



Testimony of Matthew Netto, AARP Rhode Island
In support of House Bill 5042
House Corporations Committee
March 13, 2025

Dear Chairman Solomon and the Members of the House Corporations Committee,

On behalf of AARP Rhode Island, and our 128,000+ members, I would like to express AARP Rhode Island's support of House Bill 5042, which would repeal the provisions of the general laws allowing deferred deposit providers, also known as "payday lenders.

Payday lenders are responsible for trapping low-income Rhode Islanders into a cycle of debt. Currently, there are no consumer safeguards that protect Rhode Islanders against the predatory payday lending practices that persist in our state. The average cost to borrow \$500 for four months in Rhode Island is \$360 and has an APR of 261%.¹

Payday lenders business model depends on keeping borrowers stuck in long-term, high-cost debt. Rhode Island payday lenders offer small loans that must be paid off by the borrower's next payday. On average, these lump sum payments cost about one-third of a typical borrower's paycheck.² This is unaffordable and directly leads to cyclical borrowing. The average payday loan borrower takes out 10 loans each year. This is because fees and high interest rates often force the borrowers to take out more loans just to be able to pay off their first one.

In 2022 alone, Rhode Island payday borrowers paid a total of approximately \$3 million in fees to payday lenders. Rhode Island is the only state in New England that still allows storefront payday lending to continue without any consumer safeguards. Connecticut, Massachusetts, New Hampshire, and Vermont have prohibited payday lending entirely.

These loans are not only harmful to the borrowers, but to the state's economy. The Insight Center for Community Economic Development found that payday lending had a negative impact of \$774

¹ The Pew Charitable Trusts. (2022). *How Well Does Your State Protect Payday Loan Borrowers?* <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2022/how-well-does-your-state-protect-payday-loan-borrowers>

² The Pew Charitable Trusts. (2022). *Payday Loans Cost 4 Times More in States with Few Consumer Protections.* <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/payday-loans-cost-4-times-more-in-states-with-few-consumer-protections>

million on the national economy in 2011. This resulted in the estimated loss of \$169 million for U.S. households who experienced bankruptcies linked to payday lending usage, bringing the total loss to nearly \$1 billion.³ Payday lending costs Rhode Island an estimated net loss of over \$1.6 million.

This is why it is time to put an end to predatory payday lending that negatively impacts Rhode Islanders and our state. We ask that you recommend passage on House Bill 5042 so that we can address this important issue this session.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Matt R. Netto".

Matt Netto, AARP RI, Associate State Director of Advocacy
401-834-0524 / mnetto@aarp.org

³ Lohrentz, T. (2013) *The Net Economic Impact of Payday Lending In the U.S.* Insight Center for Community Economic Development.
<http://www1.insightcced.org/uploads/assets/Net%20Economic%20Impact%20of%20Payday%20Lending.pdf>