



April 14, 2026

Members of the Rhode Island General Assembly  
State House  
82 Smith Street  
Providence, RI 02903

**RE: Opposition to S2206 – Anti-Evasion of Lending Rules Act of 2026**

Dear Members of the General Assembly,

The Cooperative Credit Union Association, on behalf of the Rhode Island Credit Unions, member-owned, not-for-profit financial cooperatives serving Rhode Island families and communities, writes in opposition to the proposed (S2206)Anti-Evasion of Lending Rules Act of 2026. *We share the General Assembly’s commitment to protecting consumers from predatory lending practices; however, as currently drafted, this legislation would impose sweeping restrictions that risk causing significant unintended harm to credit unions and the members who depend on us every day.*

**Impact on Credit Union Operations**

Credit unions are fundamentally different from the predatory lenders this legislation seeks to curtail. We are democratically governed, not-for-profit institutions that exist solely to advance the financial well-being of our members – not to generate profits for outside shareholders. The bill’s overly broad definition of “lender” and its sweeping application to agents, service providers, and affiliated entities would ensnare credit unions in burdensome compliance requirements even when we are acting fully in good faith and in our members’ best interests.

The legislation fails to distinguish between institutions with a genuine consumer-protection mission and those engaged in exploitative practices. Treating credit unions the same as bad-faith lenders is both inaccurate and counterproductive.

**Potential Reduction in Access to Credit**

S2206’s provision voiding loans that violate the act and imposing severe penalties would have a chilling effect on responsible lending. Faced with legal uncertainty and the risk of forfeiting entire loan portfolios, credit unions may be forced to curtail innovative loan products or discontinue partnerships with third-party service providers that help us extend credit to underserved populations.



This outcome would be especially damaging for low- and moderate-income Rhode Islanders who rely on credit unions as a trusted, affordable alternative to high-cost lenders. Restricting credit unions' flexibility does not eliminate the demand for financial services – it redirects borrowers toward less-regulated, higher-cost options, the very outcome this bill aims to prevent.

### **Conflict with Federal Law and Regulatory Uncertainty**

Section 525 of the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) allows states to opt out of interest rate exportation, and while several states initially did so, only Iowa and Puerto Rico remain opted out today, with Colorado poised to rejoin them. Opting out means that loans made in that state must comply with their specific interest rate caps, a policy intended to protect consumers from higher out-of-state rates. However, such a move creates significant unintended consequences: it places state-chartered Rhode Island Credit Union at a competitive disadvantage relative to federally chartered institutions in non-opt-out states, reintroducing pre-1980 inequities, and generates regulatory uncertainty about where a loan is considered “made.”

Because federal interpretations may still allow out-of-state lenders to structure loans in ways that preserve rate exportation, *the practical effect is that in-state (state-chartered) financial institutions bear the burden of restrictions, ultimately distorting the market rather than leveling it.* The bill’s rejection of provisions under DIDMCA creates a direct conflict between state and federal regulatory frameworks. This patchwork of inconsistent rules places an unreasonable compliance burden on credit unions that operate across state lines and undermines the uniformity that financial institutions require to safely and efficiently serve their members.

Regulatory unpredictability increases operational costs, which are ultimately borne by members through higher rates or reduced services – outcomes directly contrary to the consumer-protection goals of this legislation.

### **Unintended Consequences for Legitimate Lending Practices**

The bill’s broad language risks penalizing legitimate, consumer-friendly financial products. For example, the prohibition on “disguising loan charges” is not defined with sufficient precision and could be misconstrued as restricting transparent, member-benefit-oriented pricing models that credit unions have long used to the advantage of borrowers. Vague statutory language invites inconsistent enforcement and creates unnecessary legal exposure for institutions operating in complete good faith.

At CCUA, our mission is to provide the financial empowerment of Rhode Island residents. We remain steadfastly committed to consumer protection and financial inclusion, and we believe



those goals are best achieved through thoughtful, targeted legislation developed in close partnership with the institutions most accountable to the communities they serve.

We welcome the opportunity to meet with you and your colleagues to discuss our concerns in greater detail and to collaborate on a legislative approach that effectively protects Rhode Island consumers without jeopardizing the critical financial services that credit unions provide. Thank you for your consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adrian Velazquez".

**Adrian Velazquez, Esq.**  
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