



## *Innovative Lending Platform Association*

April 24, 2025

The Honorable Joseph Solomon  
Chair, House Committee on Corporations  
Rhode Island General Assembly

### **Letter in Opposition to House Bill 6055**

Chair Solomon and Members of the House Committee on Corporations,

The Innovative Lending Platform Association (ILPA) appreciates the opportunity to share our concerns regarding House Bill 6055. House Bill 6055 would opt Rhode Island out of the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) and require any entity holding the predominant economic interest in a loan to comply with Rhode Island law.

ILPA is the leading trade organization for online financing providers and service companies serving small businesses. Our members<sup>1</sup> provide various innovative, digital commercial financing products. They proudly supply thousands of Rhode Island businesses with working capital to invest, purchase inventory, hire additional staff for the busy season, expand operations, or repair damaged or outdated equipment. Using innovative underwriting and advanced technology, our members assess credit risk and deliver financing in as little as 24 hours.

While we recognize the bill sponsor's intent to protect Rhode Island consumers from predatory lending, opting out of DIDMCA would have unintended consequences, severely restricting access to capital for Rhode Island's small businesses. Under DIDMCA, out-of-state and federally chartered banks can extend loans at rates exceeding Rhode Island's current cap, enabling small businesses to access necessary funds.

Rate caps make it difficult, if not impossible, for lenders to provide capital where it is needed most. A study by the [Aspen Institute](#) shows that a \$5,000, 18-month loan would require a 40 percent interest rate to cover origination costs. This does not include costs related to defaults, collections, and operational expenses. And small businesses are inherently risky endeavors. Multiple studies show that 25% of businesses fail in their first year and 50% in the first five. Under Rhode Island's existing 21% rate cap, local banks struggle to meet small businesses' credit needs, a gap that out-of-state banks fill. If Rhode Island-based lenders were able to meet Rhode Islanders' credit needs under the state's existing regulations, there would be no need for out-of-state lenders to fill that credit gap.

Small businesses need flexible and responsive financing, especially in uncertain economic times. As the Aspen Institute study illustrates, smaller, short-term loans must carry higher interest rates to remain viable. Removing DIDMCA protections would stifle access to capital, hinder small business growth, and weaken Rhode Island's economy. DIDMCA has fostered a more inclusive and competitive financing environment. Preserving these federal protections ensures Rhode Islanders have the financial resources necessary to thrive.

Additionally, House Bill 6055 would require any entity acquiring the predominant economic interest in a loan to comply with Rhode Island's financing laws. The ability to transfer or sell loans is a critical function of banking that reduces risk and ensures broader credit access. By selling loans on the secondary market,

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<sup>1</sup> BackD Business Funding, Biz2Credit, Dedicated GBC, Fiserv, FundBox, iBusiness Funding, Lendio, Mulligan Funding, and OnDeck

lenders free up capital to issue new credit, ensuring that small businesses and consumers continue to have access to financing. Investors and other secondary market participants are not lenders and often do not obtain state lending licenses. This creates unnecessary red tape that will have a chilling effect on secondary credit purchases and investments. Restricting loan transfers would increase borrowing costs, reduce capital availability for Rhode Island's small businesses, and pose a significant risk to the broader financial system. The last thing the American economy needs right now is a severe credit crunch caused by unnecessary regulation of non-lender entities that obtain the predominant economic interest in a loan.

ILPA strongly opposes House Bill 6055 due to its disastrous consequences for Rhode Island consumers and small businesses and its implications for the broader financial system. We urge the committee to reject the bill.

Thank you for your consideration.