



**Testimony Re: House Bill 5160- An Act Relating to Financial Institutions -
- Licensed Activities -- Lenders and Loan Brokers -- Check Cashing
House Corporations Committee**

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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 strongly support House Bill 5160 and thank Representative Alzate for sponsoring and Representatives Cruz, Kazarian, Vella-Wilkinson, Messier, Speakman, Bennett, Kislak, Newberry, and Fogarty for co-sponsoring. This bill would repeal the provisions of the general laws allowing deferred deposit providers, also known as payday lenders.

According to *Pew Research Center*, average payday loan customers are low-income workers earning less than \$30,000 a year. Many low-income families have limited or no access to traditional banks and instead must rely on cash transactions or alternative financial services, such as check-cashing stores, payday lenders, and rent-to-own stores. Nationally, Black, and Hispanic households are less likely to have a checking or savings account. For example, in Rhode Island, between 2015-2019, 17% of Hispanic households were unbanked compared to 3% of white households. As a result, these families pay high fees for financial transactions and high-interest rates on loans and often need help to build credit histories and achieve economic security.

Payday loan centers are heavily concentrated in low-income communities and Communities of Color and disproportionately impact Black people. One study found that 23% of all (brick and mortar) payday loan customers were Black, yet Black people only make up 13% of the American population. Payday loans disguise themselves as a lifeline to desperate customers who use their services to pay for rent, cover medical bills, buy groceries, or pay for car repairs by offering fast cash with no credit checks. However, these loans purposely target communities they know cannot repay the debt in time and accrue excessive high-interest fees. For example, a \$400 loan can end up costing families hundreds of dollars, leaving them trapped in a cycle of debt and unable to meet the basic needs they sought to satisfy in the first place.

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 our *2021 Issue Brief on Racial and Ethnic Disparities in Children's Economic Well-Being in Rhode Island-Being in Rhode Island*. Eliminating predatory payday lending, and expanding access to convenient,

cost-effective, and safe financial services would allow families to keep more of their earnings, save, and invest.

Many states have already recognized the negative impact of predatory payday lending. Rhode Island is now the only state in New England that does not protect against them. Payday loan centers have operated for over two decades in our state—over 20 years of targeting the most vulnerable through predatory practices.

We urge the General Assembly to pass this bill and join our neighboring states in protecting low-income families from the negative impact of predatory payday lending.

Thank you for the leadership the General Assembly has shown on this issue and the opportunity to testify today.

