill 7941 (HB 7941). My name is Phil Goldfeder, I served as a senior advisor to Senate Majority Leader Chuck Schumer, and I am a former state legislator from the state of New York. I now continue in my public service as the CEO of the American Fintech Council (AFC).

As CEO of a standards-based trade association representing responsible fintech companies of all sizes and their innovative partner banks, I recognize that not all bank-fintech partnerships are created equal. AFC members do not offer loans above 36 percent interest. Unfortunately, this bill is a blunt and legally questionable legislative solution for an issue that requires nuance and will end up harming consumers.

Simply put, HB 7941 will diminish access to credit for Rhode Islanders. Under the current law, state-chartered community banks can partner with fintech companies to offer much needed, safe and affordable, credit to consumers. Again, AFC members do not offer loans above 36% interest rate. If passed, this bill will significantly decrease the supply of affordable credit in Rhode Island at a time when, according to the CFPB, credit card interest rates are at an all-time high and being driven by a lack of competition.

This bill upsets the competitive balance in the financial services industry and puts state-chartered banks at a significant disadvantage as compared with national banks. Rhode Island interest rate caps apply only to state-chartered banks; national banks can continue charging at the higher rates permitted under federal rules.

It is important to note that this bill is based on the ideas of a small group of Iowa lawyers, who claim that Iowa's decision to opt-out of rate exportation allowed in the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) proved beneficial for their consumers, without proving that with any data. However, based on an analysis of AFC's members, each year

at least 250,000 Iowans are missing out on loans at responsible rates, totaling approximately \$300 million. This hardly seems like a robust lending environment.

If passed, HB 7941 will decrease access to responsible credit as it did in Iowa, put community banks at a disadvantage and leave many Rhode Islanders— particularly those in minority communities— with no option but to rely on far too many predatory and high-interest alternatives. Consumers once responsibly served through bank-fintech partnerships will now either have no option for credit or be forced to engage with high-interest payday or predatory lenders or nationally chartered banks that are not beholden to Rhode Island’s interest rate cap.

In addition, just this week, the American Fintech Council brought legal action against the state of Colorado for their action on a similar bill. Opting out of DIDMCA is not legally valid nor is it sound public policy. The Colorado law, which is based on a fringe legal theory from a small group of lawyers in Iowa, is invalid on its face. Colorado does not have the right to set rates and fees for state-chartered banks that are not actually making loans, as defined under federal law, in Colorado. HB 7941 would face the same legal issues as the Colorado law if passed.

I do not want the same scarcity of lending options in Iowa to befall Rhode Island consumers as well, nor do I want Rhode Island to face the same legal challenge as Colorado. Therefore, I respectfully request that this committee table this bill to consider the nuance needed to properly solve the issues discussed, and not harm the hundreds of thousands of Rhode Islanders being responsibly served by AFC members. I thank you again for the opportunity to raise my concerns regarding HB 7941 and I am open to answering any questions.