



RHODE ISLAND KIDS COUNT
ONE UNION STATION
PROVIDENCE, RHODE ISLAND 02903
401/351-9400 • 401/351-1758 (FAX)

Testimony Re: HB 5042-Relating to Financial Institutions-Payday Lending

House Corporations Committee

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Jessica Vega, Senior Advocacy and Community Engagement Manager

Mr. Chairman and members of the Committee, thank you for the opportunity to provide testimony today. Rhode Island KIDS COUNT would like to voice its strong support for House Bill 5042. We would like to thank Representative Alzate for sponsoring this bill and Representatives Cruz, Newberry, Kazarian, J. Lombardi, Morales, Stewart, Batista, Giraldo, and Diaz co-sponsoring. This bill would cap the interest rate for payday loans at 36%, aligning it with the rate cap for all other lenders in the state.

I come before you not just as an advocate but as someone who has personally experienced the predatory nature of payday loans. In my early 20s, I was doing everything I thought I was supposed to do—working hard, paying my bills, and striving for independence. I had just graduated from Rhode Island College with a degree in psychology and moved into my first apartment in Pawtucket. But like so many young people, I quickly realized that my paycheck didn't stretch far enough. Rent, car payments, student loans, and basic necessities added up fast, and when I found myself in a financial bind, I applied for a payday loan.

At the time, it seemed like a quick and easy solution. I walked in, showed my ID, and walked out with cash—no real questions asked. I didn't realize I was entering a **cycle of debt** that would consume my life for the next year.

When it came time to pay off the loan, I quickly realized that my financial situation hadn't changed from two weeks prior. Asking for an extension only meant that the interest doubled. Eventually, I was working two jobs just to cover my expenses and keep up with the payments. I even found myself taking out a loan from another payday lender just to pay off the first one—I was robbing Peter to pay Paul. The financial stress became unbearable. I remember driving one day when I was hit with a massive headache that ran down my spine. I was shaking, overwhelmed by the weight of my financial situation.

The only way I was able to break free was by moving back into my mother's already cramped apartment and working around the clock. I was lucky—I had family support and the ability to take on more work. But **many Rhode Islanders don't have that option.**

Payday lenders claim they provide a necessary service to those who have nowhere else to turn. But what they really do is **trap people in a never-ending cycle of debt**, charging the equivalent of **260% interest annually**—a rate far higher than what banks or credit unions would charge for a small loan. I now

know that there are safer alternatives, like community-based lenders and credit unions. But back then, I didn't. Payday lenders were everywhere.

For over a decade, advocates have been fighting to cap payday lending rates and protect Rhode Islanders from **financial exploitation**. This bill is a critical step toward ending a predatory practice that disproportionately harms low-income families and communities of color.

Last year was the first time I shared my story. I had held back because of the stigma of financial struggle. But today, I stand before you to say: this is personal. I lived through it, and I don't want anyone else to experience what I did. No one should have to work multiple jobs or sacrifice their well-being just to escape the payday lending trap.

I urge this Committee to support this bill and put an end to predatory payday lending in Rhode Island.

Thank you for the opportunity to provide testimony.