



April 24, 2025

The Honorable Joseph J. Solomon, Jr.
Chair, House Corporations Committee
Rhode Island State House
Providence, RI 02903

Re: H 6055 -- An Act Relating to Commercial Law – General Regulatory Provisions –
Interest and Usury

Dear Chairman Solomon,

I am writing on behalf of the Rhode Island Bankers Association ("RIBA") to express our opposition to the above-captioned proposal.

In 1980, Congress passed the Depository Institutions Deregulation and Monetary Control Act ("DIDMCA") which, in part, allowed state banks and state savings institutions to export the "interest" permitted under home state laws to customers/borrowers in other states.

Because national banks and federal savings banks already enjoyed this right to export rates, DIDMCA simply leveled the playing field for state-chartered institutions (often smaller community banks) and put them on an equal footing with their federally chartered competitors.

Particularly in Rhode Island, where our markets are so integrally entwined with other New England states, rate exportation allowed Rhode Island state-chartered institutions to more competitively conduct loan operations in the region relative to other lenders. Not incidentally, rate exportation also simplified our Rhode Island lending operations.

While DIDMCA did allow for states to opt out of this federal legislation, reversing course after nearly 45 years is unsettling in the extreme and potentially damaging to the marketplace by reducing the number of lenders and loan availability, leaving consumers with fewer borrowing choices. Basically, competition will be reduced and options for borrowers will be more limited. In fact, for those reasons, of the handful of states that have enacted legislation similar to this proposal, all but Colorado have already reversed course and repealed their measures.

Additionally, proposed new 19-14.12-2 purports to apply Rhode Island law "to any loan made in the State of Rhode Island through any medium whatsoever.... including, but not limited to, paper, mail, facsimile, Internet, telephone or any electronic means regardless of whether the lender has a physical presence in the state."

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Unfortunately, the State of Rhode Island's jurisdictional reach over interstate transactions is not so clear. Federal law controls where a loan is "made" for opt-out purposes, and interpretations of federal banking agencies suggest that where a loan is "made" is often not the borrower's location. An attempt to accomplish this by state law can only result in additional confusion.

Finally, while RIBA fully supports prohibitions against "evasion" of lending rules, "subterfuge", "pretense", "disguising" or "obscuring" of loan charges and similar activities, we believe such actions already constitute the kind of fraud that is adequately controlled by existing civil and criminal remedies and sanctions. Creating a new set of untested standards and penalties is likely to chill (and make more expensive) consumer lending in Rhode Island.

Given the disruption to the marketplace of reversing course after so many years, the uncertainty of its impact and even the possibility of future second guessing of this action, we strongly urge the General Assembly not to pass this measure.

We remain available to discuss this proposal further.

Sincerely,

RHODE ISLAND BANKERS ASSOCIATION

A handwritten signature in dark ink, reading "Will Farrell". The signature is written in a cursive, slightly slanted style.

Will Farrell

Cc: The Honorable Brandon C. Potter