



April 28, 2026

The Honorable Senator Robert Britto, Chair
Senate Committee on Commerce
State of Rhode Island General Assembly

Dear Chair Britto, Vice-Chair Sosnowski, Secretary Bell and Members of the Committee:

I am writing in opposition to Senate Bill 3074, an act related to financial institutions – small loan lenders. Thank you for the opportunity to submit testimony.

My name is Monica Burks, and I am Policy Counsel with the Center for Responsible Lending (CRL), a non-profit, non-partisan policy and research organization dedicated to building family wealth through curbing abusive financial practices. CRL is affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

I respectfully submit this testimony in strong opposition to S 3074, which would significantly increase allowable interest rates and add new fees on small-dollar loans up to \$5,000.

This proposal would reverse hard-won protections for Rhode Island borrowers and reopen the door to high-cost lending practices that the General Assembly moved to end just last year by enacting S 0229, which repealed the carve-out that had allowed payday lending in the state. It would also make Rhode Island the only state in New England to permit predatory APRs on installment loans.¹

In 2025, Rhode Island eliminated the deferred presentment carve-out that had allowed payday lenders to operate outside the state's usury protections. That reform reflected a legislative determination that triple-digit interest rate lending traps borrowers in cycles of repeat debt and causes long-term financial harm. S 3074 would undo that progress by authorizing similarly harmful cost structures under the small loan statute.

Under current law, small loan lenders may charge interest at specified monthly rates. S 3074 would authorize a new origination fee of up to \$100 or 5% of the amount borrowed, increase monthly interest rates across all loan tiers, and add new monthly service fees depending on loan size. Adding an origination charge and monthly service fees pushes the total cost and annual percentage rates dramatically higher than the interest alone suggests. For example, **a \$500 loan repaid in two weeks would increase from 30% APR to 240% APR**, almost identical to the rates on payday loans the legislature voted just last year to limit to 36% APR due to proven harms. Further, **a \$5000 loan repaid in three years would increase from 24% APR to 65% APR**, making it one of the most expensive installment loans allowed in any state across the

¹ NCLC, Predatory Installment Lending in the States: How Well Do the States Protect Consumers Against High-Cost Installment Loans? (2025), [Predatory Installment Lending in the States: How Well Do the States Protect Consumers Against High-Cost Installment Loans? \(2025\) - NCLC](#).



Center for Responsible Lending
country.

Research from the Center for Responsible Lending and the National Consumer Law Center consistently shows that high-cost installment loans function much like payday loans. They are structured around borrowers' inability to repay in full without reborrowing. Repeat borrowing is common. High-cost lenders frequently rely on refinancing and back-to-back loans for profitability, leading to months or years of indebtedness. For low- and moderate-income households, payments at 65% to 240% or higher APR compete directly with rent, utilities, groceries, and medical bills.

Although marketed as safer alternatives to payday loans, high-cost installment loans often result in borrowers paying more in total interest over a longer period of time. The General Assembly's repeal of the payday lending carve-out was a landmark action that acknowledged that high-cost lending deepens cash shortfalls and traps borrowers in cycles of reborrowing. Strong rate caps are necessary to prevent exploitation. Decades of research confirm that high-cost credit is associated with increased risk of bankruptcy, delinquency on other obligations, overdrafts, account closures, and reduced long-term financial mobility.²

For families living on tight margins, loans with the APRs proposed in S 3074 can result in thousands of dollars in finance charges. Even when borrowers avoid default, they often pay far more in interest and fees than the amount originally needed. Raising allowable rates and layering on additional fees increases the probability that borrowers will remain indebted longer or fall behind on essential expenses.

S 3074 would reintroduce high-cost credit under a different statutory framework, just when this legislature made the well-informed decision to protect Rhode Island consumers from predatory credit products. While labeled small loans rather than payday loans, the economic impact on borrowers would be similar. The permitted origination fees combined with elevated monthly interest rates and recurring service fees would recreate the high costs that led many Rhode Islanders into the payday lending debt trap and the resulting cascade of negative consequences for decades.

For these reasons, I respectfully urge the Committee to reject S 3074. Thank you for your consideration.

Sincerely,

Monica Burks
Policy Counsel
Center for Responsible Lending

² CRL, *Unsafe Harbors: The Persistent Harms of High Cost Installment Loans*, (2025) [Unsafe Harbor: The Persistent Harms of High-Cost Installment Loans | Center for Responsible Lending](#)