



Center for Responsible Lending

March 3, 2026

The Honorable Joseph Solomon, Jr., Chair
House Committee on Corporations
State of Rhode Island General Assembly
82 Smith Street
Providence, RI 02903

Re: Support House Bill 7850

Dear Chair Solomon, Vice-Chairs O'Brien and Caldwell, and Members of the Committee:

I write on behalf of the Center for Responsible Lending (“CRL”) to offer **strong support for House Bill 7850 (“H-7850”)** sponsored by Representative Handy. This bill delivers a powerful, two-part solution to stop predatory online lenders from saddling Rhode Island’s working families with **195% APR loans**: First, it completely blocks online lenders from scheming with out-of-state state-chartered banks, which account for the overwhelming majority of such schemes. Once established, it provides an easy way for the Attorney General and the Director of the Department of Business Regulation to shut down such abuses. Second, it establishes strong anti-evasion, “true lender” protections against evasions that could arise when online lenders hide behind National banks and third-party entities that exploit tribal sovereignty. **Together, these provisions send a clear message: lenders that make loans to Rhode Island residents must comply with Rhode Island law.**

State interest rate limits are a vital consumer protection. They prevent loans from trapping borrowers in unmanageable debt and exacerbating financial distress, whether the loans are small with extremely high rates or larger loans where charges can accumulate quickly.

I. Triple-Digit Interest Rate Loans Trap Borrowers in Unaffordable Debt

Among the most irresponsible loan products are installment loans at triple-digit interest rates. The combination of higher principal amounts and exorbitant interest rates traps borrowers in prolonged, unaffordable debt. Take one real example of an online loan offered by Opportunity Financial (“OppFi”). **The customer borrowed \$1,700 over 20 months at 160% APR, paying over \$2,800 in finance charges and making a total of over \$4,500 in payments.**¹ Over the first three months of payments, the borrower paid roughly \$620 in total, yet only \$95 of that amount went toward paying down the principal, with the remainder going to interest payments due to the

¹ *Burned Borrowers: A Look at the Experiences of OppFi Customers*, CRL (April 2023), available at <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-burned-borrowers-oppfi-7apr2023.pdf>.

302 West Main Street
Durham, NC 27701

910 17th Street NW, Suite 500
Washington, DC 20006-2610

1970 Broadway, Suite 350
Oakland, CA 94612

Tel: 919.313.8500
Fax: 919.313.8595

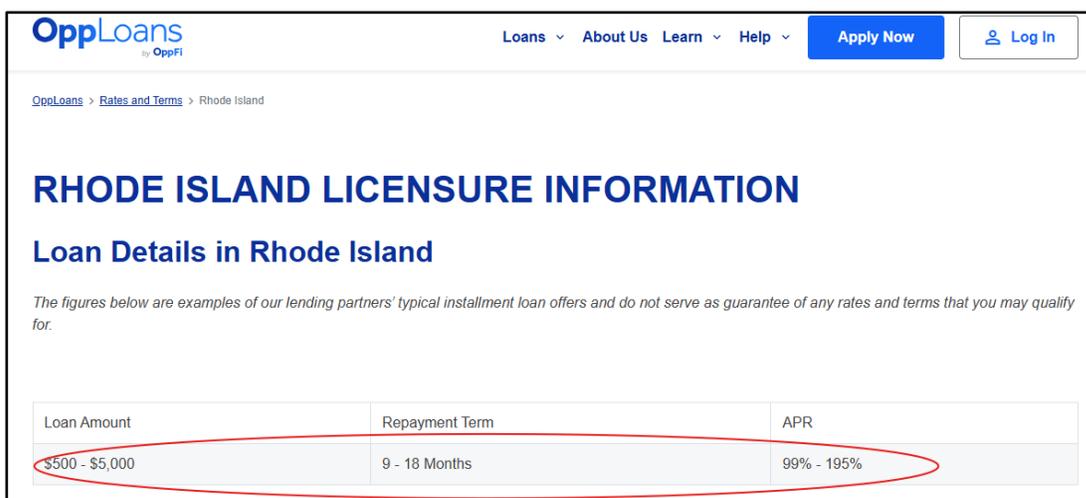
Tel: 202.349.1850
Fax: 202.289.9009

Tel: 510.379.5500
Fax: 510.893.9300

sky-high rate. **After those three months, the borrower still owed over \$1,600 in principal, despite making over \$600 in payments.**

CRL’s analysis of transactional data from OppFi borrowers shows that **approximately 34% refinanced their loans at least once.**² On average, borrowers who refinanced did so twice, and 10% refinanced five or more times. The median number of days between the initial loan and refinance (or consecutive refinances) was 91 days. While not every refinance is harmful, the prevalence and frequency of refinancing indicate that these loans are often unaffordable at origination and function to extend borrowers’ periods of indebtedness rather than provide a path to repayment. For example, one borrower refinanced their OppFi loan several times and remained indebted for more than 26 months, making payments of \$180 twice a month, while another refinanced more than a dozen times between 2020 and November 2024—about every three months —illustrating how repeated refinancing can turn a short-term loan into a prolonged and unaffordable debt obligation.

For example, **OppFi’s own Rhode Island rate sheet shows installment loans with APRs ranging from 99% to 195%—far exceeding Rhode Island’s rate limits.** See Exhibit A (below).³



The screenshot shows the OppLoans website interface. At the top, there is a navigation bar with links for 'Loans', 'About Us', 'Learn', and 'Help', along with an 'Apply Now' button and a 'Log In' button. Below the navigation bar, the breadcrumb trail reads 'OppLoans > Rates and Terms > Rhode Island'. The main heading is 'RHODE ISLAND LICENSURE INFORMATION'. Underneath, it says 'Loan Details in Rhode Island'. A disclaimer states: 'The figures below are examples of our lending partners' typical installment loan offers and do not serve as guarantee of any rates and terms that you may qualify for.' Below this is a table with three columns: 'Loan Amount', 'Repayment Term', and 'APR'. The table contains one row of data: '\$500 - \$5,000', '9 - 18 Months', and '99% - 195%'. The 'APR' cell is circled in red.

Loan Amount	Repayment Term	APR
\$500 - \$5,000	9 - 18 Months	99% - 195%

While some out-of-state lenders, like OppFi, continue to make relatively small-dollar loans at triple-digit interest rates far exceeding Rhode Island’s legal limits, others seek to make large loans, \$10,000 or \$20,000, at rates of 30% or even 36% APR. Even these larger loans can exacerbate financial distress and are untenable for Rhode Islanders struggling to make ends meet.

Loans like these are so harmful because they misalign incentives between lenders and borrowers. In a well-functioning loan market, lenders profit only when borrowers can

² *Lost Opportunities: How OppFi Traps Borrowers in Unaffordable Debt*, CRL (Jan. 2026), available at <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-lost-opportunities-jan2026.pdf>.

³ Rhode Island Licensure Information, OppLoans by OppFi, available at <https://www.opploans.com/rates-and-terms/rhode-island/>.

successfully repay their loans according to the terms. With sky-high interest rates, however, borrowers often repay an amount equal to the loan principal very quickly, allowing the lender to recoup its investment in far less time than the stated loan term. As a result, lenders can recover their costs even when borrowers ultimately default. In these circumstances, lenders have reduced incentives to thoroughly assess borrowers' ability to repay, leading to widespread unaffordable lending. **This breakdown in affordability is reflected in OppFi's own disclosures: the company's most recent 10-K filing reports a net charge-off rate of 51.4% (as a percentage of average receivables).**⁴

II. Closing the Rent-a-Bank Loophole and Preventing Evasion of Rhode Island Law

How do predatory lenders make 195% APR loans in Rhode Island despite the state's 21% to 36% APR interest rate cap?⁵ They exploit a provision in federal banking law that has been interpreted to allow banks to lend across the country—without regard to any rate caps—so long as the bank is chartered in a state, like Utah, that has no usury limits. While only a handful of banks engage in this conduct, in recent years, they have caused significant harm to families across the country by enabling a number of predatory online lenders to lend at exploitative, usurious interest rates.

In these “Rent-a-Bank” schemes, the online lender designs, markets, funds, underwrites, and services the loan, while the bank's role is often limited to being named as the lender in the loan documents, in return for a fee.

The best way to stop this abuse is to exercise the right that federal banking law expressly grants to states: **to opt out of the provision of the Depository Institutions Deregulation and Monetary Control Act of 1980 (“DIDMCA”)** that allows out-of-state banks to evade Rhode Island's rate caps. Opting out of DIDMCA empowers Rhode Island's Attorney General and the Director of the Department of Business Regulation to stop the Rent-a-Bank abuses harming Rhode Island's families today.

Additionally, H-7850's anti-evasion provisions equip Rhode Island's Attorney General and the Director of the Department of Business Regulation with legal tools to use in the event that online lenders seek to engage in Rent-a-Bank schemes with National banks, as well as those that exploit tribal sovereignty to make usurious loans. This prevents online lenders from avoiding state law by claiming they are not the “true lender.”

States such as Iowa, Puerto Rico, and Colorado⁶ have exercised DIDMCA opt-out authority to protect residents from high-cost, out-of-state loans. Other states, including

⁴ OppFi SEC 10-K filing (March 2025), p 73, available at <https://investors.oppfi.com/financials/sec-filings/sec-filings-details/default.aspx?FilingId=18275610>.

⁵ R.I. Gen. Laws §19-14.2-8.

⁶ After Colorado exercised its authority to opt out of DIDMCA, trade associations representing lenders challenged the state's action. A panel of the Tenth Circuit Court of Appeals reversed the district court's decision and upheld Colorado's right to opt-out

Washington, Connecticut, Hawaii, Georgia, Illinois, Maine, Minnesota, Nevada, New Hampshire, and New Mexico, have adopted “true lender” provisions that impose licensing and compliance obligations on loans made through Rent-A-Bank schemes.

III. Restoring Rhode Island’s Authority and Protecting Consumers

H-7850 restores Rhode Island’s full authority to enforce its small-loan interest rate limits and closes the loopholes that have allowed lenders to make 195% APR loans to Rhode Islanders. By opting out of DIDMCA, the bill completely blocks online lenders from using out-of-state bank charters to evade Rhode Island’s interest rate limits, while the anti-evasion provisions ensure lenders cannot escape compliance through arrangements involving National banks or entities claiming tribal affiliation.

High-cost loans carrying triple-digit interest rates are not financial bridges; they predictably deepen financial distress for Rhode Island families. H-7850 gives the Attorney General and the Director of the Department of Business Regulation the authority and tools needed to stop these predatory practices, ensuring that state law is enforceable and that lenders cannot circumvent Rhode Island’s consumer protections.

Opponents of H-7850 argue that the bill would restrict access to credit. This argument has no merit. Rhode Island has already made a deliberate policy choice to protect its residents through enforceable interest rate limits. H-7850 simply ensures that out-of-state lenders are held to the same usury laws that Rhode Island banks, credit unions, and licensed non-bank lenders already follow. High-cost, predatory loans create an uneven playing field, as in-state institutions must comply with the law while out-of-state lenders can offer substantially higher rates by exporting their home-state rates through Rent-a-Bank schemes. This practice diverts business from Rhode Island-chartered institutions and distorts the consumer lending market.

Passing this H-7850 affirms that Rhode Island—not out-of-state lenders—sets the rules for loans made to its residents. CRL respectfully urges the House Committee on Corporations to adopt H-7850.

Sincerely,



Katelin Shaw Kaiser
Policy Counsel
Center for Responsible Lending

and enforce its interest rate limits against online lenders making loans to Colorado residents. The trade groups have moved for rehearing before the full Tenth Circuit Court of Appeal and the Court has not yet ruled on that request. *National Association of Industrial Bankers v. Weiser*, 24-1293, (10th Cir.).