



**Testimony Re: Senate Bill 2173 Related to Payday Lending**  
**Senate Committee on Commerce**  
**April 12, 2018**  
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Mr. Chairman and members of the Committee, thank you for the opportunity to provide testimony today. Rhode Island KIDS COUNT would like to voice its strong support for Senate Bill 2173. This bill would protect families' economic security by repealing payday lenders' special exemption which allows these lenders to charge interest rates of up to 261% on short-term loans secured by a borrower's paycheck.

State and federal policies that protect families from payday lending and predatory mortgage lending and expand access to convenient, cost-effective and safe financial services allow families to keep more of their earnings and to save and invest more and also help promote a more stable workforce and stronger communities. For these reasons protecting families from payday lending has been a key recommendation that Rhode Island KIDS COUNT has made in its annual *Rhode Island Kids Count Factbook* and in numerous *Issue Briefs on Child Poverty in Rhode Island* over the past several years.

Prosperity Now, a national non-profit and leading source of data about household financial security and policy solutions, highlights state policies that would help low- and moderate-income households build and preserve their assets and achieve the American Dream, including buying a home, pursuing higher education, starting a business, and saving for the future. According to Prosperity Now, **by far the most effective policy for curbing payday lending is to prohibit these loans outright or to establish a fair playing field by imposing an APR cap of 36%**. State efforts to address high-cost payday lending without such prohibitions or rate caps have been largely unsuccessful.

Many states have already recognized the negative impact of predatory small dollar lending. In fact, Rhode Island is the only state in New England that does not prohibit payday lending. We would urge the General Assembly to pass this bill and join our neighbor states in protecting low-income families from the negative impact of predatory small dollar lending.

Earlier this week, the Senate passed a resolution proclaiming April 2018 to be Financial Literacy Month. This resolution noted that Rhode Island should **"endeavor to expand the availability of financial products and services that are fair, affordable, and understandable."** We believe that this bill will help protect Rhode Islanders from financial products and services that do not meet this standard. Thank you for the opportunity to offer testimony today.