



Testimony in Opposition to H-7868

Relating to Commercial Law – General Regulatory Provisions – Interest and Usury

House Committee on Corporations

March 3, 2026

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The Economic Progress Institute strongly opposes Representative Serpa’s H-7868, which would harm Rhode Island consumers by legalizing predatory lending in the state.

Less than a year after the long-awaited enactment of payday lending reform legislation in Rhode Island (and before it even takes effect next year), this bill would gut this historic and beneficial achievement which prevents 261% Annual Percentage Rates (APRs).

The following table compares current Rhode Island law to what **H-7868** proposes:

Loan Size	Current Law (§19-14.2-8)	H-7868
up to \$300	36% APR	60% APR + 5% origination fee + \$5 monthly service fee = up to 238% APR
above \$300 up to \$800	30% APR	54% APR + 5% origination fee + \$10 monthly service fee = up to 240% APR
above \$800 up to \$5,000	24% APR	48% APR + 5% origination fee (max \$100) + \$30 monthly service fee = up to 120% APR

This bill would replace the rate caps Rhode Island policymakers long ago set to protect Rhode Islanders from predatory lenders. This would not only resurrect storefront payday lending but also **overturn the entire small loan market for Rhode Islanders, increasing borrowing costs for individuals and small business owners.**

Rhode Island consumers are not asking for this change. The only ones seeking this sort of change in the lending market are those who stand to profit from trapping Rhode Island consumers in new cycles of debt.

I urge you to reject this disastrous and dangerous proposal.