



STATE OF RHODE ISLAND  
**OFFICE OF GOVERNOR DANIEL J. MCKEE**

March 13, 2025

The Honorable Joseph J. Solomon, Jr.  
Chairman  
House Committee on Corporations  
82 Smith Street  
Providence, Rhode Island 02903

**RE: Letter of Support H 5042 - An Act Relating to Financial Institutions -- Licensed Activities**

Dear Chairman Solomon,

I write to express my strong support of H 5042 and would like to thank Representative Karen Alzate for her leadership in this area. This bill would repeal the provisions of Rhode Island General Laws that allow "payday lenders," also known as deferred deposit providers, to operate in this state.

Despite being marketed as a short-term solution to small financial struggles, payday loans are a predatory practice that trap individuals in an ongoing cycle of debt, fueled by unreasonably high interest rates, short repayment periods, and large weekly payments. Currently, payday lenders are permitted to charge an annual percentage rate (APR) of up to 260 percent, while traditional banks are capped by the state's interest and usury law R.I.G.L § 6-26-2. This bill would remove the authorization for this damaging form of lending.

A study conducted by the Consumer Financial Protection Bureau found that only 15 percent of those who take out a payday loan repay their debt within the 14-day due date, and three out of five payday loans are made to borrowers whose fee expenses exceed amount borrowed.<sup>1</sup> Further, four out of five payday borrowers either default or renew a payday loan over the course of a year.

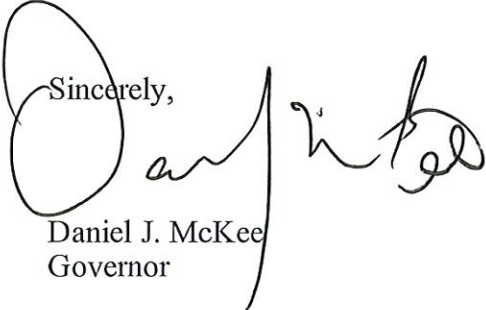
Payday borrowers are much more than a data point – they are Rhode Islanders who need a few hundred dollars to pay for an unexpected car repair or medical bill. Rhode Island cannot continue to allow these lenders to prey upon our working residents with exorbitant interest rates and fees.

Thank you for the opportunity to comment on this important legislation, and I urge this Honorable Committee to protect Rhode Islanders from the predatory practice of payday loans.

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<sup>1</sup> <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-four-out-of-five-payday-loans-are-rolled-over-or-renewed/>

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Sincerely,  
  
Daniel J. McKee  
Governor

CC: The Honorable Members of the House Committee on Corporations  
The Honorable Karen Alzate  
Nicole McCarty, Esq., Chief Legal Counsel to the Speaker of the House