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Rhode Island Governor Signs into Law Interest Rate Cap that Stops Payday Loan Debt Traps

July 9, 2025

RI becomes 21st state, alongside D.C., to prohibit triple-digit interest rate credit

DURHAM, N.C. – After a long struggle – almost fifteen years after legislation was first introduced – Rhode Island Governor Dan McKee has signed into law a bill that will prohibit payday lenders from charging annual percentage rates (APRs) higher than 36%. The law will take effect on January 1st, 2027. The typical rate for a payday loan in the state has been 261% APR, according to [research](#) from the Center for Responsible Lending (CRL).

“Thanks to the dedication of Rhode Island lawmakers and advocates, the Ocean State will no longer have payday loan sharks. This law will prevent payday lenders from draining millions of dollars in fees annually and instead keep that money in the pockets of Rhode Islanders who really need it,” **said CRL Policy Counsel Monica Burks**. “While the law’s effective start date is way too far from now, these predatory lenders will hopefully see the writing on the wall and stop their usury sooner. We are pleased to see Rhode Island become the 21st state, alongside the District of Columbia, to stop payday loans from trapping people in debt.”

Background

Payday loans have been shown to pull people into long cycles of repeat reborrowing that pull them deep into debt. Research from the Consumer Financial Protection Bureau shows that four out of every five payday loans are reborrowed within two weeks.

Polling consistently shows a strong majority of Republican, Democratic, and independent voters support strong interest rate caps. This has been demonstrated in several state ballot initiatives, including in Nebraska, where in 2020 a cap was enacted with support from over 80% of voters.

The 21 states, alongside D.C., with strong interest rate caps that stop the payday loan debt trap are: Arizona, Arkansas, Colorado, Connecticut, Georgia, Illinois, Maryland, Massachusetts, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Pennsylvania, Rhode Island, South Dakota, Vermont, and West Virginia.

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CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. Our work leverages the strength of partnerships with national and local consumer and civil rights organizations.

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