



Department of Business Regulation Banking Division

1511 Pontiac Avenue, Cranston, RI 02920
P: 401.462.9503 • F: 401.462.9536
TTY: 711 • www.dbr.ri.gov



March 12, 2024

The Honorable Robert E. Craven, Sr.,
Chair, House Committee on Judiciary
State House
Providence, Rhode Island 02903

Re:H7574 – An Act Relating to Courts and Civil Procedure – Third Party Litigation Financing Consumer Protection Act

Dear Chair Craven:

I am writing on behalf of the Department of Business Regulation, Division of Banking (the “Division”) to provide information on the topic of third-party litigation financing specific to HB 7574 to assist the Committee with consideration of this bill.

This bill defines litigation financier and provides for registration and reporting requirements with the Secretary of State (SOS.) While the Division of Banking supports the provisions in the legislation, the oversight of such provisions is better served within the Division of Banking instead of the Secretary of State. The Division of Banking considers companies offering these products to be lenders and currently requires a license under R.I. Gen. Law 19-14-1 (12). If the bill were to be enacted without amendment the State of Rhode Island would be requiring two licenses – one from DBR and one from the SOS.

The Division currently performs registration and licensing functions for over 3,200 financial entities and 3,624 individuals (located nationwide) that provide various financial service-related products to Rhode Island consumers. We utilize a nationwide license/registration system (NMLS) that is both convenient and efficient to the entities regulated. Currently, the Division maintains ten (10) license types within the NMLS. Adding any additional license/registration types to the system can be completed quickly efficiently.

The litigation financial protections that are outlined in the legislation are very similar to other protections afforded to consumers within existing financial laws and regulations, which would be easier for Banking Division examiners to enforce. The Division currently requires annual reporting for its licensed/registered entities and can easily create a reporting program for litigation financiers.

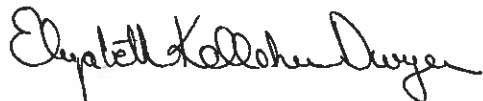
Currently there are seven (7) state financial regulatory agencies, including Vermont and Maine, that consider litigation lending a form of lending and requires licensure either as a lender or more specifically a consumer litigation lender. The regulation of this activity is overseen by the state’s financial services regulator by utilizing the NMLS.

By amending the language of this bill to give oversight to the Division of Banking, and keeping all of the consumer protections as proposed, the Legislature will have created a safer financial product for Rhode Island consumers. We would be happy to work with the sponsor toward policy language in this regard. If the authority is given to the Division of Banking, we request an amendment to delay the effective date to January 1, 2025 in order to onboard the license type to the NMLS.

We would be happy to provide you with whatever additional information you would request. Please do not hesitate to contact me at elizabeth.dwyer@dbr.ri.gov or 401.462.9615 (office) or 401.578.6653 (mobile).

Thank you for your consideration of our position on this proposed legislation.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth Kelleher Dwyer". The signature is written in a cursive style with a large initial "E".

Elizabeth Kelleher Dwyer
Director

cc. The Honorable Members of the House Committee on Judiciary
The Honorable Alex Finkelman
Nicole McCarty, Esq., Chief Legal Counsel to the Speaker of the House