



To: Chair Joseph J. Solomon, Jr. and Members, House Committee on Corporations
From: Jessica David, President of Local Return
Date: March 11, 2025
Subject: Testimony in support of House Bill 5042

Thank you for the opportunity to submit this testimony. **I write today to express our strong support of Representative Alzate's bill 5042 to halt the predatory practices of payday lending institutions in Rhode Island.**

Local Return is a nonprofit organization dedicated to building community wealth in historically disinvested neighborhoods in Rhode Island through community ownership and investment. We work to keep assets local, end economic leakages, and stop financial extraction. Payday lending does the exact opposite.

Payday loans are high-cost loans structured to perpetuate an ongoing cycle of debt. These lenders typically target low-income individuals, people of color, women, and other marginalized communities who may have limited access to credit. The federal Consumer Financial Protection Bureau's research on payday lending practices shows that the average payday loan consumer gets caught in a cycle of debt, taking out 10 loans per year due to an inability to pay off the balance with the constantly growing fees. Rhode Islanders are paying \$3 million annually in fees for payday loans. That's \$3 million being extracted from our families and neighborhoods to predatory, out-of-state companies. A number of local credit unions offer much better alternative small loan products to meet consumer needs while keeping money flowing within the local economy.

There is absolutely no good reason payday lenders should benefit from a special carve-out from the state's usury laws. Nationally, 18 states and the District of Columbia have laws with rate caps of 36% or lower. Congress acted in 2006 to protect active-duty military personnel by capping loans to such individuals at 36%.

Thank you for your attention to this critical issue. We hope 2025 will be the year that the General Assembly takes decisive action to protect individuals and communities from the harmful effects of payday lending.